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The Visa system is the world’s most robust electronic payments network, linking a billion cardholders and over 20 million merchants around the world.

The system was created in 1973 as an association of financial institutions, and the name “Visa” was introduced in 1976.

Over the past 30 years consumers, businesses and merchants have come to identify Visa with convenience, flexibility, security and unparalleled worldwide acceptance. People trust Visa to work, and it does.

This report brings you up to date with the Visa story. It explains how over 30 years of investment in a unique global electronic payment system have changed the way the world pays.
Visa’s founders had a simple vision—to oil the wheels of commerce around the world by simplifying payments between consumers and merchants. For over 30 years, Visa, and its predecessor BankAmericard, have changed the way the world pays. What started as an organisation providing credit cards to Californian consumers has become an electronic payment business that serves consumers, businesses and governments worldwide.

Nowadays, it is difficult to imagine life without the convenience of Visa—waiting in long lines at check-outs as people write cheques, running out of cash over the weekend because of the lack of easy access to an ATM, shop owners waiting weeks for cheques to clear, and the anxiety of international travel. The dramatic growth of the Visa system is testament to the convenience, security and control offered by electronic payments compared with cash and cheques. Over a billion cardholders and 20 million merchants now use the Visa system, but few understand how it works.

The Visa International Service Association (visa) is owned by nearly 21,000 financial institutions around the world. At its heart is one of the world’s most efficient electronic payment systems—capable of processing over 100 million transactions a day safely and securely. Behind this system is the essential attribute of trust. People trust Visa with their electronic payment transactions wherever they see the Visa acceptance mark.

This report is the first in our history. It provides the multiple stakeholders in the Visa system with an overview of how we operate and how our growth has been achieved.
Today’s robust global electronic payment system reflects billions of dollars of infrastructure investment.

Visa’s growth has been possible because of the significant private investment that Visa members have made in building the system. The evolution from paper charge slips shipped around the world in our early years to today’s robust global electronic payment system reflects billions of dollars of infrastructure investment.

It’s useful to look at the metrics of Visa’s performance because they illuminate trends we believe will continue as the world moves away from cash and cheques toward electronic payments. In 2004:

• Visa system volumes exceeded US$ 3 trillion for the first time and, more significantly, over half of that volume was debit. Consumers are migrating from writing cheques for recurring payments to using their debit cards for on- and offline bill payment.

• Commercial card volume grew by nearly 25%, to over US$ 210 billion, reflecting the rapidly growing use of electronic payment systems by large and small businesses as well as governments to make payments and track expenses.

• Prepaid card issuance outpaced other Visa card programmes in 2004, growing at triple-digit rates. Visa has more than 2000 prepaid programmes in over 30 countries, and the prepaid platform is increasingly used by governments for the efficient delivery of social benefits, including pensions, insurance and childcare payments.

• Over 20 million merchants already accept Visa. New merchant categories continue to open, including quick-service restaurants, which have begun to accept card payments as technology speeds transactions.

• E-commerce has become a well-established, rapidly growing sales channel. Visa credit and debit products now account for more than 50% of all online payments, underscoring the convenience and security of online “Verified by Visa” payments as well as Visa’s flexibility in adapting to new commercial environments.
Electronic payments are not a mature business—they are a growth business.

Each of these business trends points toward the value that Visa delivers to buyers and sellers. But more important, they show that electronic payments are not a mature business—they are a growth business. Developing countries want electronic payment systems because they accelerate their move toward a transparent and efficient economic system. Developed countries want payment systems that are ubiquitous and incorporate the latest technology. Our commitment to meeting those needs and to building and maintaining the safest and most secure network requires significant ongoing investment.

The growth of electronic payments also drives economic growth in the markets we serve. Electronic payments reduce underground economies and bring greater transparency to government finance. They attract capital and consumers to the banking system. And, when coupled with the judicious use of credit, electronic payment systems can play a critical role in helping small business grow.

As we look to the future, the potential for electronic payments is tremendous. Opportunities to develop new channels and new markets are present in every country we serve. Rapid advancement in technology has significantly lowered barriers to building acceptance infrastructure, and governments are increasingly realising that electronic payments can greatly improve efficiency.

Today Visa and the Visa brand are widely recognised as one of the most significant innovations of the 20th century. Visa earned its place in the minds and wallets of people around the world by making a worldwide promise, delivered locally. Along the way it has come to play a key role in facilitating commerce around the world and powering the engine of economic growth.

Our commitment is not only to ensuring that the system continues to operate efficiently and effectively but also to providing continued investment in the Visa network to extend efficient electronic payments system throughout the world.

Christopher Rodrigues
President & CEO, Visa International
Visa’s vision is to be “the way the world pays”. Visa is realising this vision by creating payment products and services that allow buyers and sellers to conduct commerce with choice, ease and confidence in both the physical and virtual worlds—anywhere, anytime and any way. This vision is grounded in a rich heritage of acceptance, convenience, flexibility and security—attributes that have characterised Visa since its inception.

A Worldwide Promise, Delivered Locally

With nearly 21,000 member financial institutions and more than 20 million merchants, Visa is the most widely used form of electronic payment in the world. Taken together, Visa’s activities are a powerful economic engine, stimulating growth and generating new opportunities.
Every buyer must pay and every seller must be paid. This basic principle underlies every payment transaction that takes place, electronically or otherwise. In essence, a Visa payment product performs three functions. It identifies buyer to seller and seller to buyer. It acts as a guarantor for payment. And it originates and transfers data for the settlement of accounts.

 Millions of times each day, Visa links four parties in a pay-and-be-paid network of growing sophistication and security. The four parties in this system are:

- **Cardholders**, who are guaranteed acceptance
- **Merchants**, who are guaranteed payment
- **Acquiring banks**, who facilitate merchant payments
- **Issuing banks**, who serve their cardholders

Issuing banks have primary responsibility for generating buyer interest in the system. They compete with each other, issuing cards, setting fees and interest rates, and creating unique features such as rewards programmes. Issuing banks bear the risk and cost for lending on credit products and the majority of card fraud expense.

Acquiring banks represent merchants within the system. Acquirers are responsible for expanding the Visa acceptance network by bringing new merchants into the system. They compete with each other to acquire merchant relationships, set the fees that merchants pay when they accept payment on a card and guarantee payment to merchants.

Consumers, corporations and merchants have many payment options at their disposal—pay with cash, write a cheque, use a store card or pay with one of the numerous other general-purpose cards. But, as evidenced by Visa’s growing share of personal consumption expenditure, consumers, corporations, governments and merchants are increasingly choosing Visa as their preferred way to pay.
The Visa payment system is what economists refer to as a “two-sided” market. This means that neither side (in Visa’s case, issuers/cardholders and acquirers/merchants) can provide the service independently. The two are inextricably linked and need to work together for the system to work properly.

For the payment system to grow, cardholders need to be willing to use Visa, and merchants must be willing to accept Visa. Both sides benefit from growth of the overall system.

The Visa association plays a critical role in ensuring that value is delivered to both cardholders and merchants. Cardholders are encouraged to use the system through the highly competitive issuing market. Likewise, acquiring banks compete for merchants’ business.

**Interchange**
Interchange is not a source of revenue for Visa. Interchange is the fee paid, typically by merchant-acquiring institutions to card-issuing institutions, each time a Visa payment product is used. This fee helps offset the costs of issuing cards and processing charges to a cardholder’s account. It also enables issuers to add features and benefits to the cards. These, in turn, encourage use, which benefits merchants.

The role of interchange fees is to create the right balance of incentives between cardholders and merchants so they join the network and use it. These fees also help generate sufficient returns to allow the system to grow and develop.

Interchange fees are determined by the market rather than by any predetermined formula. If they are too high, acquirers will have difficulty persuading merchants to participate in the system; if they are too low, issuers will have difficulty creating a system in which it is economically attractive for cardholders to participate.

By promoting an equitable share of benefits and expenses for both issuers and acquirers, interchange balances the demands of cardholders and merchants.

As it matures, the Visa system is moving toward a more flexible, segmented approach to interchange, with tiered rates and incentives. Over time, interchange will increasingly reflect the different factors at play in the system. It will vary depending on the type of card product and merchant, the transaction type and size, the volume of transactions, and the risk factors involved.

A well-functioning interchange structure critically depends on the flexibility to adapt to diverse market requirements, including the cost of other forms of payment. Competition among issuers for cardholders’ business, among acquirers for merchants’ business and among merchants for consumers’ business regularly rebalances the system.

Regulation can rarely be as sophisticated as open market competition in balancing the competing needs of the participants in the system because it must of necessity be somewhat monolithic in its approach. Encouraging open transparent competition is at the heart of ensuring the optimisation of interests in the four-party system.

Growing the system is the role of value exchange.
Merchants, cardholders and financial institutions will participate only in a payment system that they trust. Every time someone says, “Put it on my Visa card,” they are putting their trust in the system. They trust the world’s largest electronic payments network will once again successfully link the cardholder, the merchant and their respective banks. They trust the network will work whether they are in a big city department store, a rural market or on a remote island—whether they are making the transaction in person, over the internet or with a mobile phone. And, they trust their transaction will be handled securely, reliably and almost instantly.

Every day, Visa earns that trust and strengthens the stability of the system by managing the risks inherent in a global payment system.

**Financial Risk Management**

On an average day, Visa settles over 100 million transactions among its 21,000 financial institutions. Transactions are processed through the VisaNet system based on an electronic “promise to pay” by the individual member banks. Visa guarantees that it will indemnify a member for any loss suffered because of the failure of any other system member, provided the transaction is processed in accordance with Visa operating regulations.

Over the years, Visa has established well-defined risk management policies to minimise credit risk and has built up adequate collateral and liquidity to support this guarantee.

**Network Stability**

Because people must trust a payment system before they will use it, Visa’s goal is total reliability. VisaNet, the core transaction processing system, has had a 99.999% “uptime rate” over the past ten years, and approves the average transaction in two seconds.

But any system is vulnerable to technology failure or an external attack, so Visa maintains a comprehensive set of backup facilities to ensure that the system operates reliably in the face of virtually any contingency.

**Fraud and Security Concerns**

Fighting fraud is an ongoing challenge that Visa continues to meet successfully. Over the past six years, Visa’s sales volume has more than doubled. In the same period, Visa’s fraud rate has diminished by nearly one-half and now accounts for less than one-tenth of 1% of Visa’s global sales volume—an historic low. Visa evaluates technologies and establishes standards designed to secure transactions at the consumer, merchant and member levels—from the moment the card is presented, to the transfer and storage of transaction data, all the way to the settlement phase.
Visa is not a traditional multi-national corporation. It is an association, owned by nearly 21,000 financial institutions around the world. Its members typically compete in their local markets for the business of cardholders and merchants. The Visa system also helps smaller member institutions access the economies of scale of the world’s largest payment system.

Visa’s strategy relies on a strong central core of operating standards and principles coupled with well-resourced national and regional teams supporting the needs of members locally. The activities of all Visa members are governed by a set of global operating regulations and a central team that develops products, manages the brand, monitors global risks and ensures implementation of technical standards.

By empowering local staff who understand the needs of banks, consumers and merchants in their markets, Visa has experienced double-digit growth for each of the past ten years—a track record matched by few other global businesses.

**The Management and Finances of Visa**

Legally, no single entity is called Visa. Rather, Visa comprises four non-stock, separately incorporated companies that employ about 6,000 people worldwide: Visa International Service Association; Visa usa, Inc.; Visa Europe Ltd; and Visa Canada Association. The separately incorporated regions are group members of Visa International Services Association, whereas the unincorporated regions (Visa Asia Pacific, Visa LAC and Visa CMEA) are divisions.

To enable efficient day-to-day management, these six regional entities each have a President, an executive team and a Board of Directors. Each region’s representation on the Visa International board reflects its share of Visa’s worldwide sales volume.

**The Visa International board has the dual responsibilities of:**

- **Oversight of the worldwide interests of the association**
- **Strategic direction and supervision of the three unincorporated regions and the central staff of Visa Worldwide Services**

Regions nominate individuals from their regional boards, and these regional directors, plus the Visa International CEO, comprise the Visa International Board.

The Visa association is not a profit-driven organisation, and the four companies that make up Visa issue no cards and make no loans. Members fund day-to-day management and make the investments needed to maintain and develop the Visa payment system. Fees are levied according to the following formula:

\[
\text{Annual operating and marketing costs} + \text{Investment in new products, platforms and systems} + \text{Increase in reserves} = \text{Member’s annual fees}
\]
In 2004, global Personal Consumer Expenditure (PCE) reached US$ 24 trillion. Almost 20% of these transactions now take place using electronic payment products.

Electronic payment systems now play a key role in facilitating commerce, reducing economic friction and providing a stable system for international commerce. Visa’s ongoing investment in the development of new technologies will continue to spread the benefits of electronic payment to untapped markets, creating new opportunities for our members.
Investing in the future is a way of life at Visa.

**Technology**
Investing in technology to create ever more secure, efficient and convenient payment systems is in Visa’s DNA. From the paper-based systems used at our inception, through the first electronic authorisation system, to today’s IP-based processing systems, Visa continues to bring innovative solutions to the marketplace. Visa’s unparalleled payments expertise underpins its commitment to developing and making available new payment technologies to benefit individuals and businesses in both developed and emerging economies.

Contactless chip, infra-red and mobile telephony are all driving rapid advances in both the cardholder experience and the acceptance infrastructure. Technological advances allow Visa to move payment off plastic cards. The future holds promise for a multitude of new payment opportunities. Payment for mobile telephony services and the growing array of digital content, from ring tones to electronic games, are just a few. Near-field communication (NFC) technology allows users to access content and services as well as make payments on their mobile phones, PDAs and other electronic devices just by holding the devices next to each other. Voice and fingerprint payment authentication use biometrics to provide enhanced levels of security. Beyond payment, there are opportunities to harness existing infrastructure to develop identity authentication services.

Merchants have increasingly benefited from the impact of technology on the point-of-sale experience, through reduced authorisation time and a more efficient check-out experience. Contactless and chip technologies are opening new acceptance channels, extending the advantages of electronic payment to entirely new merchant segments—quick-service restaurants, sporting venues and remote locations, to name a few.

As Visa looks to provide the basis for the next generation of payments, it will continue to work with the world’s leading network operators, consumer electronic companies and semiconductor manufacturers to explore a world beyond physical cards and invest in new payment technology solutions never before thought possible.

**New Products**
Prepaid products represent Visa’s newest category and offer the convenience and security of electronic payment in situations where one might otherwise use cash. For example, Visa Buxx, a prepaid card for teens, enables parents to load money onto the card, as well as monitor their teen’s spending. The Visa Payroll card helps employers reduce the cost of processing pay cheques and allows unbanked workers to receive their salaries without the worry of having to carry cash.

More countries are turning to Visa to pay government workers, deliver pensions and benefits, and help enable their procurement processes. Visa’s technologies help them manage risk, increase transparency and reduce
E-Commerce

The internet has opened a world of new opportunities for consumers and merchants alike. Visa plays a critical role in connecting buyers and sellers worldwide and is committed to helping consumers and merchants realise the exciting potential of this new channel.

It is Visa’s goal to bring the same level of convenience, acceptance and security to the virtual world that exists in the world of face-to-face commerce. To this end, Visa manages a comprehensive suite of technology solutions, best practices and operating regulations developed specifically to meet the needs of e-commerce.

One example is Verified by Visa—an online system that authenticates the identities of cardholders and merchants to one another. Verified by Visa solves a critical problem with internet commerce, which is the high rate of disputed and charged-back transactions. About 70% of chargebacks occur when cardholders say they did not buy the items charged or authorise the use of their cards. This problem is costly to merchants in terms of revenue and customer relationships, and it undermines consumer confidence. Since launching Verified by Visa, the Visa system has seen an overall decrease of 72% in the chargeback rate—making transactions in the virtual world a better experience for both buyers and sellers.

Security

The magnetic stripe, the hologram and the chip are all visible signs of the technology that protects a Visa account. Underlying these visible signs is a complex network of fraud detection and prevention systems. Neural networks continuously monitor the Visa network for fraudulent card activity. Member financial institutions can be notified of suspicious transactions instantly—sometimes before a transaction is completed. In addition, services such as Verified by Visa, which authenticates online transactions and assures both merchant and cardholder that a transaction is valid, lead to increased security in the payment system.

VisaNet is the global processing network that delivers Visa’s promise of secure, reliable payments. Capable of processing more than 8,000 transactions per second in 180 currencies, VisaNet is the world’s largest processor of consumer financial transactions. And, daily, each of these transactions is settled, to the euro, dollar or yen, among the 21,000 Visa member banks.

the opportunities for corruption that can exist in cash-based societies. Visa procurement products are now used by more than 2,000 departments and agencies at all levels of government in over 20 countries. Multi-function cards are being used as well. The Moscow Social Card, for example, is a multifunction smart card with payment, transportation and payroll applications.
Visa is a part of everyday life. It empowers people and businesses to make things happen. Visa’s unsurpassed acceptance, reliability and convenience mean people can entrust their payments—big or small, personal or business—to Visa products and services with complete confidence. No other payment brand, and few other brands anywhere, enjoy the level of recognition and appeal that Visa holds around the world.

Visa is among the world’s top ten most valuable brands and is one of the leading financial services brands. Over the past 30 years, through the combined efforts, investments and trust of members, merchants and cardholders, Visa has achieved the highest top-of-mind and unaided brand awareness and highest ownership, use and purchase loyalty of any global payment brand.

Consumers consistently rank Visa as the best card overall. By offering a choice of credit and debit products, Visa allows customers to pay today, or defer payment, according to their needs. And because of the competition that Visa facilitates among banks, consumers can pick the credit or debit options that best suit their needs.

For merchants, the Visa brand not only stands for guaranteed payment but also represents a way to grow a business profitably. By enabling over a billion people around the world to shop at merchants’ stores, Visa helps merchants increase sales. And because merchants can typically choose among competing acquirers to service their needs, they, too, can benefit from a competitive market.

For member banks, the Visa brand gives global reach to their own local brands. Visa drives greater total revenue and creates more business value than competing global payment brands, both in their credit and debit portfolios. And Visa works hard for its business partners through its sponsorships as a co-brand.

Over time, trust in the Visa brand has enabled Visa to offer an increasing range of payment options—from consumer credit and debit cards to commercial payment and government purchasing cards—and to extend the range where it is accepted, from quick-service restaurants to gas stations and supermarkets to online commerce.

As opportunities for electronic payment emerge in new business sectors and geographic markets, the Visa acceptance mark instantly communicates trust, reliability and acceptance, making the brand an extraordinary asset in the growing world of global commerce, giving consumers and businesses alike the confidence to engage in new markets and explore new opportunities.
The Olympic Promise

Visa has been a worldwide Olympic Games sponsor for nearly two decades. We are proud of our affiliation with the Olympic movement and its commitment to inclusion, fair play and excellence.

Visa has used the Olympic Games sponsorship as its principal worldwide marketing platform for the past ten years and has already committed to sponsoring the Games through 2012. Visa has recently expanded this relationship by becoming the first global sponsor of the Paralympic Games.

The Olympic and Paralympic Games sponsorship delivers incomparable international exposure and a range of events appealing to virtually every segment of society. The sponsorship allows Visa’s member financial institutions to tie in exclusive Olympic Games marketing and merchandising campaigns promoting Visa products and services to cardholders and merchants worldwide.

The Olympic Games sponsorship has had a measurable impact on brand perception and image, and the recent sponsorship of the Olympic and Paralympic Games in Athens resulted in the highest level of consumer awareness of Visa as a sponsor since Visa’s relationship with the Games began.

Visa also supports numerous athletes and, since 1986, has provided more than US$ 100 million worldwide in direct support to Olympic athletes through its Olympic sponsorship.

The Olympic Games are also a tremendous source of pride for Visa’s members and employees. We are committed to the Spirit of the Olympic Games, the celebration of worldwide athletic achievement, and the hopes and aspirations that the Olympic Games represent to participants and fans alike.
Visa believes that empowerment underpins entrepreneurship and that entrepreneurship is critical to driving sustained economic growth.

Through its products and services, Visa helps foster economic growth in developing economies and improves the lives of millions of people.

As the use of electronic payments expands, Visa is committed to both developing products and services for underserved segments of society and working to ensure that consumers in all markets know how to use Visa products responsibly.
“The most abundant, least expensive, most underutilised resource in the world is human ingenuity.”

—Dee Hock, founder, Visa

The growth of electronic payments has a positive social and economic impact in a number of ways.

**Encouraging Economic Growth**

Over the past decade, the use of card-based electronic payments has more than doubled. A growing body of evidence shows a positive relationship between the growth in electronic payments and economic growth.

Transactions that involve Visa products and services are handled more efficiently than those involving cash or cheques.

Lower transaction costs, safe and convenient access to funds, the use of credit to smooth out spending over economic cycles, and the retention of funds in the banking system all help power economic growth. Visa also helps open markets to the economic benefits of travel and tourism, giving visitors from around the world easy access to local goods and services.

**Increasing Efficiency and Transparency**

Cash and barter transactions represent a very significant portion of most economies and are particularly prevalent in the developing world. Whether called the informal sector, grey market or shadow economy, this reliance on cash allows transactions to stay outside the formal economy. By encouraging the development of electronic payments, governments can increase tax revenues, bring more transparency to trade, and attract capital and consumers to the banking system.

**Improving Financial Literacy**

Visa believes greater financial literacy ultimately helps an economy grow by increasing the knowledge and spending power of consumers. Visa is committed to ensuring that governments, regulators, bankers and consumers are fully aware of what each party needs to know to ensure the responsible development of electronic payment systems.

Many people in both developed and developing countries have yet to acquire sound financial management skills. Consumers need to understand both the benefits and responsibilities that come with Visa debit, credit and prepaid products. To that end, Visa launched its first financial literacy programme, “Practical Money Skills”, in the US in the mid 1990s. Since then, the programme has been extended to Canada, Asia and Latin America.

**Banking the Unbanked**

In many of the world’s developing countries, people rely solely on cash for trade. They do not have deposit accounts, loans, credit cards or any other relationship with the banking system.

These cash-based, unbanked societies are often constrained because their banks do not have the resources to help people start new businesses, buy their own homes or enjoy the other benefits of a growing economy.
Electronic payment products help bring the unbanked into the banking system, to their benefit and that of their nation’s economy, by increasing the economy’s working capital.

Nowadays, people can be paid via a Visa product or receive their pensions or public assistance benefits on a Visa product. With less reliance on cash, more money is kept in the banking system, leading to greater economic growth.

Facilitating Remittances
Across continents and cultures, Visa helps hard-working people send money home to their families. Visa Money Transfer and Visa Giro reduce the costs and risks of these essential personal transactions. Money arrives safely back home, where it can help pay for schooling, clothes and food.

Through their hard work, these people not only achieve a brighter future for themselves and their families but also contribute toward the economic development of their home countries.

Supporting Microfinance
The United Nations estimates that more than 500 million low-income people could benefit from access to very small loans and basic financial services to build micro-enterprises and become financially self-sufficient.

Visa sees microfinance as a significant means of promoting economic opportunity and is working with the UN as a global partner for the International Year of Microcredit 2005. A number of Visa member institutions around the world have been using Visa products and technology to increase the efficiency of microfinance, as well as to direct funding to microfinance organisations.

Visa is also working with the US Agency for International Development (USAID) and FINCA International (Foundation for International Community Assistance) to provide the technical assistance and payment technology that allows FINCA to help more of the world’s poor in a secure, cost-effective way.

Through these activities, Visa has demonstrated the commitment of its member financial institutions to deliver more and better services to governments, small businesses and community organisations around the world.

Helping Small Business Grow
Small and mid-sized businesses make up 95% of most national economies. Visa products empower small businesses with payment and reporting tools once reserved for large corporations. These products help small businesses sell more goods, reduce expenses and manage their money better.

Visa provides an efficient and convenient way for entrepreneurs to receive essential working capital for expansion and operation, and for lenders to manage their small-business portfolios. Visa’s secure electronic payment solutions help small, local businesses sell more of their goods locally and around the world through electronic commerce.
2004 was a good year for Visa, with continued growth across the world.

Total card sales volume increased 13% in 2004, to US$ 3.3 trillion, while Visa’s debit business, which grew 19%, now exceeds credit in total volume. With 43 billion transactions worldwide in 2004, Visa accounted for a record 8.4% share of pce, or personal consumption expenditures—the market value of all goods and services purchased by households and non-profit institutions globally.
Visa Worldwide Combined Key Financial Data

Visa comprises four private membership companies (Visa International, Visa USA, Visa Europe and Visa Canada). There is no consolidated legal entity and no single audited financial entity. Each of the four Visa companies has a separate management team and board of directors empowered to manage their respective finances.

The financial data provided here has been aggregated to reflect the scale of the Visa enterprise after elimination of inter-company transactions.

The four companies that make up Visa do not issue cards, set cardholder fees or receive any part of the revenues charged by their members to cardholders using cards that carry the Visa brand.

Visa revenues are generated primarily from fees paid by members based on their utilisation of Visa-branded products and systems.

Visa focuses on containing operating costs so that resources may be directed toward the development and enhancement of its products and systems in addition to support of the brand.

Balance sheets are managed to support domestic and international settlement, enabling Visa to settle financial transactions daily around the world on behalf of its members. Settlement-related balances represent the largest components on both the asset and liability sides of the collective balance sheets.

Member settlement receivables and payables reflect the timing of net cash settlement transfers between member institutions in different currencies.

In defining its capital and liquidity requirements, Visa seeks to satisfy the standards published by the Bank for International Settlements (BIS) for operators of net payment systems and also to meet the modest ongoing working capital requirements of the association.

A variety of credit lines are maintained, primarily in support of the member settlement process. Visa itself carries minimal debt, and that which does exist is in support of owned premises and data centre equipment.

Visa is not a traditional, profit-driven company.
The selected data above, as of and for the years ending September 30th 2002, 2003 and 2004, is unaudited. The data was derived from the audited statements of the affiliated Visa companies (Visa International, Visa USA, Visa Europe and Visa Canada) and includes elimination of certain inter-company balances. Note that in some cases, local accounting rules apply.

1. In 2003, Visa USA recorded litigation expense and a corresponding liability of US$ 940 million (net present value and net of income taxes) to recognize the settlement of the retailers’ litigation case. Subsequently, Visa USA’s board of directors approved a long-term plan to replenish capital resources, and in 2004 made significant strides toward that goal.
The Visa enterprise tracks many global and regional metrics to measure the health of the business and expansion of products and services. The charts on the following pages summarise selected Visa worldwide statistical data as of and for the years ending September 30th 2002, 2003 and 2004.2

Retail Sales Volume (rsv) represents purchases of goods and services but excludes cash transactions. Cash volume represents withdrawals from participating Visa ATMs, cash back from merchants, balance transfers or cash advances against credit lines. Card Sales Volume (csv) measures the value of all retail and cash transactions initiated with Visa products globally. Visa has consistently experienced double-digit growth in both rsv and csv. This growth rate has been sustained for more than a decade, despite regional economic downturns and global economic shocks like the weakening of the us dollar, the SARS epidemic and the war in the Middle East.

Visa Worldwide Statistical Data

Retail Sales Volume (in US$ billions)

Cash Volume (in US$ billions)

Total Card Sales Volume (in US$ billions)

2. The statistical information here is based on operating certificates compiled and reported by Visa members to the enterprise and is unaudited. The figures exclude Interlink volume and Plus cards.
The number of cards issued globally also continues to grow at double-digit levels. This growth is fastest in emerging markets and is driven by the same factors that have driven volume growth: security, convenience and innovative products that provide value to issuers, merchants and cardholders. Visa’s ongoing growth in cards and acceptance continues to create a virtuous circle that has fuelled increased spending volume in every region of the world.

Backed by the world’s most comprehensive and reliable electronic payments processing systems, the number of transactions on Visa products for its cardholders in 2004 was over 42.9 billion, or 14.6% higher than in 2003.

Visa continues to add merchant locations and extend acceptance to new types of enterprises, such as utilities and transportation, to provide cardholders with unsurpassed choice.

In addition to new merchant locations, ongoing expansion of the Visa PLUS ATM network brings new convenience for Visa customers, particularly when travelling abroad. Through Visa, international travellers now have access to more than 944,000 ATMs in over 150 countries. Visa websites and toll-free numbers around the world enable customers to easily locate ATMs as well as help meet special needs such as handicap accessibility and Braille access.
Whether you’re a consumer or a commercial cardholder, Visa products are powerful tools for tracking and managing spending. Visa offers a wide choice of payment products on three major platforms: debit (pay now), credit (pay later) and prepaid (pay before).

- **Debit Products.** Growing numbers of consumers find Visa debit products a convenient and secure alternative to cash and a compelling way to “pay now”. Debit products now account for more than 50% of Visa’s global sales volume. Visa’s debit solutions also help banks build stronger and more profitable customer relationships. Often people who might not qualify for a credit card are able to own a debit card, a first step in creating a relationship with the banking community.

- **Credit Products.** Visa credit products offer the convenience and security that are the foundation of the Visa brand, plus the “pay later” flexibility that allows cardholders to manage their resources effectively. Visa offers several broad categories of consumer credit products: Visa Classic, Visa Electron, Visa Gold, Visa Platinum, and premium products, which include Visa Signature and Visa Infinite.

- **Prepaid Products.** These offer the convenience and security of electronic payment in situations where one might otherwise use cash, such as a birthday gift or a monthly allowance for a young adult. Examples include gift cards and Visa Payroll, which helps employers reduce the cost of processing employee cheques and allows unbanked workers to receive their salaries without having to carry large amounts of cash. Prepaid products also include Visa Travelers Cheques.

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3. Prepaid figures are included in the debit products sales volume.
• **Commercial Solutions.** Businesses, and increasingly governments, have the same need for efficient, convenient and secure financial transactions as individual consumers. They need to purchase supplies, pay their employees, manage travel and entertainment expenses, monitor cash flow, and maintain accurate records. Visa is delivering commercial payment and information management solutions that meet each of those needs. While all of these solutions are based on Visa’s fundamental principles of convenience and security, each can be tailored to meet the needs of large corporations, family-owned businesses or government agencies.

Visa products offer significant cost savings and are now used by more than 2,000 departments and agencies at all levels of government in over 20 countries. Visa’s products are used to pay government workers, deliver pensions and benefits, and facilitate the procurement process. Visa’s technologies help governments and their agencies manage risk, increase transparency and reduce opportunities for corruption.

• **E-Commerce.** Payment cards remain the preferred form of payment in this rapidly growing channel, and Visa credit and debit products capture more than 50% of all online payments. Visa’s success in this channel is the result of our commitment to protecting both consumers and merchants, including through online initiatives like Verified by Visa™. Including transactions outside of VisaNet, Visa e-commerce sales grew 56% in 2004 and now exceed US$ 150 billion in annual sales.
Visa’s Share of Personal Consumption Expenditure

Personal Consumption Expenditure

Personal Consumption Expenditure (PCE) represents the market value of all goods and services purchased by households and non-profit institutions, excluding the purchase of homes. Visa measures success by its ability to displace consumers’ use of cash and cheques as a percentage of worldwide PCE. Today, global PCE is valued at US$ 24 trillion and is composed primarily of cash and cheque payments. Visa’s market share of PCE increased from 7.6% in 2003 to 8.4% in 2004, demonstrating continued consumer preference to use Visa as a convenient and flexible alternative to cash and cheques.

Commercial Consumption Expenditure

Similar to the Personal Consumption Expenditure Index, this new index is the first standardised metric to track global business and government spending worldwide and enables Visa to measure the penetration of electronic payment systems in this sector. Global business and government spending in 2004 totaled US$ 54.8 trillion and is forecast to increase 6.7% in 2005, to US$ 58.5 trillion. Visa plans to provide an updated global CCE forecast annually.
Visa Worldwide Regional Data

**Retail Sales Volume 2004** (in US$ billions)

<table>
<thead>
<tr>
<th>Region</th>
<th>2004 Retail Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>1,050</td>
</tr>
<tr>
<td>Canada</td>
<td>900</td>
</tr>
<tr>
<td>CEMEA</td>
<td>750</td>
</tr>
<tr>
<td>Europe</td>
<td>600</td>
</tr>
<tr>
<td>LAC</td>
<td>450</td>
</tr>
<tr>
<td>United States</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

**Retail Sales Volume Growth** (year-over-year percentage gain)

<table>
<thead>
<tr>
<th>Region</th>
<th>2004 Retail Sales Volume Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>70%</td>
</tr>
<tr>
<td>Canada</td>
<td>60%</td>
</tr>
<tr>
<td>CEMEA</td>
<td>50%</td>
</tr>
<tr>
<td>Europe</td>
<td>40%</td>
</tr>
<tr>
<td>LAC</td>
<td>30%</td>
</tr>
<tr>
<td>United States</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>0%</td>
</tr>
</tbody>
</table>

**Number of Cards 2004** (year-over-year percentage gain)

<table>
<thead>
<tr>
<th>Region</th>
<th>2004 Number of Cards (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>229</td>
</tr>
<tr>
<td>Canada</td>
<td>25</td>
</tr>
<tr>
<td>CEMEA</td>
<td>54</td>
</tr>
<tr>
<td>Europe</td>
<td>258</td>
</tr>
<tr>
<td>LAC</td>
<td>169</td>
</tr>
<tr>
<td>United States</td>
<td>453</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>In Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia Pacific</td>
<td>229</td>
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<tr>
<td>Canada</td>
<td>25</td>
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<td>CEMEA</td>
<td>54</td>
</tr>
<tr>
<td>Europe</td>
<td>258</td>
</tr>
<tr>
<td>LAC</td>
<td>169</td>
</tr>
<tr>
<td>United States</td>
<td>453</td>
</tr>
</tbody>
</table>
Visa International Board of Directors
(as of April 2nd 2005)

Chairman
William P. Boardman
Visa International Service Association

President & Chief Executive Officer
Christopher J. Rodrigues
Visa International Service Association

ASIA PACIFIC (AP)
Antonio Lee Go
Chairman
Equitable PCI Banking Corporation
Philippines

Peter Hawkins
Group Managing Director
ANZ Banking Group Limited
Australia

Michiyoshi Kuriyama
Chairman
Visa Japan Association
President
Sumitomo Mitsui Card Company, Ltd.
Japan

VISA CANADA ASSOCIATION
Walt Macnee
Executive Vice President
Canadian Imperial Bank of Commerce

Alberta G. Cefis
Executive Vice President
Scotiabank

1. Regional Board Chair
2. Member, Executive Committee
   (Chair: William P. Boardman)
3. Member, Compensation Committee
   (Chair: Walt Macnee)
4. Member, Audit, Risk & Finance Committee
   (Chair: Eduardo Merigó)

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MIDDLE EAST AND AFRICA (CEMEA)
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Director
FirstRand Bank Limited
South Africa

Eduardo Merigó
President
ServiRed s.c.
Spain

Dr. Johannes Evers
Member of the Board of Management
Bankgesellschaft Berlin AG
Germany

Michael Fairey
Deputy Group Chief Executive
Lloyds TSB Bank plc
United Kingdom

Gary Hoffman
Chief Executive
Barclaycard
United Kingdom

Jan Lidén
President
Föreningssparbanken
Sweden

Gérard Nebouy
Chief Executive Officer
Groupement Carte Bleue
France

Hans van der Velde
President & CEO
Visa Europe Limited

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CARIBBEAN (LAC)
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Chairman
Banco de Chile
Chile

David H. Chafey
President
Banco Popular de Puerto Rico
Puerto Rico

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President, Consumer & Small Business Products
Bank of America Corporation

William P. Boardman
Retired Vice Chairman & Director
Bank One Corporation

William I. Campbell
Chairman, Chase Card Services
J.P. Morgan Chase & Company

Richard K. Davis
Vice Chairman
US Bancorp

Charles T. Doyle
Chairman of the Board
Texas First Bank

Benjamin P. Jenkins, III
Senior Executive Vice President
Wachovia Corporation

Carl F. Pascarella
President & CEO
Visa U.S.A. Inc.

John G. Stumpf
Group Executive Vice President
Wells Fargo & Company

REGIONAL PRESIDENTS
Anne Cobb
CEMEA

Derek Fry
Canada

Hans van der Velde
Europe

Eduardo Eraña
LAC

Rupert Keeley
Asia Pacific

Carl F. Pascarella
USA