## MANAGEMENT DISCUSSION SECTION

**Jack Carsky, Head of Global Investor Relations**

I think we are just about ready to begin here. I am going to be brief with my commentary because nobody flew 2,700 miles to hear the IR guy drone on. But I just want to, on behalf of all the Visa management welcome everybody here to San Francisco and to Visa's Inaugural Investor Day. We are obviously very excited. A lot of preparation went into what you are going to see today and we hope to impart to you a lot of the positive near-term and longer-term strategies that we are going to employ to continue to deliver shareholder value over the longer-term.

Just a couple of things I wanted to point out, just a couple of recognition points. To my team Victoria Hyde-Dunn in Coco Cleland, without whom none of this would have happened because I am pretty sure they were here last night 11 pm working while I was sleeping. And also to a couple of members of our corporate relations team Doug Michelman and Paul Cohen, Will Valentine, Sandra Chu who also were instrumental in pulling this off.

The agenda today, this morning we have sitting to my right and your left our Chairman and CEO, Joe Saunders, several members and direct reports of his team. Some of whom many of you have seen in the past, others who are relatively new to speaking to the streets. We are pretty excited about that. There will be break time during which we would love to have you out there in the hallway taking advantage of some of the product demonstrations we brought with us here today including Right-Click and Money Transfer, several other technologies.

We'll break for lunch. There will be a couple of breaks during the day, but we will break for lunch around a little after noon and then come back in the afternoon and have specific deep-dives into some of the areas of our business.

And without any further ado, the safe harbor reminder and beyond that, may I introduce Joe Saunders.

**Joseph W. Saunders, Chairman and Chief Executive Officer**

So good morning and I guess after that the first thing I'm supposed to do is to thank Jack for putting this together, even though he was sleeping while they were working. At any rate I am here to prime the pump. I don't think that I am going to tell you anything that is shockingly new, but I expect the management team to provide you with a lot more robust view of Visa than maybe we have given before. It will give you a chance to understand who is behind what we are doing, and give them a chance to define more specifically who we are and where we are going.

But our goal today is to provide you with a clear understanding of Visa's plans to drive profitable growth over the mid to long-term. And while we are proud of our past, and the leadership position we've achieved, we are trying very hard not to be complacent. We're confident. We hope we are not arrogant, and we're mindful of the many challenges we face. A sluggish economy in our largest market, increasing competition and growing cost of regulation and litigation in our industry, not only United States but around the world.

As you will hear throughout the day, we are facing these challenges head on without losing focus on maintaining our leadership position and we're mindful as ever of driving increased value to those who touch the Visa network. In doing so, we are defining a clear path for long-term growth.

And importantly, we are drawing a clear line of differentiation between Visa and its competitors. Our senior leadership team will talk about our plans to grow the business, invest in innovation and diversify our revenue streams.

  

I've challenged each of them to provide you with a strong sense of our drive for continued success, the high benchmarks we've set for ourselves and the plans we've put in place to achieve our objectives. You've heard this before, but it bears repeating. The secular shift from cash and checks to digital currency is a trend we expect will continue worldwide for the foreseeable future and this shift is occurring not just because of the demographics, but more importantly because of the actions Visa continues to take.

The opportunity is tremendous. Despite our success, 40% of consumer payment volume almost $9 trillion remains on cash and checks and every day we are chipping away at that data point. In your daily lives you can probably think of multiple examples of this shift. Many of you probably paid for your cab right here or the morning coffee using a credit or a debit card, a habit that didn't exist to a large degree even a year ago. If you downloaded a song off the Internet or paid for a vacation online it was all made possible with digital currency. But if I have one goal today, it is for everyone in the room to walk away with a clear sense of our plans to accelerate Visa's growth beyond the secular trend.

The scale of our network relative to our competitors gives us real advantages in growing our business and gives us the ability to drive greater value to every participant in our network. The appetite for electronic payments globally demands that we grow the scale of networked business, and we are already executing on plans to do exactly that.

A topic you'll hear both more about from the executives throughout the day. But we also realize that driving growth means staying ahead of the curve and that's why we're intensely focused on innovation and investing in new technology.

Elizabeth Buse will tell you more about what we're doing in that area shortly. At the same time we're remaining diligent about how we manage our business and our finances, particularly in the current economic environment and of course Byron will address those subjects. He will also talk about the fact that while 2009 was a challenging year for the entire industry, our business model proved relatively resilient in the face of a tough economy.

That continues to be the case as our volumes through the end of February remained on the same path we saw in January. We'll also discuss how we intend to use funds to reinvest in our business with the goal of making the Visa value proposition even more compelling.

When I think about where Visa is today and the potential that lies ahead for us, it's sometimes easy to forget that we only became a public company two years ago. I am tremendously proud of what Visa and our employees have achieved in a short period of time.

With respect to our structure, Visa successfully completed the integration of a six-way merger in instituted public company standards and areas like financial reporting and enterprise risk management. But more importantly we began a process of instilling a public company culture and ethos across the business. We're now operating as a unified global organization benefiting from a single global strategy.

This is balanced with a strong commitment and this is extremely important, strong commitment to our local markets. We've also established a strong and productive relationship with Visa Europe and although the question comes up from time-to-time about the Put Agreement, I have no reason to expect that they will exercise their put in the foreseeable future.

On the operational and financial fronts, we consistently delivered on and often exceeded our financial performance commitments. Payments and transaction volumes have continued to grow quarter-over-quarter and year-over-year as have our revenues and net income. We also responded successfully to bank consolidation, we renewed contracts with important long-term clients that collectively represent over 75% of our global volume including Chase and Volkswagen, only losing a regional customer, SunTrust. In addition, we've continued to win considerable new business, which far exceeds the loss I just mentioned including Washington Mutual and RBS and HSBC among others.

We appreciate the confidence our clients continue to place in us, and we will continue to provide them with the tools that will enable them to best serve their customers. As I mentioned earlier while I am confident that we will continue to deliver strong results. We have to acknowledge that we continue to face challenges.

We face tougher competition from payment industry stalwarts and newer business models, and competition will likely increase as technology provides new entrants the opportunity to overcome some of our competitive advantages.

There are ramifications to our success and the success of the industry at large as digital currency captures a larger share of PCE we become a bigger target for our critics and regulators.

In some markets outside the U.S., we have a way to go to convince governments that Visa can work with them to provide superior processing and products that are better for consumers and merchants.

In the U.S., we have competed successfully on the basis of superior value that we deliver to all stakeholders. Curiously, we face increasingly hostile attacks from those who seek to benefit from electronic payments without paying the cost for the value that they receive.

As I mentioned at the beginning of my comments, we take the challenges we face seriously. They require us to remain ever vigilant to innovate and to constantly review and adapt our business model so that we can grow.

Importantly, these challenges require that we operate with the highest degree of transparency and that we remain true to the values that have been at the heart of our success for 50 years.

Let me briefly touch on some of the broader issues. First and foremost is the continued economic uncertainty that affects everyone. We feel positive about our overall position, especially given our performance, set against the backdrop of the economic conditions over the past 18 months. Today, based on economic data from the past few months, we are becoming cautiously optimistic that the tide is turning and that economic growth will slowly improve.

On the regulatory front, Interchange remains a complex topic that has and will continue to command our attention. Based on our conversations in Washington, we believe Congress understands that Interchange is a pro-competitive structure that is central to expanding digital currency, a point of view that the recent GAO study confirms.

And in our discussions with regulators, we continue to emphasize the negative unintended consequences from any legislative or regulatory action on Interchange rates. Importantly, I was pleased to learn several weeks ago that the House Financial Services Committee has announced that it will not take up legislation on Interchange this year.

However, it's not lost on us that the merchants will continue to press their case in Washington as will we. As the leader in the industry, Visa is literally synonymous with electronic payments. We recognize and embrace this role, we are proud of our industry but can't ignore the fact that some groups don't understand Visa, what we do and what we stand for.

Rather than let others continue to define us, it is critical that we articulate and demonstrate the tremendous value delivered by digital currency. As one example, late last year, we launched our

 

Currency of Progress campaign in Washington D.C. The campaign seeks to better define Visa's role as a payments network and articulate the powerful ways the digital currency advances the economic empowerment and business efficiencies on a global basis.

Research on the effectiveness of the campaign is underway, but we are getting a lot of early positive feedback. Our target audience in D.C. is taking notice and taking stock of the real tangible benefits that digital currency delivers to society. Well, we may be the industry leader, let me be perfectly clear and reiterate what I said earlier, competition is fierce, whether it comes from our peers, from disintermediation of newer payment technologies or from nascent National Payment Systems in places like Russia and India.

In all my years in the business, I have never seen a more dynamic and competitive market. Nearly, everyday we read of mobile operators or upstart technology companies attempting to redefine the payments landscape, take share and displace cash and check. Make no mistake, we welcome the competition because competition is not only good for our stakeholders, it is good for Visa as it challenges us to invest and innovate to continue to stay ahead. Some of the innovations we've been working on recently are showcased in the room today. I truly believe Visa has the technology and personnel advantages to compete at every turn to maintain and grow our market share.

At the same time, we will not put ourselves in the position of chasing business that does not clear reasonable economic hurdles. Instead, part of our core strategy is, I mentioned at the outset, is to more clearly differentiate our offerings from our competition's offerings.

With respect to litigation, there aren't really any new developments to report. The Merchants' Litigation which I'll remind you is covered by our U.S. Financial Institutions under our retrospective responsibility plan is proceeding in due course.

The last challenge I'll touch upon is Data Security. The foundation of the payments industry and the responsibility of all payments participants. The good news is that fraud remains near all time lows and our investments in innovation are enabling us to be smarter about detecting bad transactions. The bad news is that the fraudsters and thieves are getting smarter too.

Now more than ever we need to stay one step ahead of the criminals. On that front, I'm very proud to say we continue to grow compliance with industry data security standards. In fact, nearly 100% of the largest U.S. merchants have invested to become compliant with important standards and while maintaining compliance is a 24x7 job, it is a significant milestone in protecting static card data.

The future focus of our industry, however, is to move away from having to store our static data to introducing dynamic data in the transaction stream. This way the card number, if stolen, would be far more difficult for the fraudsters to use. Ellen Richey who heads our Enterprise Risk Management Group will be sharing more on this with you this afternoon.

While the list of challenges is admittedly formidable, they are far from insurmountable and I'm quite confident in Visa's ability to drive and sustain future growth. In fact two years ago, on the IPO roadshow our team made a clear commitment that Visa would be a growth company and here today I'm reiterating that commitment. What you'll hear articulated today and we'll see over the next several years is our unwavering commitment to growth. With that in mind, we have been honing our strategic plan to guide the organization's priorities, activities and investments over the next several years. Oliver Jenkyn will walk through this in detail in the next session. And you'll be hearing more from the management team on each element of our strategy throughout the day.

So I want to focus for just a moment on our plans to accelerate our investments in innovation. Visa's strategic plan, our future and our ability to continue to drive the migration to Visa products and services are all based on our ability to innovate and the subsequent revenue diversity that comes with it.

To that point, I was pleased to see just last week Fortune Magazine's most admired list ranked Visa as number 1 in our industry for innovation. It is clear that in order to capture the lion's share of cash and check volume we will have to continue to live up to that recognition and differentiate Visa from other payment companies and networks.

Once more we need to continue to deliver products and services that are customer-centric and add value to all of our stakeholders, in areas such as mobile, money transfer, e-commerce and our prepaid products. There's already a great deal of work underway on the innovation front, not only in these areas, but also in other products.

Prepaid for example is a natural extension of our commanding presence in the debit space and while already very successful still represents a huge opportunity both domestically and abroad. The prepaid opportunity is particularly significant when you consider how these products could reach relatively untapped segments like the unbanked healthcare, government disbursement, insurance and other sectors that have traditionally relied on paper-based processes and payments. While prepaid is a new part of our overall business, the segment drives transaction and processing revenues for Visa today and has been one of our fastest growing product categories.

In the eCommerce space, we are in the process of rolling out an enhanced Internet offering called Rightcliq. This includes an electronic wallet, shopping aggregation and social networking features in addition to other valued-added customer enhancements. You can see Rightcliq in action today in our demonstration area just outside this room.

Our money transfer business continues to expand globally with domestic and international person to person programs that are up and running. Over the longer term there is a tremendous opportunity to seamlessly connect each of more than 1.8 billion Visa cards enabling them to securely and confidently transfer funds. We are already making progress towards the goal thanks to the extended money transfer services we've initiated in Asia and the Middle East.

On the mobile front, we are actively involved in 23 pilots and commercially viable programs globally. At the same time we are making active investments in mobile technologies to make certain that Visa remains at the forefront of this evolving area of electronic commerce. An example of this is our strategic alliance with London-based Monitise, which facilitates the delivery of Visa mobile payments and related services to consumers around the world. Monitise's unique expertise will help optimize Visa's mobile services across the broad range of handsets that exist in the marketplace, ensuring an enhanced user experience.

And in February we announced plans with DeviceFidelity to market an innovative solution that can enable a mobile phone with a memory card slot to be used as a Visa mobile payment device. The last innovation highlight that I would like to point out there is more to come, is the opening of our data center last November. It's an impressive piece of engineering. I can tell you that our new 370,000 square foot state-of-the-art facility is more than capable of handling the future of digital commerce with greater capacity, reliability and security.

We firmly believe our continuous technology upgrade separate us from competitors and help Visa play a key role in facilitating the migration to electronic payments. Same time we invest in innovation we are also investing in the expansion of our global reach. One of the goals is to generate more than 50% of our revenue from outside United States within the next five years. For context, currently, 59% of our revenue is generated in the United States.

Like many other businesses across industries we're focused on emerging markets as an area for growth, but unlike other businesses we believe our legacy of local market expertise and the experienced teams we have on the ground uniquely position us to deliver results in the near term. A number of these initiatives, I mentioned a moment ago, including our partnership with Monitise and the money transfer initiatives in the Middle East, in Asia, are only the most recent examples of how we are continuing, how we are combining our global resources with our local expertise to drive growth.

Today, you'll hear from members of my management team about Visa's priorities for the balance of 2010 and 2011. I know I speak for my entire team here today when I say that we're excited about the direction of the company and opportunities ahead for us and we believe you'll leave here with the same conclusion. This company is not standing still. Visa is and never has been a company that stood still. We feel that Visa is uniquely positioned to produce positive returns for shareholders and remains a valuable investment for the long term.

With that I will turn it over to Oliver Jenkyn, Global Head of Strategy and Corporate Development. Thank you. Oliver?

**Oliver Jenkyn, Global Head of Strategy and Corporate Development**

Well, good morning. As mentioned my name is Oliver Jenkyn and I'm new to the place. I've been here for about six months, but in many other ways I'm much more of a veteran having served Visa for about six or seven years while I was a partner at McKinsey & Company. And frankly, I'm hoping that this insider/outsider combination will offer me unique informed yet objective perspective as we talk about strategy today and going forward.

I'd like to begin with the few slides on the overall payment landscape and the key trends that Visa is seeing and then jump in specifically to Visa's view of its corporate strategy and it's 2015 strategic aspirations.

Let me start by talking about the overall landscape. Although not frequently measured holistically the payments landscape, the global payments landscape is massive at over $900 billion in global revenue and frankly is larger than many other better known industries. Given it's size it's not surprising that's attracted a great deal of attention to itself and the purpose of this slide which I'll build into over the next couple of minutes is to make the case of just how much attention it has garnered for itself and the level of complexity and sophistication in the payment landscape.

There is two axes on this graph. The first across the top is the traditional card value chain with the payer on the right, then the issuer, issuer processor and then from the left, the merchant, merchant acquirer, acquirer processor, netting out with the clearing house and network, if you will, in the middle. This is traditional card value chain that actually applies very well to other payment instruments as well.

Down the left hand side you've got the column which gives you our rows. The top two credit and debit are the good guys, cash and check and ACH are next, the bad guys, and then you have got a range of emerging payment technologies at the bottom. As I build into this, I'll start with just credit and debit, and we already know the players that are here, so I won't labor the point. But what I do just want to make the case is that the list of folks here is just a very, very small subset of the folks who have a significant interest in how this space evolves.

But let me pause for a second on the players that are playing cash, check and ACH space. This is the space that Visa regularly and rightfully cites as where we are going to get most of our long term growth, and that's absolutely fair. But the point I want to make is it's not like the players listed on this page are a bunch of bumbling Neanderthals, these guys are efficient at scale and experienced players that again have a very vested interested in how this space plays out.

In addition of the commercial banks you've got central banks, who deals with more than just cash they also do check-in and ACH clearing in many markets. Then you've got other clearing houses such as Viewpointe, SVPCO, Symcor et cetera. Outsource Service Providers like Fiserv, Metavante-FIS, ACH processors, cash and check printers and numerous hardware and software providers. So again just a small subset of the players that are out there. But the point is that these guys have a very, very vested interested in how this space evolves.

Moving into the more emerging payment technologies, I will just go through a few. In prepaid you have the traditional card players but then you also have some prepaid specific players, such Green Dot, Galileo, Blackhawk et cetera. You've got the money transfer juggernaut like MoneyGram or Western Union and others and then a range of emerging players. I have just thrown a few logos up here and we will come onto some of these models later.

But the purpose of this slide, other than me sharing my anxiety with you, is to make the case that although we've had incredible success we can't take it for granted. We very much live in shark infested waters. We are surrounded by upstart innovators, we're arms length away from established financial behemoth and there are several pseudo governmental players who are very active in this space, and together these players have more influence over the evolution of the payments landscape than sometimes we care to admit. So the point is that we have significant competition but we are up to the challenge.

This slide also begs the question of where does and where should Visa play. This following slide will admittedly be an over simplification of that point, but it will key up some of the questions that will come on to you throughout the discussion today. First and foremost, Visa's core business is network processing. With VisaNet at the core surrounded by Interlink and Plus, DPS issuer processing in the U.S., MDEX, Merchant Direct connection in the US. This is the core of what we do network processing.

Still with a focus on processing we are building around that core to drive more volume and more value to the network, and so we have VPS issuer processing outside the United States. Syncada which is essentially the electronification of paper-based payment in the commercial supply chain. Domestic processing options were exploring alternatives to VisaNet processing and markets where there is pressure for local national payment systems, think Russia as an example.

Then we have the acquiring JVs. What we are trying to do is accelerate the investment and infrastructure development for payments in emerging markets. Think VisaNet do Brazil now Cielo, and on this front we are also very pleased to let you know as you would have seen publically that we are one of the finalists with a potential joint venture with State Bank of India and Elavon to push an acquiring model in India. And we are very excited about that, already continue to push on several such ideas to accelerate infrastructure and investment in payments in emerging markets, Marc Luet will talk more about that later.

Beyond this Visa does and will continue to search for opportunities to add more value and functionality in a complementary way to the value chain through services such as loyalty. Visa Incentive Network and Extras. Risk services, advanced authorization Verified by Visa. Info services such as IntelliLink which is commercial reporting tool that we have, panel studies, e-commerce Rightcliq that has been demoed outside this room and several mobile partnerships that Joe referred to such as Monitise, Android applications, Beeline and several others. So we will talk more about some of these concepts in what follows.

The last slide I'd like to talk about briefly before I dive in specifically to the corporate strategy are the key seven trends that Visa sees and our stance vis-à-vis each of those trends. The first trend is obvious, the secular electronification of paper-based payments. We believe obviously that we are extremely well-positioned to continue to capitalize on this growth for several years to come.

Next is the preference for ready-funds, as consumers increasingly – as consumers' sentiment increasingly focused on "spending what you've got" that plays very well into our debit and prepaid franchises.

Global macroeconomic recovery. This will drive recovery in our volumes and as international travel increases, it will drive a growth in our cross-border revenues. Emergence of new economic powers, as countries like Brazil and Russia, India, Indonesia et cetera, continue to grow we're ecstatic because we are going to grow with them. But what we are trying to do is invest in the evolution of these markets to try to accelerate and influence the evolution but also maintaining flexibility for local markets given local market needs.

Next is new innovative/emerging payment technologies. As Joe mentioned, we are extremely supportive and encouraged by new innovation/emerging payment technologies because it gives us more opportunity to drive growth for the long-term for the future. And so we're investing heavily in innovation and we're redoubling our focus in corporate development and M&A to make sure we're at the forefront this way.

Now granted innovation and emerging technologies comes with new competition but we are maniacally focused on making sure that we are aggressively playing in the space.

Data security and risk, we are going to continue to take a leadership role in guiding the industry and in U.S. regulation as Joe referred to, we are going to continue to work with our clients to help shape the outcome in this space.

So with that let me switch gears a little bit and talk specifically about Visa's corporate strategy and there is three main messages I want to make today. The first is that Visa's strategic foundation is solid. We believe that we have established strategies in place across all the key pillars of our business. Now, we've heard from our clients and from some of you investors in the room that we need to do a better job of communicating that strategy. And so, we are hopefully going to continue to do that today and in the months ahead, but I certainly believe that all the puzzle pieces are there.

The second theme is, be that as it may, that we have a solid strategic foundation, be that as it may, we need to keep pushing because as a growth company we must look beyond today's strength to maintain our long-term trajectory. Our existing strategies are absolutely sufficient to meet our near and mid-term aspirations, but our sights are focused on the long term to make sure there is never – a gap to our long term aspirations never emerges.

And third and finally, given this need to maintain focus on long-term growth, we are setting strategic aspirations to accelerate that momentum and so today we are going to introduce six key strategic aspirations for 2015 and we will also announce five priority projects that are underway in FY'10 and FY'11 to start it down the road to achieving those aspirations.

So let me start with the first message that our strategic foundation is solid. In my last job, my colleagues and I would always say, unless you can summarize your strategy on a single page, you probably don't have one. So we figured it is a good place for us to start the conversation today. And so Visa strategy, the vision, the world's best way to pay and be paid. The mission, to work with our clients to accelerate the electronification of commerce. Another six messages beneath this.

The first is to grow the participants of the network, issuers, acceptors, cardholders and new users. I think it is this potential energy, do everything that you can to maximize the number of people who stand ready, willing and able to use your network.

Next is, grow usage of the network, I think this is kinetic energy. And what I am talking about here is doing everything you can to maximize the extent to which those folks who're ready, willing and able to use the network maximize the extent to which they actually do use the network, by driving brand preference, expanding the channels that are available to them and increasing processing penetration.

Next you have enhanced the value of the network: core product expansion, value-added services and new businesses. By enhancing what you can do on the network to drive more volume to the network.

Next is emphasize local market focus and talent to ensure sustainable competitive advantage globally. Our local market knowledge, our local market people, our feet on the street is our strongest asset and is central to our strategy.

Next to support the global payment ecosystem by managing stakeholders, ensuring value creation for all. This is not intended to be a Pollyanna statement by which we say let's make all people happy all of the time. We run a business and like any business people want more and they want to pay less for it and we are no different.

But what we are seeing here is that we do and we need to continue to add value to all the players in the value chain and in so far as our actions get one of those groups of stakeholders bent out of shape, at least in part our responsibility to see that through an acceptable outcome.

And then finally achieve superior financial performance to drive shareholder return. So that is our strategy on a single page and if you are anything like me that's helpful, it's a helpful start. But it's the next level of detail where this actually begins to become a little bit more valuable. So let's come on to that right now.

On this page we are going to introduce our six key strategic aspirations for 2015 and we are very excited to share these with you today, because this is something that we've really stacked hands on as a management team and we are really making sure that these get baked into our planning process and our investment allocation process to ensure that these actually come through the fruition and aren't just words on paper. And I'm going to apologize in advance even though we are delighted to share this with you, we are going to keep some of it confidential and so there'd be a few blanks and a few Xs in here, but we are hoping that we've given you enough to get a sense of where we are focusing and why we are focusing there.

So let's get started. The first is to accelerate electronification by 2015 Visa will reach X% payment volume share of global PCE. We know what our penetration rate is now. We know what it's going to be under natural trajectory. We're adding a couple percentage points to that to give ourselves the reach target that we want to have.

Second is diversify geographically. As Joe mentioned, by 2015, Visa will generate 50% of its revenue from outside the United States. The natural crossover point is probably a little later than this. We are pulling it forward and there's two main messages in this. The first is, this is a fantastic rallying cry for our markets around the world to put up their hand and say I can help you deliver on that aspiration. I've got some fantastic ROI projects. I need you to cut me a check and I can deliver on this and we are getting those addressed weekly and when Ruben comes up later today, he'll talk about the efforts that he and Bill Sheedy led in Brazil to accomplish that.

Next is embed processing. By 2015, Visa will ensure that X% of our transactions are processed on VisaNet. In some markets around the world, we process all of our transactions such as the United States. In many markets around the world that's not the case. We certainly prefer the former to the latter because our ability to offer a long-term differentiated value proposition is much better if we are carrying our transactions and so we wanted to call it out and make a very specific goal of the amount of our transactions that we actually carry on our rails.

  

Next is enter new businesses. By 2015, Visa will drive X% of revenue from offerings that it does not have commercialized in the market today. Here we steal a chapter from other great companies that have used this before to drive their innovation. I think 3M is an example where they've long had the mantra, let me make sure I get this right, that 30% of their revenue in four years will come from products and services that don't exist today. We like the thinking and the mindset that comes with that and the cognitive sweat or their concern when you wake up every morning and you look at yourself in the mirror to make sure you're delivering on that. So we are embedding that in what we do as an aspiration to make sure we look forward about what those new businesses will be.

Next is to differentiate our value proposition; by 2015 Visa will prioritize its investments in services that drive unique value and could monetize in negotiation. The purpose of this aspiration is to ensure that when we're negotiating for a new contract against American Express or MasterCard or JCB or whomever, it doesn't become checkbook versus checkbook in terms of who wins that deal, but rather we differentiate it. We've invested to differentiate our products enough to know that we can stand tall in that negotiation. Said another way, what we want to achieve here is have our clients say only Visa can do that.

The final aspiration is maximizing shareholder value. By 2015 Visa would be a global top 75 company by market capitalization. When I first wrote this in November, when I started, we were 116. As of last week, I think we were in the 80 somewhere. So we might have to bump this one up a little bit. But these are our six key strategic aspirations for 2015. We'll come back to these at the end when I have given you a little bit more context.

But for now let me return to the first message I want to try to leave you with, and that is our strategic foundation is solid. And a couple of pages ago, I tried to summarize our strategy on a single page. What I'd now like to do is make the case that that strategy is actually supported by six key business pillars. And these pillars are local market focus, processing, products and services, brand, acceptance and clients. Now with the time I have today, there is no way I can go through this. And frankly, you're way better off hearing it from the folks who're going to talk through the rest of the day on these topics.

But what I would like to do is very briefly give you one page on each of the high level strategies here to make the important case that these aren't disparate strategies, but rather these are strategies that are all rolling in the same direction towards a common corporate strategy. And my colleagues will all come up throughout the day and go into more detail on each of these. So let's see if we can accomplish that in the next few minutes.

First is local market focus. Local knowledge is our strongest asset and central to our strategy. We must ensure local empowerment, effective decision making, and competitive advantage via local talent. As John Partridge will get into later today, this strategy drove our organizational design and our recent organizational changes, not the other way around.

So our organizational changes that we've made empower country managers and drive for efficient decision making, reduce layers of bureaucracy. We organize the countries into groups of manageable country groups, maintain focus on priority market, and we ensure that in everything we do, our strategy are developed at a local market level. And again John Partridge will come up and talk about this in much more detail after me.

Next is processing strategy, we must touch as much of every transaction as possible to ensure a long term differentiated value proposition and associated revenue streams. And I will absolutely put up my hand and say I've got religion on this topic. As I mentioned earlier unless we carry our transactions and unless our Visa transaction actually runs on our rails, our ability to offer long term differentiated value proposition is undermined.

  

So again in many markets around the world, like the U.S. we carry all our transactions. In many other markets that's not the case. We see this as a fantastic growth opportunity for us to really make sure we are capturing as much of every transaction as possible.

And so some of these elements which Marc Luet will come up and talk about more later is protecting and growing VisaNet transaction volume, expanding into acquirer processing in select countries to grow the market and as I mentioned earlier, accelerate the investment in infrastructure development in emerging markets, increase issuer processing, actively explore acquisition and JVs as viable solutions in local market and again as always, deliver country specific solutions. So again Marc Luet will have much more to say about this later today.

Next is our product and service strategy. And frankly as far as I am concerned, the best compliment you can give to a strategy is to leave it alone that suggests that the core tenants and core messages from it still hold true. And so Elizabeth Buse and her team have been using this product strategy for a few years now. And I think it just works very well.

By simply cutting on two axes, customers and capabilities, four quadrants emerge. The first in the bottom left is protect and grow, and before we are distracted and chase any bright shiny objects, we need to double or triple down in our core business with existing customers and existing capabilities. There is still massive growth to be achieved here around the world by investing behind this.

Next we have extend in the bottom right. This is extending into new capabilities with existing customers. Extending into new capabilities is always exciting, but doing it with existing customers is just playing smart. We've got trust-based relationships with our clients and we have a mutual understanding that if we come up with mutually beneficial ideas, we will both invest behind them. So that's our number two priority.

In the interest of time, I will skip diversify and I will jump to new businesses where we are talking about new clients and new capabilities in the top right. And granted that this is further a field, but if we're going to meet our long-term growth targets, we need to make sure that there is sufficient bandwidth, management bandwidth and investment dollars allocated against some of these potential new businesses. And frankly, we need to be willing to fail a few times. Even if we have a batting average of 250, we need to take a few swings up here.

And if you look at the portfolio of initiatives that the product group either has underway or is looking at getting underway, you'll see that there is a fantastic portfolio initiative that touch on all four of these quadrants. So it's very exciting time to be in the product group.

Next is the brand strategy. And again Antonio will come up and talk about this in more detail later. But the overall vision is to become the Universal Currency of Life by consistently delivering a message of Better Money for Better Living.

Now this brand promise of Better Money for Better Living can be thought of in two halves. The first half Better Money touches on the rational aspects of the brand, security, acceptance, convenience and value. These are the bedrock of our brand promise and would enable us to become the most trusted and the most reliable.

Now these rational elements link very nicely to the emotional benefits embedded in the Better Living half of the brand promise, peace of mind, a sense of control, freedom and meaningful experiences. And the rational, emotional come together in the brand promise of Better Money for Better Living and by delivering on it every day will ensure that more people go with Visa.

Next we have acceptance, grow our network of merchants through country specific application of the acceptance lifecycle, targeted segment prioritization and creative acceptance investments.

  

Starting at the bottom with acceptance and again Marc Luet will talk more about this today. So I'll be brief.

Starting with the acceptance at the bottom, prioritize merchant segments investments at the country level based on local market needs; performance at the point-of-sale, optimize operational performance to increase merchant value proposition including reliability, security, chargebacks and risk management, preference; drive preference to increase share with current merchants through value-added business services such as merchant marketing or merchant benchmarking campaigns; and then finally, partnership, which is our end goal, building sustainable partnerships to increase Visa loyalty.

And the final of the six pillars in our whirlwind trip is our client strategy; deliver a superior value proposition to our clients through our aspiration of client partnership focused on the right team, the best insights, and efficient decision making. Significant work has been done at Visa over the past couple of years to really understand how to evolve the client service model in light of the changed relationship we have with our banks since IPO.

And I've seen this both from the inside and the outside. One of the last project I did when I was at McKinsey was a global client needs assessment and I flew around the world and interviewed 170 of Visa's most senior clients to understand what Visa did well and what it didn't do well. And I tell you, I came back with some pretty tough messages, but starting from Joe and John, Elizabeth, Bill and others, these messages received very well and a lot of steps have been taken, which others will talk about later today to talk about how we've adopted these and adjusted our approach.

But just to touch on some of these, the right people, team, and talent. Our aspiration is to be a partner with our banks, to be part of the inner cabinet when they are making their big decisions. We're being more proactive and less reactive in our stance. We are making clients' priorities our priorities instead of trying to peddle our wares of our latest ideas.

We're being much more structured and efficient in our account planning process and being much more diligent in our follow-through. And we're doing much more to empower the frontline of our account executives to enable them to make decisions on the frontline and for the rest of us to stand behind that.

We did a much better job of delivering unmatched insights such that best practices on an affluent strategy in Singapore can be ported to South Africa and making sure that that happens much more fluidly. We're also doing a lot of research to understand how we can monetize the value of the data, "information goldmine" as our clients refer to it, of the data that's running through our pipes and how we can come up with ideas to leverage that.

And finally, communicating our strategy; frankly, we got bad marks for how well we communicated our strategy to our clients. And so we are doing everything we can to be more clear on our strategy and to spend more time talking about it. So that is our whirlwind view of the six key pillars supporting our overall strategy and more folks will go into detail on this.

But let me just pause and say, this strategy has actually served us pretty well, very solid IPO, we would argue strong shareholder value creation since then, strong brand position, strong market position, strong product position, things are going pretty well for Visa right now.

But let me just pause for a second since it's my job to throw a little bit of cold water on that, and just say as a growth company, there are significant aspirations associated with that. And so while we can be pleased with what we've delivered over the past couple of years, we need to do it again this year and next year, and the year after that, and five years from now, and ten years from now. So we cannot, must not, and will not rest on our laurels, which brings me to my second message.

  

Just to remind you, as a growth company, we must look beyond today's strategy to maintain the long term trajectory. And so just a couple of points to make this more clear. On the left hand side, I take a quote from Morgan Stanley, and frankly, I could have taken quotes from dozens of you in the room because the message is extremely consistent. I took this one because it says it the most clearly.

Investment Case: Growth, Growth, and more Growth. As we have stated multiple times, the most important corporate objective for Visa is the preservation of topline growth and it continues on obviously. That's a pretty clear message.

On the right hand side, I take a quote that our CEO, Joe Saunders uses with us a lot, with the senior management team, to make sure that we are focused on the long-term. And the quote he always uses is, of the 500 companies that have first appeared on Fortune's list in 1955, only 71 still have a place today. 2000 have come and gone since then. Just because you made the list doesn't guarantee you have the ability to endure.

The reason I put these quotes up here is to make the case that this is the kind of thinking that has permeated the culture of Visa. It has penetrated the fabric within which we are making our decisions day-to-day and it's just important that we convey that to you. We are not focused just on where the next quarter is going be, we are focused on what the next decade is going to be.

So again, Visa understands investor expectations. An investment in Visa is an investment in long term, global growth. Our focus is long term. Our focus is global. We must push beyond our current strategies. Harnessing secular electronification will absolutely drive significant enormous growth, if you will, for years to come. But we can't get lazy. We need to push ourselves and we are pushing ourselves to think beyond the next horizon.

And so Visa is taking steps to ensure that a gap to our long-term aspirations never materializes. So we are pushing for upside. We are pushing ourselves to think of strategies that will enable us to win in tomorrow's markets, meeting tomorrow's customer needs with tomorrow's products and services.

We are also working to manage downside through scenario analysis and contingency planning to make sure that we are prepared for any potential downside shocks to our core business, which finally brings me to the third and final message of the presentation. And that is setting multi-year strategic aspirations will help us maintain this focus.

So I've already introduced the six priority strategic initiatives for FY '15 and I'll talk in a second about the priority projects that are underway in FY '10 and FY '11. But the point I want to make here is these are not simply ink on paper. These are things that Joe is very much holding our feet to the fire on.

For every one of these strategic aspirations and every one of our priority projects, there is an operating committee member's name against it. It's in our performance reviews. I am tracking it monthly and reporting it to the operating committee. The Board has seen it signed off on us, and expecting regular updates. So these are things that we are very much standing behind and are very real for us.

And just before I return to the aspirations, let me just remind us that in driving this growth, Visa has a fantastic arsenal of assets and capabilities that we can leverage, both established and proven and new levers that we have developed over the past couple of years, that have become available to us over the past couple of years.

In terms of established and proven, best-in-class employees, strong secular tailwind, superb client relationships, unsurpassed acceptance and issuance, world-class brand, unmatched network and scale, reliability and security, product leadership, excellent financial position, et cetera. In terms of new levers, expanded business model opportunities, integrated global view of best practices, new opportunities across the value chain, holistic pricing, incentive and interchange strategies and the new M&A capabilities where we are redoubling our efforts.

So let me just return to this slide as my final slide in the presentation and just remind you of the six key strategic aspirations and just say this. If we actually put the specific numbers in here, we see these aspirations as very attainable. And if we do attain these aspirations, we will comfortably meet our growth plans for several, several years to come.

So again, these aspirations are not words on paper. They are very real to the management team and we understand exactly how it will translate into impact on our shareholders. And so in addition to these six strategic aspirations, I'll just remind you of the priority projects that we are pushing on in FY '10 and FY '11 to begin to deliver on these.

These include, one, break out country growth strategies. We simply have opportunities in market today that we didn't have two or three years ago. And so we're investing with a clean mindset, with a blank checkbook in some markets around the world to really think what could we do if we were unconstrained in Brazil, in Russia, in Japan, in the Middle East, in India, et cetera. So we are doing a series of these rewrites of country strategy around the world with a blank checkbook to really think what we can do differently.

Another one of our priority projects is domestic processing strategy, which I think I have mentioned enough about already and Marc Luet will talk about more. We are investing heavily in a project on Visa's differentiation strategy and how we can take it to the next level, again with the aspiration of achieving the sense of our clients saying only Visa can do that.

We are investing in another project on our cross-border strategies. We are investing in another project on exploring strategies in potential new businesses, in the top right of the product strategy frame that I shared with you.

And again, what other businesses could Visa take its capabilities and its brand into? Classic example would be healthcare payments processing. How do we want to do it? How fast and when? And so there are several other projects that we are pushing on right now in FY '10 and FY '11 to ensure that we get to these 2015 aspirations.

And so that's it for me and that's it for our corporate strategy. And with that, I thank you very much for your time. And I will turn it over to our President, John Partridge. Thank you.

**John Partridge, President**

Well, thank you, Oliver and I am pleased to join you this morning. You've now heard both Joe and Oliver talk about the landscape in which we are operating and the steps that we are taking to grow our business.

These are extraordinary times, and as such we recognize that our clients' needs and priorities are dynamic and constantly evolving. Over the past several years, we have spoken to you many times about how we have been restructuring our company and how we have been able to generate efficiencies throughout the organization.

What also has taken place is an evolution of our organizational structure. This organizational structure we believe enables us to more effectively execute the strategies that you just heard about, and in so doing, deliver greater value to our clients.

  

We have just outlined the six pillars of our strategy and each of these strategies were informed by and structured around the needs of our clients today. But also importantly, today our clients are engaged with us in understanding where our collective business is moving to ensure that our strategies are relevant for tomorrow as well.

Oliver just talked to you about the client engagement study that we undertook right after the IPO. And that study not only talked about and informed us about our client coverage, but also informed us about the priorities and the strategies that are important to our clients. So we talked about our brand strategy. It is designed to drive transactions at the point-of-sale. That drives value to our clients as well as to Visa.

Our acceptance strategy is focused on moving more transactions from cash to digital currency, again driving growth to our clients and to ourselves. Our processing strategy is designed to drive more transactions under our centralized network.

And as you heard Oliver talk about, when we see the transaction, we can add more value to that transaction and thereby drive more value and more growth to our clients and to ourselves. And likewise, our product strategy to drive sustainable growth for our stakeholders in the network relies on growing not only our core business but also investing in the innovation ideas and initiatives that will also drive growth to ourselves and our clients.

And our client strategy is driven by individual markets and putting resources in those markets, we're empowered to drive the business. We also understand that as our business evolves, we need to be able to not only differentiate Visa from our competitors but also differentiate our products at the client level. In short, deliver customized solutions that create value for each of our clients.

And as we go through the agenda today, we will share the details behind each of these strategies keeping in mind that they all support driving value to our clients and contribute to our building stronger relationships with them in the long term.

I believe that these strategies are right and that they differentiate Visa in and of themselves. But from an execution perspective, and what is truly unique for Visa, is that we have for the first time put all of our critical assets as you see on this chart, our drivers of value to our clients, organized in one group under one executive.

Now I realize this isn't going to be the most exciting slide that you see for the day but I did want to cover some organizational changes that we just announced last week. And quite frankly, this is probably the most illustrative way to do that. As you all know, last week, we announced that Elizabeth Buse will be taking over as our new Group Executive over our international business. She will be replacing Rupert Keeley who has decided to leave the organization.

Bill Sheedy will remain Group Executive of The Americas, and I am also very pleased to tell you that earlier this week we named Jim McCarthy our new Global Head of Product to succeed Elizabeth. And there are really two important takeaways from these personnel moves. First, not only have we been investing in our products and our services and our technologies but we've also been investing in our people. We have been able to strengthen our management team and that allows us to promote within, and we think that that delivers continuity and delivers a very good message to our employees about our dedication and our commitment to their careers.

So, with that being said, let's move and let me talk to you about how our organization operates. At the centre of our strategy and our organization is the local market for focus. You may recall throughout the discussions that we have had over the past several years that we felt that our presence in the local markets where we did business was the differentiator and a strength of ours.

Not only have we kept that presence, we have moved resources out of our regional offices and placed them closer to the markets that they serve. Our belief is that our local knowledge of the business combined with direct support that leverages our resources and assets is a winning combination.

As part of this structure we have flattened our organization by removing several layers of management between the markets and the global functions that you see on the right which support their activities.

And as the slide shows we have countries or groupings of countries that make up our business units. Each manager of those business units has the accountability for the business and the financial performance of that entity. By tracking the business and financial performance on a market-by-market basis we are able to create better visibility and insight into our local markets. With better visibility in fewer organizational layers between executive management and our country managers we can make decisions more quickly thereby speeding decisions to make us more responsive to our clients' needs.

By looking across all of the markets, we have a truly global view of our business and can make better resource allocations and overall decisions about our investments. The objective of course is to maximize the value for our clients and also for the performance of Visa, Inc.

So, how do we know if we get it right? It all starts and ends with our clients. Everything from our strategy to our organizing structure, to the new products and services we develop. We continually seek our clients' input. Keeping this prized feedback loop alive is vital. As Oliver mentioned and I mentioned earlier about we had our initial client management study, we are just now closing out a follow on which is an even more comprehensive survey to ensure that we have identified and prioritized strategic improvement opportunities, gauged the success of the client coverage model that Oliver talked about, understand how well Visa's products and services are meeting our clients needs and assess our alignment with our clients' strategic business priorities.

If we execute effectively on our outlined strategic direction that is grounded in our clients' request, I believe we will continue to be successful. And success means to me innovation to create differentiation. You heard Joe talk about it, you heard Oliver talk about it, you'll be hearing about that throughout the rest of the day. We think this differentiation which is to drive growth for Visa and for our other clients.

And so now I'll like to take the opportunity to introduce Elizabeth Buse and I'm not sure whether you are still the Global Product Head or the Group Executive. You are in transition. So this may be the last time I can introduce you as the Global Head of Product. To talk to you more about that differentiation that will drive both ours and our clients' growth. So, thank you very much for your time today. Elizabeth.

**Elizabeth Buse, Global Head of Product**

So for one more day, someone referred to it as my swansong. I do get to talk to you about our products and services in my role as Global Head of Products and I'm very pleased and frankly envious that Jim McCarthy will be doing this for you next time. What I want to talk to you about this morning is where we are investing for growth. We've been talking to you for the last two years about our innovation focus, and where we wanted to create differentiated growth and leadership, I want to give you an update.

I'm going to give you an opportunity to hear from a couple of our clients in their own words, how these innovations are driving value for them and then of course I hope you all take advantage of the opportunity to go outside in the hallway and try some of these things yourself. But let me start with the slide that Oliver used to talk about the products and services strategy generally.

Oliver and Joe, both talked about the fact that our goal is to continue to penetrate cash and checks. As many of you know, even here in the United States, our most developed market, we have tremendous opportunity to continue to grow at the expense of this weak competition and while that's true here, it's even more true in the rest of our geographies.

The way that we are going to do that is by enhancing the value of the Visa network and when I talk about the network it's not just VisaNet; it's the network of our more than 29 million merchants. It's the network of our 1.4 million ATMs and our 16,000 financial institutions and are pushing two billion accounts that allow people to transact on our network, and investing in innovation that continues to grow the participants in that network and enhance the value of the interactions that they make.

Oliver talked about this. We are focused in order on protecting and growing our phenomenal base business, our core credit, debit and commercial products around the world. We are looking at extending the value of those products by adding additional capabilities that makes them more valuable to the user, that makes them stickier in our client's relationship and make them more attractive for merchants to accept. And then, we are looking at diversifying the participants in our network both with our existing and our new products and services.

And this is not something that we just figured out when we decided to go public. Visa has a very strong track record of innovation. We started 50 years ago as a better way to extend credit. In the 90s we identified a major cash and check opportunity with debit. Earlier, in 2000, we identified commercial products as an opportunity, before that we had been focused on the consumer; we expanded into small businesses, large businesses and the middle market. And more recently, we identified an opportunity in pre-paid to serve segments like the unbanked and the under banked government and employers that weren't well served with our existing products and services, and now we are investing in new technologies, e-commerce, money transfer, mobile and network services that we think will extend the growth that we have enjoyed for such a long time.

I will spend most of my time this morning talking about those new technologies and giving you an update on where we stand in our investments. But first I would like to look at our core products, because you look at the slide and say, if I were standing with anyone, any payment scheme's Investor Day I could see something that looks like that.

But what's differentiated about the way Visa has innovated in these spaces is that we are the leader, we lead on debit, we lead on commercial and we lead on pre-paid. And the reason that we lead in those areas and intend to lead in the places where we are innovating today is that we approach them with a unique combination of assets.

So, starting with debit, what we did differently here as you all well know now given our commanding lead in the debit marketplace in the United States, is that we took a combination of a signature point-of-sale debit product, a PIN-based point-of-sale debit product, a global ATM network, all supported by issuer processing so that we could go to the marketplace with something that was turnkey for the issuer and was comprehensive from the cardholder's point of view.

Outside the United States we have Visa Electron, which is our electronically authorized product, required again to drive point of sale debit transactions. This has worked and we are taking a similar approach in locally relevant ways in other markets, and when Ruben talks to you about Brazil, he will explain to you what we are doing there.

We did something similar in prepaid. When prepaid started everyone thought, boy, we can take these paper gift certificates and turn them into Visa or other network scheme branded pieces of plastic and drive a bunch of value. Well, you know what, that was a very simplistic approach because it was not realizing the true value of prepaid which was to reach new segments for distribution, governments, merchants, and to reach new consumers, the unbanked, the under banked and recipients of those government benefits.

So, we built a platform that allowed us to provide products for the fullness of the opportunity and we also built the important services that made these products a good experience for the accountholder to use and a good experience for the merchant to accept, and I'll highlight some of those later. So, we had the platform services, we had the richness of the product offering and importantly, we worked on the infrastructure side with regulators, with our partners, within our operations to make sure that the Visa brand on the prepaid products meant everything that it already meant on our credit and debit products in convenience and security and reliability.

And finally, in the commercial market space, this is a very complicated product category and it's something that is very heavily dependant on network services, which is why we think we have been able to gain the lead in commercial. Commercials is an information business, so sure you need an account that is accepted and that allows you to pay but you also need things like Visa IntelliLink, which is our information service that the U.S. government is using today to track spending and manage fraud. You need to recognize that it's not just a purchasing card making purchases but that businesses need help automating their payables process, and that is not just purchases it's the entire supply chain. So, we've partnered with U.S. Bank in Syncada to automate the supply chain.

So, again, understanding the unique needs of a category and deploying a combination of assets that only Visa has to differentiate, to grow and to lead through innovation. This afternoon, Brian Triplett will give you more detail on our prepaid efforts and Darren Parslow will talk to you in more detail about the commercial category.

I would like to spend the rest of my time this morning talking to you about the three innovation areas that Joe outlined this morning. The first is eCommerce, and what you need to understand about both of the emerging channels, eCommerce and mobile, is that they have unique characteristic; eCommerce is already a very big market and even given its size, it's growing very fast. For Visa is growing more than twice as fast as the face-to-face channel. It's also a very attractive channel because it has a high share of cross-border transaction. Cross-border transactions has very attractive revenue characteristics for us and for our issuers but they present some operational challenges.

Payment options: We don't have the weak competition that cash and check represent. All of our competition in this channel is electronic, which means it's more formidable than what we faced in the physical world and that's why our strategies in this channel need to be both offensive and defensive. So we are doing a number of things to continue to extend the lead that we have already established in the eCommerce channel. I will start on your left hand side.

Recognizing that this channel is fast growth and that people are innovating in consumer convenience and security, we are introducing Rightcliq. We are giving all of you a preview of it today, we'll be launching it with marketing and with some of our larger partners later this spring, but that's the service that enhances the shopping experience and I will give you some more detail on that in a moment.

Cross-border I mentioned. Cross-border is important because as I said it drives a lot of revenue and it is inherent in this channel cross-border shopping. We are doing two things there. First, providing incentives to consumers to shop at cross-border merchants; we are doing that through promotions, we are doing that through special offers. Now of course, if we are going to encourage people to go make a cross-border transaction it's something that they have to be able to complete. And if you are in Mexico and you have a Mexico issued Visa you are trying to buy something from eCommerce merchant located in the United States you will get all the way through putting in your shipping info and that transaction may get declined. We have partnered with shipping intermediaries, you'll see one in the right hand side for Asia and then the left hand side for Canada, Australia, the GCC, and we are expanding globally so that when you get to that point that transaction can be made the consumer can get his goods, the merchant gets his sales and importantly Visa gets that cross-border transaction.

Underlying all of this in the eCommerce channel is confidence; the merchant's confidence that they will be paid, the consumer's confidence that their payment information will be secure, so we are continuing to invest in authentication and security solution. We've rolled out our Verified by Visa service globally, there are several markets, India for example, where it has been mandated for eCommerce shopping and Ellen Richey will be talking more this afternoon about what we are doing to reduce risk and prevent fraud.

Just one more minute on Rightcliq, because I told you in this channel we need strategies, we need products and services that are both offensive and defensive and this has both characteristics. From the defensive perspective there were ways to pay on the Internet that were more convenient than just using your Visa card, Amazon's 1-Click is an example, PayPal is an example, where you have your payment information in a digital wallet where you automatically have your payment and shipping information filled in, that's pretty convenient. What Rightcliq allows is for all Visa cards to have that same convenient check out experience, that's the defensive part.

The offensive part is that we have looked beyond the payment to add some pre-purchase and post purchase functionality that we've heard were really sticking points for consumers preventing them from shopping more online. On the front end is the wish space that allows you to go to any merchant on the Internet to keep track of the items that you are considering buying, to ask your friends, I think this is a generational thing, go to your friends what they think of what you are thinking of buying, and then allows you to consummate the purchase.

On the back-end there is delivery tracking, so that you don't have to go through your e-mail and say, now, what did I buy from there and where is it, it's all kept there for you in a single place conveniently. So we are extremely enthusiastic about this and I hope that you will go into the foyer and play around with it.

The next area on which we are focused is on money transfer. Money transfer very simply is a huge cash opportunity that we have not been focused on before we merged Visa into a single global entity. It's an $11 trillion opportunity and although global remittances tend – the cross-border element tend to get the most attention, that's less than 10% of this category, and we are focused on the category in total. This is probably the area about which I get the most questions, where people say, are you just doing this because you can? No, we are doing it because we think that Visa can innovate in a way that is differentiated and drive unique value to everyone who is participating in money transfers.

So starting with consumers, being able to send money to a Visa account is extremely convenient and secure. Mexico for example, today if you want to get a money transfer from a traditional money transfer operator you have to go to a physical location, not so convenient; you walk out with a bunch of cash, not very secure; people know that you've gotten that cash as opposed to you have your Visa prepaid account for example, and the money just comes to you, you get a phone call saying that your money is there. We are enabling transfers from multiple channels if you want to originate a money transfer from a mobile device, from a phone, from a physical location you can do it, and we are bringing to bear the full footprint of our network of merchants and ATM.

For our existing clients this creates new revenue streams for transaction types that they have not before had available on their Visa products, and we provide them end-to-end support to be able to get into this category.

And then of course, for us, at the end of the day more transactions running through our network, more cross-border volumes, new revenue streams, and it allows us to diversify into new client relationships that we haven't traditionally had.

So how are we doing? Today we have 51 money transfer programs in production around the world. You'll notice that there is a very heavy emphasis on Asia and the Middle East, that's a function of demand. We've recently launched Visa Money Transfer in China. We also announced a partnership with the UAE Exchange, which is a money transfer operator, not a traditional Visa client, to initiate Visa Money Transfer. And Travelex has launched the Visa Money Transfer program in Australia, and that's an example many of you say, they say, I typically think of Travelex as being affiliated with a different scheme. Well, Travelex could not get money transfer services globally from another scheme, they partnered with us in a way that is innovative and differentiated.

And I have been standing up here telling you how great our products and services are. I would like to take a minute and let you hear from one of our customers, one of our partners with whom we innovated in money transfer about how this service is working for him. So let's roll the video on Singapore Post please.

[Video Presentation]

So that's where we are with our Money Transfer Initiative.

Let's move onto mobile, and I love this chart, because I think it explains why there is so much confusion in what's going on in payments in the mobile channel and there is so much news to be had. So what you are looking at here, left hand side would be the traditional payments world with the banks, with the payment types, both the closed loop and the open loop network. On your right hand side, you have a clear representation of everyone who is playing in the voice and data part of the mobile world. Handset manufacturers, mobile network operators, transit payment, text, ticketing we could go on and on. And in the middle you have the enabling services that are trying to connect both of those worlds.

Joe talked earlier about our important partnership with Monetise, trying to make sense out of all of these different interested parties who want to have a piece of the revenue that is to be had in the mobile ecosystem.

Again, any payment company you talk about, the top two has a mobile strategy. What we think is unique about our mobile strategy is that we are not trying to carve out a piece of this ecosystem, we are trying to create an ecosystem for electronic payments in the mobile channel that expands the pie for everyone and then we want to win on the basis of our differentiated value proposition. So what are we doing here?

First and foremost, we are working to establish standard. The reasons that we have partnered with enabling services like NeuStar and Monetise and with important associations like the GSMA is to establish standards. None of us will win if we have to compete on the way things happen in this channel, we need to agree on how they are going to happen.

Again, Visa has a history of this. The 3D Secure standard in the internet. Participating in EMVCo, the auto-substantiation standard for healthcare payments in prepaid. We believe this needs to be open for everyone. We also don't believe that you should compete on access. Anyone who wants to get on to our network, anyway they want to do it, we think that's great. If it's through a particular mobile network operator, a particular type of handset or a certain mobile platform, come on in, access to our value proposition is how we will win. Providing a global product suite is critical. Those of you who follow this category know that you have a very promising local mobile payment solution and the minute it tries to cross the border, wham, it gets into trouble because there isn't an agreement on the economics and the standards, we're working to smooth that out globally.

Importantly, we're bringing the four-party model into the mobile channel because mobile is not a new way to pay, it's a new access channel for existing payment types. We think for mobile to grow up and be a real payment alternative, financial institutions must be in the mix. And it's important to understand that in this place, least of all, one size does not fit all. It's important to have differentiated locally relevant strategies. And I know another piece of news on organization that you all saw, we're delighted that we have the chief commercial officer from the GSMA who has decided to come over and help us execute on that strategy, Bill Gajda, and we think that he will accelerate our efforts in this area.

We've already gotten a lot of traction, we have mobile programs 23 in 19 countries live around the world, so we have, in our most developed markets like the United States, as well as in some emerging geographies, India for example, we have partnered across the value chain to innovate and differentiate Visa in the mobile channel.

There are two primary ways that we think mobile is going to drive revenue to Visa. One set of services in developed market, another set of services in emerging markets. And in the developed market we think that near term revenue is going to come from using the mobile device to add value to a traditional payment; the card that you already have used in the way that you typically use it. The mobile device through transaction alerts, which allows you to decide when you want to get a transaction, a notice on your phone about a transaction that you have made, VisaNet can do that in near real time sending information to your phone. What that allows you to do is shop with confidence, particularly in the debit space that's important, it also allows you to serve as a fraud early-warning system for your issuer because you're getting information about your transaction.

In addition, so that's on the risk side, in addition it allows us to have a two-way communication with the cardholders to say, you tell us what kind of offer do you want to receive, we'll push those offers to your mobile device, we will match those with the locator to tell you where you can go and take advantage of that offer. So that takes an existing payment product, encourages you to use it more and differentiate Visa in the mobile channel. So, we believe that that is going to be the primary revenue stream for mobile in developed markets like the U.S.

However, there is a lot of innovation and a lot of investments going into turning the mobile phone into a physical payment device typically using some form of contact with technology. We think that the reason these things have not taken off, a number of reasons, but one of the major ones was, you know, let's not take out our phone. Lot's of different types of handsets. That's why we have partnered with DeviceFidelity to have a microSD solution that is handset type indifferent. You can put that into any phone that has a slot for it and turn your phone into a payment device. So why we think using the phone for payment in developed markets is longer terms, if it hits we are ready and we are ready in a way that is unique to Visa and differentiating from other payment types.

Now, let's move onto what is surely the bigger opportunity long-term, and that is getting electronic payment to places where they don't exist today, that will happen in the mobile channel. I am talking about places like rural India, where you don't have reliable electricity, so you are certainly not going to be deploying traditional point-of-sale terminal. However, people still need to buy things, people still need to pay their bills that will happen in the mobile channel.

And we believe that to bring the electronic payments to emerging market with the mobile device you need a bundled set of services. It starts with a prepaid account, which is the account embedded in the phone. There has to be money transfer capabilities, both paying bills and sending money back and forth, mobile top-up, because outside the United States most people pay as they go buying minutes, they have to be able to continue to top-up their phone, that's what we're doing with the Beeline in Russia. And you have to be able to use the mobile phone as both an acceptance and a payment device. So we are partnering to innovate in this space with mobile network operators around the world and we think that this is where growth is going to come in the longer term.

So that's all the top line stuff on innovation. But back to my earlier point that it's a combination of unique assets that really differentiates Visa's innovation and makes us lead in places where we innovate. Innovation is the heavy lifting that's done at the network level in the additional services that make a Visa payment experience special. I'm going to go through three examples of that.

First is our information products and services, I talked to you about Visa IntelliLink in the commercial space. On the risk side, and Ellen will talk more about this this afternoon. We continue to innovate at the network level to make Visa transactions safer, that lowers the cost for the merchants, that lowers the cost for the issuer and it increases confidence with the consumer. Visa Advanced Authorization and Visa Risk Manager both allow for dynamic fraud detection, they allow issuers to say yes more frequently and they push fraud out of the system.

The point of sale is another place where we are, apologies to Lexus, relentlessly innovating to improve the point of sale experience because where rubber meets road is when you have an account holder wanting to transact and a merchant wanting to sell goods or services.

Here is some examples of places where Visa has innovated to make that a better experience. Four of them are related to prepaid, because prepaid has unique characteristics. But as I said earlier, from a consumer's point of view we want that Visa brand to be every bit as valuable on a prepaid product as it is on a traditional debit or credit product. So, with prepaid you have to have a place to be able to load funds onto the card because there is not a traditional bank branch involved. That's why we came out with Visa ReadyLink where prepaid card holders can go to an ATM or a MoneyGram location for example and load funds on the card.

In the healthcare segment when funds are loaded onto a prepaid card for certain authorized purchases at the merchant location we need to be able to distinguish which of those purchases is authorized, that's what lead Visa to come up with the auto-substantiation service. We partnered with the government in that and that became the standard for the way that electronic purchases are made for healthcare. Partial authorization that allows consumers to get all of the funds off of their cards. Balance enquiry that allows consumers to know how much money is on the cards. None of these things is ever going to get an article written about it, but it's absolutely crucial to think the Visa prepaid experience is differentiated and better than the alternatives.

Finally, we talked about risk lowering cost, talked about the point of sale experience. Loyalty, we believe, providing additional reasons and value for people to use their Visa product is absolutely critical and the way that we have approached this is by creating a number of differentiated loyalty services all designed to make the Visa cards the top of wallet.

Visa Extras, we have been talking about that for a year. Our comprehensive loyalty program that allows issuers to household points across debit, credit, other bank services. The TAQC platform, this is where you see the product people are not marketing people, we should have gotten them involved in the name of this platform that stands for transaction award, qualification and calculation. It allows us to run very targeted promotions, you have a BURGER KING example here, where we partner with the merchant, BURGER KING says I want to offer a free drink to anyone who shops in one of my stores between three and five in the afternoon, we can find that behavior, we can match it to a cardholder, we can make that offer and that drives value to the merchant, it drives value to the cardholder and you can only do that in the VisaNet system.

One of the places that we have innovated most recently in this is outside the United States with Visa Passfirst. As Ruben will tell you, people in Brazil are absolutely wild about soccer; we said if we can tie the Visa card to soccer then we'll really have something very special and differentiated.

  

So, we partnered to rollout a service that makes the Visa cards top of wallet not just for the experience in a soccer stadium, but comprehensively.

So, let's show the video on Passfirst please.

[Video Presentation]

So that's everything that I wanted to cover in the innovation segment. But I think it's important that you all experience it yourself and keeping with our CMOs, don't take our word for it. If you have a chance go look at Rightcliq, try it out, go look at our mobile offers, we have transaction alerts offers, you could look at our microSD solution and you can initiate a money transfer transaction so you can see how Visa is approaching these innovations in unique and differentiated way.

So, at this point, please join me in welcoming Antonio Lucio, our Chief Marketing Officer.

**Antonio Lucio, Chief Marketing Officer**

Well good morning. My goodness this is Wall Street, good morning. Okay I am the Chief Marketing Officer I have been also called by some of you the billion dollar man.

So today I am going to address two questions, one of you asked me last year, Antonio do you have any idea what Wall Street thinks about your marketing budget? Actually I don't want to know. The second was, why do you need money when you have a brand that has been established for 40 years? So hopefully today I will give you the ingredients and the process, I will however hold some of the proportions of secrets for obvious reasons.

But now, let's talk about our budget and let's talk about what marketing does.

First and foremost as Oliver mentioned, we are anchored in a strategy. Everything we do is to drive revenues and transactions while building brand equity and differentiation. We do it by demonstrating everyday that we are better money for better living. Obviously, as I am going to show you very shortly, that means very different thing for different products and for different countries. But, we are always anchored on the same promise and always support the products with the rational dimensions of acceptance, security, and convenience.

What marketing does, first and foremost as leader of the category we have our responsibility to drive the shift from cash and checks into the electronic payment. That's what a leader does. What that means is very specific issuer, merchant, and consumer education to ensure that those shifts actually take place. We'd like to say that we compete against a competitor cash that doesn't have a marketing department, but what it has is well grounded, rooted habit that need to be unlocked.

Second, we drive differentiation by providing the communication elements to celebrate all that innovation that Elizabeth just presented. That needs to be communicated so that consumers, issuers and merchants can actually take advantage of it.

Third, that we follow a very rigorous analytical approach for market allocation so that we can indeed drive business and achieve that 50% target outside of the United States that Oliver mentioned. And, finally, we take our responsibility with shareholders very seriously ensuring that we have the right tools to measure efficiency and effectiveness because we will continue to drive synergies for the next couple of years.

Let's talk about the process at the conceptual level, but I promised that we're going to get down into the weeds so that you can see where do we invest our money. First and foremost, the way that we plan. Product I listed it, acceptance and marketing get together and get an aerial helicopter view of the world. And we analyze, that I mentioned of electronic payment penetration, available infrastructure, acceptance, percentage of bank population. We also look at macroeconomic trend and we present a view. That view is shared with a market and they themselves present a view across those dimensions. But they add all the market knowledge that, as Oliver said, is essential in the development of our business.

They bring in the customer, the merchant and the consumer insight and they identify their opportunities. So a very interactive process of global and local, which has been facilitated by the reorganization that John spoke about. We've come to terms with key country priorities, key product priorities and a budget. Our parameters for evaluating them: return, growth potential, market development and the level of competitive activity in that particular product in that particular market.

Once that budget is figured out, then on a market-by-market basis, we pass it through a MROI process, which we'll explain shortly and that will give you an optimized marketing mix model. From a content standpoint once the plan is in action, we ensure and have tools to measure that our message is being delivered according to those product priorities for country and that we are building brand equity and differentiation. But that's very conceptual.

Let's talk about some very specific examples. In order to understand how we build our budget, it's important to know that we actually assess two dimensions. Number one, the market maturity stage that Oliver presented – emerging, developed. But we also have to do the same thing on the product element, because the way that you're going to communicate and drive you business, in a sophisticated product with a sophisticated market is going to be very different.

Let me give you some examples. India, underdeveloped emerging market, very low PCE penetration, less than five, very basic infrastructure, huge areas of opportunities in acceptance, whether you are talking credit or whether you are talking debit. How do we spend our money? 80% of our efforts are aimed at educating the business system. This is not sexy stuff. This is not award winning commercials for a digital. This is brochures, collateral material, incentives to educate the branch managers and the branch employee as to the benefits of our product. It is also investment in building merchant infrastructure, POP material, incentives to remind consumers that indeed that credit or debit product is accepted there. 80% of our budget goes to that. 20% of our budget in a market like India goes to development of brand equity, the sexy stuff. Why is that important?

First and foremost, when we are talking to our issuers, we are making a commitment that we are going to jointly develop the market. They are going to put resources, we are going to put resources and the key thing that we need to do is to educate consumers as to the benefits of the electronic payment.

The second thing that we are doing is we are building a brand equity base. Why is that important? The only way that we are going to be able to develop a comprehensive suite of product is by having an umbrella of trust, associated with the market, and all the experience that we have in emerging market shows that by doing that we are actually able to accelerate the growth of our innovation agenda. Again 20% blocking and packing, issuer and merchant education, 20% consumer.

Let's talk about Brazil, different type of market, it is a developed market. It has medium PCE around 10 to 11%. It has a lot of cards available in the market. It has medium levels of acceptance. It has very good infrastructure for development, but there are no assets in the market in Brazil. It may be a developed market, but our single biggest opportunity, given macroeconomic trends, is debit. Debit has a six PCE, although we have hundreds of millions of cards available. That's the opportunity for debit. Well, only 14% of the debit cards available in the market are used at the point of sale. The remaining 86% is used at the ATM.

So, what the utilization of marketing dollars for debit? Again, hardworking heating stuff. We create incentives for the retail employees, we create brochures, we create direct marketing material that inform consumers about the benefit of security, convenience and no fees of using a debit card. We created programs incentives with banks like Bradesco, Banco do Brasil. Again very, very specific blocking and packing and we paid for all that. We also created incentives at the merchant locations to remind consumers that they can use their card there.

Cinemark one of the biggest movie theatre chains in Brazil, very specific investment there. As in the case of India, between 65 and 70% of our activities is devoted to that. At the consumer level what we do is educate them on the fact that is more convenient, more secure to go direct to the point of purchase than to the ATM.

So, let me show you one commercial as to how we do that in Brazil.

[Video Presentation]

Very specific our heating stuff. We drive synergies, because that same commercial we have used in Mexico and the rest of Latin America. That's debit, it's emerging in a developed market. In the case of credit, the opportunity is very different. How do we capture the opportunity among mass affluent, how do we share against AMEX. So there we created a whole platform of product and services under the platinum sub brand to actually drive usage, occasion and issuance. On that particular case 50% of their resource goes to support, our customers about 50% of the support goes to driving consumer usage.

Third opportunity in Brazil is to drive cross-border. So we have a very specific program to actually accelerate the uses of card in Brazil for those tourists and the main benefit is ubiquitous acceptance. And finally, as Elizabeth mentioned there, in Brazil we take advantage of the football platform with FIFA as its anchor to actually drive our business. What does that mean? We are able to give away those assets to our clients so that they use FIFA, for example, for activation, acquisition, usage platforms. We also use it to deliver consumer promotion so that we can leverage the totality of our product portfolio encouraging usage.

I will give you data point. In Brazil, when we analyze equity and preference most of our impact come from our long-term association with football than with any other activity that we've ever done; that's what the platforms do for us. That's Brazil.

Let's talk about Australia, developed sophisticated market. We have two different product platforms there. Although on credit, we lead the market sophisticated on those elements, product and – product and market. In the case of debit we are fighting a very different fight, for us it's emerging.

We only have 19% share of the debit market in Australia and we have a very well entrenched competitor in EFTPOS. So what we do? Once again a lot of merchandizing material with our banks and with our merchants, and communication to consumers in which we are also emphasizing our points of difference versus EFTPOS. There are three, you can use it in the Internet. You can use it for telephone purchases, and importantly you can use it abroad. That's what our marketing dollars are doing. Incentivating the usage of the card at the merchant, educating our issuers at their point of sale and importantly telling consumers what our product is all about.

Let me show you the commercial that we have for Australia.

[Video Presentation]

Well, the audio is not working basically what the commercial says is technology has helped us improve things, why would you use the old way of bank when you can use your Visa card to actually make, take it abroad, make purchase online and use it for the phone. Those are the basic messages.

It's very important, as important as those messages are is what happens at the merchant locations. We had a very specific platform for 7-Eleven where in terms of the gas punch we were actually encouraging consumers to use their debit card as well as providing incentives into their stores. Just like in the case of Brazil, we do very specific cross border opportunistic promotions and signage to drive that business across Asia in the main corridors. And importantly, because Australia actually qualified for the World Cup believe it or not, we are actually able to drive the FIFA properties sort of the same way, providing incentives and promotions for our merchants, our issuers and directly to the consumers.

The U.S. is a very different approach; both credit and debit are on the sophisticated side of the quadrant. But the opportunities that we have to pursue each one are very different, requiring very different marketing approaches. In the case of debit, one of the highest PCE in the world, actually below Australia I should say, 15 as opposed to 17, we have broad infrastructure, but as Bill will showcase we'll continue to be one of the biggest opportunities for growth in this particular market. The task for marketing is very specific. We need to convince consumers to use their debit card on purchases below $25. That means very specific communication at the merchant locations through joint programs and platforms with customers like McDonald's, like Burger King, like Lowe's, less on the education part of the issuer, but a lot of advertising support directly to the consumer.

In the case of affluent, credit is a very different approach. All of our customers are requiring support in driving credit volume among the mass-affluent. We happen to have a very significant platform for mass-affluent. What we are doing is to differentiate versus AMEX, by approaching that consumers as opposed to the super rich by our Signature platform.

Signature has an opportunity and a challenge, the opportunity to grow mass-affluent with their customers, which is what they want, with a strong product platform. The opportunity is that most of the consumers that have a Signature card do not know that they have it.

What we do there is to drive awareness of the Signature brand and usage by creating platforms that drive everyday usage versus AMEX. How do we do that? We've created a platform that delivers incentives on everyday perks, because that's what the consumer actually ask us that they want it. So instead of going to Napa to have wine, you're going to get discounts on movies, you're going to get discounts on Hilton, you're going to get discounts on music download, very successful program that we launched this year.

We are also supporting all the efforts that Elizabeth talked about in terms of eCommerce, it is fastest growing segment of our portfolio. We are doing two things. First and foremost we are devoting a significant portion of our marketing dollars into digital space, about 30% in the US. Most of that communication devoted to the digital space is transaction oriented, is go-to action, both into real space as well as in digital space.

Secondly that we are devoting a portion of that digital messages to security which is the biggest barrier for internet purchasing, purchase with electronic payment, by selectively placing those messages in shopping locations. And finally, if FIFA is great for the rest of the world, in the case of the United States we've been able to leverage the Olympics. About 300 banks leverage the property around the world, about 180 of those in the U.S. Signature, clients like Citi, like Chase, like Wealth, driving their priorities through our platform and we were actually able to deliver transactions through promotion as well as brand equity.

Net-net, that's what we do with our marketing dollars. Bottom up, top down analysis and that in terms of spending, demonstrating our commitment to our customers to drive their priorities, building the brand equity and differentiation necessary to drive our innovation agenda. Educating consumers when they need to be educated and we want to change their behavior and finally encouraging the usage patterns.

  

So that's how we come up with the budget. We assess the market and product opportunity. We assign our budget and then we create the tactics to actually drive those business opportunities. Once the budget is being done, we pass it through an MROI assessment.

We've been working with two best-in-breed companies MMA and Accenture. MMA did an analysis last year in the U.S. that we are going to do outside of the U.S. It actually through regression analysis was able to identify that of our total revenue base about 70% comes from momentum, current established usage patterns. Cards and wallet acceptance locations, about 20% comes from equity, brand equity. Those activities that we've been invested in both products and marketing over the last couple of years, and we are able to identify that up to a 24-month basis and then 10% is the short-term lift of the marketing activities that we are doing now.

So, when we pass our activities or our media options through the model, we actually put more weight on the short-term and mid-term part of the assessment because the level of reliability that we have with that data is higher, on the short-term and mid-term when we go into the other levels of the markets.

So it's basic econometric modeling like we used to predict economic forecast for example, everything goes in it, economic forecast, revenues, brand equity indicators, so on and so forth. Then through regression analysis, we're able to identify product, channel and activity returns on a short-term and mid-term basis with a higher level of confidence and what that does is give us an optimal marketing mix analyses.

More than a theoretical exercise, let me show you how we've used this. Last year, for the first time, we did a comprehensive MROI assessment of the Beijing Olympics globally. We put all cost in, the cost of the property, cost of production, hospitality so on and so forth. And, we were able through the MROI model to actually identify the transactions and revenues associated with the property based on an MROI model, based on that.

We found out that although we deliver returns in most of the marketing which we activated the product at a significant level, we found out that there were some very specific opportunities that we could leverage. On the cost side, we were doing five campaigns, we were doing messaging that was 100% brand as opposed to promotion or product, and we were spending literally 90% of our moneys globally on TV. Out of that analyses came a very significant different approach, which we used for Vancouver.

First, we had one campaign producing one side modular for you to adapt in the different countries of the world, so we were able to save money on that while increasing effectiveness. Number two, we shift the messaging to 50% brand, emotional stuff, and 50% fractional promotional, things like win a trip for Live to the Olympics. Importantly, when it came to media mix we shifted to 60% on TV and 40% digital and that 40% digital was specific go to action messaging. We also have used the MROI model to take some of our long-term strategic platforms and evaluate whether there are returns.

Last year, we confirmed Olympics because it paid and NFL, the previous year we dropped the World Rugby Federation because there was no payout, and the process continues and we'll expect to continue to rationalize properties as we move into the next couple of years.

FIFA doesn't have a check mark because this is the first time that we're doing it, we're making all our efforts to make sure that it pays out, but if it doesn't we'll have to have a conversation about it later on.

Finally, we also use marketing dollars to drive the innovation agenda that Elizabeth talked about. But the message that I want to leave with you here is that for some of this it's almost like working on emerging marketing. In the case of prepaid it's a very specific target on their bank under

$35,000 per year that use non-traditional means of banking that get their prepaid cards through the retail outlet, places like Wal-Mart.

So, the type of marketing that we're going to do there is not going to be award-winning advertising or digital, it's going to be very specific blocking and tacking education of that consumer segment through their channels that are relevant to them, with the type of messaging that will establish the differentiation points that Elizabeth talked about. In the case of RightCliq, it's going to be all digital social media base because that's the way that consumer shop today.

At the end of the day, when everything is set and done, how do we measure the effectiveness of what we do? First by transactions revenue, and then brand equity. So the level of brand equity that we have been able to establish with Visa over the years has been solid. Our gap versus competition has widened, and we're actually dominating each and every one of the elements that compose the brand equity piece.

At the end of the day, when everything is set and done, five years from now when Oliver – as Oliver stated, what we would like to be remembered by, first and foremost, that we were very effective that through product acceptance and marketing initiatives we were able to grow the electronic payment market, that's what we need to do as a leader.

Number two, that through that fantastic innovation that is Elizabeth presented, and through the innovation in communication we continued to be the undisputed brand leader in our space. Importantly, that we had the most rigorous approach to resource allocation and that when I face my shareholders in their face, I can say every money that we spent actually deliver the right levels of return. That's what we are working for, that's what marketing does, and hopefully you have a better idea of how we spend our money. Thank you very much.

**Jack Carsky, Head of Global Investor Relations**

At this point, we're going to take a break which I am sure most of you would appreciate and the good news is, it's actually phone reception out there, and again I would encourage you to take advantage of the showcase and some of the products that we have and we'll begin again at exactly 10:30.

[Break] (126:43 – 154:05)

**Jack Carsky, Head of Global Investor Relations**

Okay, we're ready to get started. Again, if everybody wants to take a seat. Mr. Sheedy is jumping at the bid over here. He really wants to get come in, really. Okay, welcome back almost everybody. It is my pleasure to present the global roadmap and our Group President of the Americas, Bill Sheedy and he will be followed by Ruben Osta who runs the Brazilian landscape for us and then we'll have our first three Q&A sessions prior to lunch. Bill?

**William M. Sheedy, Group President, The Americas**

Thanks, Jack. Good morning all. If you are wondering, yes I do have a slight cold, I actually sounds worse than I feel. Let me stop following Elizabeth under any circumstances and to compound the problem following to not just any marketing guy, following Antonio he is following commercials and brand stuff, but while we go into this next section global roadmap, really what we are going to try to achieve over the next 30 minutes is to give you a bit more color, a little bit more meat on how we operate as a global organization.

 

More specifically, building on the themes that we are in, Oliver's, Antonio's and Elizabeth's presentations, now how do we prioritize our investments. Where do we deploy our resources and how do we evaluate success. With that macro framework I'm then going to talk about more specifically how that works within the United States and then my friend Ruben will come up and talk about the wonderful story that is Brazil and how he leads our efforts in that market.

So, as you see the assets that are around this pentagon, I think the themes also over the next 30 minutes are going to be very much focused on the fact that, over Visa's 50 some odd year history, we have succeeded first as an association now as a public for-profit company by connecting with clients. As much as the brand and the products and everything connect with consumers and we can, at the times, give the misperceptions of having a business to consumer focus, we are a business-to-business company.

Everything that we do as a part of the value chain is connected to folks on either side of us, typically financial institutions, who have the direct market relationships, that's been our success we're not going to change that, and I think in some respects the greatest risk as you reorganize and move away from your financial institution clients who owned and governed you, the greatest risk is that we forget that that was the formula for our success, and we will not forget that. We will continue to focus on the fact that we are a network business who supports other businesses as they have direct relationships with consumers and merchants.

We will integrate within their businesses increasingly and that's a wonderful thing about our structure now. We have the ability to customize at a client level where we couldn't before, and, while we have opportunities to grow and ride the secular trends that Joe referenced, and Oliver referenced, we will differentiate ourselves, we'll expand our margins with certain clients by being different, by being unique, and I think all the ways, and Elizabeth in particular outlined in some of the things that you saw in the hallway and the things you're going to see later today will ensure that we can deliver to not only grow but to differentiate.

So, at the macro again, how do we organize? My responsibilities are over The Americas, Canada, U.S., South America, and as you can see, we have a wonderful business, over a billion cards, a level of PCE penetration is impressive at north of 20%, we'll see here in a minute, there is a long runway in front of us, even in these markets, in the U.S. is well developed as it is.

Elizabeth in her new role responsible for the eastern hemisphere, you can see here, it's a fantastic growth potential, the infrastructure isn't as well developed, certainly the level of PCE penetration isn't there, what you don't see in this chart here is that the middle class and the economies are growing much faster everyone understands that. So, it's a matter of marrying what we have which is a fantastic foundation and infrastructure in the western hemisphere investing for the near-term in stable deliverable growth and then making sure that we place the right bets and the right resources in the eastern hemisphere to deliver the medium and long-term growth. So, that's the way I think you want us to be thinking about the business, it's certainly the way that we're deploying resources and how we're managing that company.

Dimension, it's all about delivering value to clients, and part and parcel of our success, protective to say it enough has been not running the company from San Francisco, but running the company in local markets giving our country managers, giving our local account teams the resources that they need, the sense of ownership and aligning up the organization behind them because ultimately if you are a financial institution as Ruben will say in Brazil, if you're Bradesco, San Francisco is kind of interesting, but you want to know that the people on your account that's sitting in cubicles in your back office understand your business and are empowered to make decisions and help you drive portfolio performance. We won't forget that and ultimately it's deploying these personnel that are most key.

  

Operating as partners, it's an odd sort of ephemeral term partners. You know, the dangers I mentioned with this restructuring is that we have too much of an arms length vendor supplier relationship with financial institutions and with the rest of our clients, we can't and shouldn't and hadn't let that happened, we need to be focused on all of the things that we can do to help drive their portfolio performance, and as we'll talk about in a moment broaden the discussion around – beyond service fees, transaction processing fees, and other things that you have in a typical supplier vendor relationship.

So, one of the things that we've done to a much better degree over the last couple of few years in running the client organization is to be much more explicit, much more avert with our clients about how and where we are driving value. It's a quantification of scorecards with our clients demonstrating all of the activities at the most senior level, so that they can see very clearly the value that we are driving, so that when you do have those opportunities to sit down and talk about the economics of your relationship, they understand that you are part of their business and you are part of their top line revenue growth and their operating efficiency as well as some of their cost items.

So, ultimately, the way that we think it's across the management team and in support of the client organization, it really is bundling the products, the systems, the marketing resources in order to differentiate, support and grow our clients business.

We think we are uniquely positioned obviously because of our size but also the places where we are investing in anticipation of where the growth is going to come for our clients.

All right. So this is in many respects the money slide. If you really sit down and talk to our clients, and I have been in the company for 17 years, primarily in the U.S., spend a lot of time trying to understand our business in Canada and the rest of Latin America over the last couple of years, this emphasis these are six criteria, six reasons why clients choose Visa.

Many of my discussions with folks in the room here and elsewhere, frankly they focus too much on check books and service fees, transaction processing fees, incentives, you wonder how the dynamic is working between us and MasterCard and what the clients are asking for.

I can tell you when we sit down with our clients be it in contract negotiations or day-in and day-out exchanged with financial institutions, issuers in particular, the discussions are across all five or six of these, we'll talk about them. The products set. They want to know what we've got to deliver today to help them deliver to their clients and what we've got in the pipeline. We are increasingly talking to our financial institution clients about being their R&D shop and trying to figure out a way where we can put our intellectual property in play, marry it with theirs, figure out a way to do things uniquely, enjoy it with them to not just drive today's performance but down the road.

The brand means, as Antonio outlined, very different things in different geographies. But I do think that one of the opportunities we have now, particularly for our larger better branded financial institution clients, is to work more cooperatively with them and help them understand how our brands are synergistic and leveraging the brand with those clients is key. The products and the brand and the insights that we bring ultimately come together in the form of, what do we do day-in and day-out to drive portfolio performance. We win business ultimately because of the experience in the history we have with many of these clients that we've demonstrated a commitment to their business, we've delivered when we've made promises and I think that's key.

But going forward, again, it's a matter of driving activation and usage in their portfolios, not just account management resources in the teams, but consulting resources, systems development resources to help a client who is having a difficult time with the retail back office system in managing disputes getting in with them and looking at how we can inside VisaNet or inside our issuer processing infrastructure take on some of those responsibilities for them in streamlining their business.

The network is key in this context, in part because we have so much excess capacity, because we have the scale, because we have the real time capabilities that our competition does not, so we'll continue to look for ways to take the significant amount of development resources we have every year to make sure that the authorization query and settlement system is safe and it's sound, but also to use it in ways that customize the processing of transactions for individual clients.

So, all of these things come down, absolutely we have discussions with issuers around fees, financial incentives. More often than not, and I would say more than 90% of the time when we sit down with our clients in negotiating contracts they will look at these components and they want our financial offer absolutely to be attractive, and we will have negotiations and they will pin us against competition and they'll wonder, well how does your financial package compare to the other brands. Sometimes, occasionally, rarely, thank for us, you will see a client fixate on this element and they will not appreciate the other elements of the delivery, the performance that are on this chart and they will decide to go elsewhere with their business.

In our view it's important for us to be disciplined and make sure that we broaden the discussion and sell the package of services, the ability to drive their top line, the ability to improve efficiency in their back office and let the value speak for itself as well as delivering a compelling financial package, but we won't compete checkbook to checkbook, and frankly I think our history and our successes had been that more often than not, for the vast majority of the cases, Byron is going to talk about this in a bit, in 2009 and early in 2010, we have never closed more contracts and we think that achieving and maintaining a level of discipline around the financial incentives and the financial negotiations is part of our job in support of shareholders.

One of the ways that we can do this even more effectively going forward, not only delivering against the assets and the capabilities that you heard already thus far in terms of the brand, the product suite, the systems, but also within each one of our clients, to say another theme is to the extent that you can be in their back office and helping them understand, we are the world's largest debit processor as you all know. If we can be the building inside our debit processing capabilities for a particular issuing client, ways of delivering information directly through into their customer service operations so that we can integrate the rewards platform with the debit processing that we do. They are creating a differentiated service that they can't compare to any other network provider, we could do those types of things, then you are doing customized solutions, and again, it takes even more pressure off some of the apples-to-apples comparisons that you are inevitably going to have around financial incentives.

So that's the macro, drilling down into how do we operate the company, given that we have a global franchise, enormous opportunities across diverse set of geographies, the first thing that we would do, and Antonio touched on this as well as we think about deploying and managing the brand, is that we segment the markets at a country level. This is a company that's run certainly out of San Francisco, but ultimately through a bunch of country level CEOs that understand their markets and understand how to drive results.

The way that we define results is going to be different depending upon whether it's an emerging market, developed market and a sophisticated market. I am going to talk in over the coming slides about the U.S., again Ruben is going to make this real as it relates to Brazil.

Even when you look at things like card penetration, Antonio referenced in India you certainly look at that as an extraordinarily high potential market, it's emerging only 5% penetration to PCE. We look at some of these developed countries and we talk about high card penetration, the PCE penetration in the sophisticated markets is high, it's still only mid teens, maybe high teens. So, when we look at that level of PCE penetration and card penetration for the developed and sophisticated markets, there is still an enormous and compelling runway for growth there.

So, we look at making investments and we segment the market, how do we think about that? The objectives for emerging developed and sophisticated markets are absolutely different. So, while we've got a world to look at as we run global franchise, frankly in the vast majority of the countries as you saw on the previous chart, they are emerging and the risk we have frankly is over investing. Because, we are not going to be delivering results from those investments in the relative near term. So what do we want to do? We want to build relationships with financial institutions, so that when those markets move, we've got the relationships we've got the position. We want to build share with those financial institutions, we don't necessarily think that we are ready to drive growth yet, but we want to establish a beachhead.

Now, when we move into developed markets, and again, Ruben, internally there's very little discussion about profit in Brazil. How do we expand our margins in Brazil? The question that Ruben has been asked repeatedly over the last couple of years is, how can we invest to drive more revenue out of Brazil. We know ultimately in these markets profit is there today, the margins will expand over time, the anxiety that we have is, are we missing an opportunity to drive revenue. Secular shifts are wonderful, emerging middle classes, growing economies, all of these things are going to happen in spite of us or regardless of what we do.

What we want to do is, we want to move on the secular shift, we want to ride in a different position on that wave, and the question to each of the folks in Ruben's position who run our developed markets is, how and where can we invest in order to drive revenue growth. Not that we don't look for revenue growth in the United States, but it's more of a balanced position in the sophisticated market about making sure that we are investing in places that are delivering more of a profit equation and delivering against the EPS requirements and commitments that we made to shareholders.

Products, services, brand acceptance, this is how do we do it. And as you can see here on the chart, I'm not going to walk you through it. We do it uniquely and differently depending up on the needs and the stage of development of these markets. And the way that we deploy the local resources, that I talked about, which are connected to our success, be it as acceptance resources or client, financial institution resources, you can see here that as a market develops we move resources closer and closer to market and build them up. And the challenge is just making sure that we are looking at all of the factors, the condition of the financial institutions, the stability of the economy, the urbanization of population, the rule of law, all of these things factored in to determine when and where and how we ought to invest.

So getting more to the short-term. It's been a challenging environment as you all know, these are three bullet points that will range from client challenges to our challenges as we try to run the company. No question there has been a certain level of clients distraction or frankly there has been bit of a pause in the part of many of our clients as they run their business, as they think about investing, just given the macroeconomic challenges, and in certain corridors the level of merger activity. It doesn't mean that, you know, we – we don't think about that as necessarily a constraint to our growth, but it does mean that we can't be investing or trying to work for our clients and ignoring all of the challenges that are around them. I think that that's a temporary challenge and It's one that frankly as we look to later 2010 in the U.S. and it's already breaking in some of our markets like Brazil, I think some of these challenges are dissipated.

The distraction or challenge that we share with our clients are the regulatory and the legislative environment that have been difficult, well reported, Joe made reference earlier this morning to interchange, we view this as, unlike the macroeconomic and the M&A and the integration challenges, we view the regulatory and legislative environments, these challenges are here to stay.

In some respects, in many respects, it's a sign of our success. It's a responsibility if we become a bigger and bigger part of these country level economies, as legislators and regulators appropriately look at the impact that we have in these global economies. We have to dialup the dialog.

And frankly, it's a good opportunity for us to explain who we are, made reference to currency of progress which has been a great advertising campaign in Washington D.C. to describe that, but it is an important focus of ours to increase the level of resources and what we can achieve through the government relations function, and I think it's something that's important. We shouldn't give anyone the impression that the level of din on things like interchange and domestic payment schemes is going to come down any time soon. But we do think that we have a great story to tell and the macroeconomic benefits of electronic payments and what we can drive in partnership with local regulators and legislators.

So the first one is client, the second one is something that we share with clients, the third one is a challenge that we have as it relates to our clients. So we think about Visa, historically, traditional financial institutions issuing credit cards and debit cards, great. It's a core business, it's something that is to be protected, and as we look out over the next five years, 92% of our revenues will come from that, but the risk is as we think about the growth initiatives and we think about the areas like prepaid and commercial and processing, we can't be myopic and think about core traditional financial institutions as our clients or the products that we have delivered to them as the primary vehicle through which we grow.

So the services that we offer, we need to get deeper and we need to be talking to different constituencies within our client shops instead of the retail bank for the credit card operation, getting into treasury ops, getting into the systems back office, and then when we think about channels, the partners that we need to deal with, the third-party service providers, in many respects direct to merchants we need to be partnering and thinking about our client relationships broader and more uniquely than ever before.

The U.S., still a growth story, but not everything is growing equally. As I mentioned, and I won't be belabor this anymore, it's all about differentiating and getting close to your clients and convincing them that you are interested not just in their market, but you are interested in their portfolios and in their sub portfolios.

When we contract negotiations and made reference to this, we are mindful in a market like the U.S. that we have to exhibit discipline in managing our incentive line and achieving yields that makes sense, and when we prioritize, we prioritize towards financial institutions that are going to survive and long-term contracts that if we deliver a slightly lower yield, but we achieve a much longer term contract we like that balance of profitability, stability, we think that's the right price to pay, and ultimately I think it's working as Byron will show you in his presentation.

Invest in products, not all parts of the U.S. are growing, as you know, the core credit card business is not a growth story and we don't expect will turn to be one any time soon. What is growing, you've already heard it, debit affluent and value added service is they are going to ride on our network, either to reduce the risk of transactions or to add more value to transactions in areas like rewards or information content. That happens because of our processing capabilities and our processing infrastructure, again this is a place where we differentiate based on the real time nature and our central switch, and the fact that in the U.S. we see 100% of our transactions over our network.

I'll talk in a second now about how do we grow in the U.S. and convince you hopefully that we'll continue to have a runway of growth. Merchant acceptance and point of sale usage, we've got – in many respects in the United States the best platform off of which to grow, but it is large enough that it's always going to grow slightly less than the rest of the world just based on the fact that we can't separate ourselves from the macro economic growth story.

  

However, debit still has a long runway. When we look at the demographic trends 18 to 24 years old represent 10% of the U.S. population. 70% of those consumers use debit cards, largest percentage. 35% of their PCE as a group, hit those debit cards. So, there is no demographic group in the United States where our strengths is more connected, and the fact is they will age through and the folks that come behind them at a demographic level will increasingly turn towards our strengths in debit and prepaid. So we like that very much and we are confident that that will continue to support our growth and the penetration of a little over three trillion in cash that you see here on this chart in the United States.

Merchant acceptance, from 2007 to 2009, we've expanded merchant acceptance in the United States at over 900,000 merchants, nowhere else in the world, as much as the U.S. is talked about in terms of a stable sort of growth story, nowhere else in the world have we added as many merchants as we have in the U.S. over that period, and we are convinced in the area of small ticket and bill pay and B2B that there is that trend in terms of expanding merchant acceptance is faster in the U.S. will continue to be the case for the next three to five years. If not, then we are taking our eye off the ball elsewhere. It's just that there's so much strong momentum here in the U.S. on the top line sometimes you get lost because we focus on the denominator.

Large segments continue to be underserved. So when we look at B2B and the unbanked population, and Brian Triplett will talk about this afternoon where government benefits, we think that there are enormous opportunities there. In the B2B space we recently won a broad swap of government contracts for roughly 90% of the GSA. We are nearly running the table at state programs. We have benefit programs coming from the states, which is good business and it plays well in Washington in terms of the benefits of electronic payments to the broader economy and the society.

The left hand side of the charts talks about everything that we are doing to grow the pie and expand payments. When this happens frankly we win uniquely but the other payment brands do drop behind. That's fine, particularly in areas like affluent and debit where we are uniquely strong. But things on the right – where I would suggest that you spend your time actually tinkering with us outside and spending time talking to my colleagues this afternoon, in eCommerce and mobile and processing solutions and portfolio optimization, these are places where we going to differentiate ourselves, so we are going to grow the pie on the left and we are going to disproportionately earn our piece of the pie in the right because the competition can't compare to what we are delivering.

So with that we talked a little bit about how we manage the company globally, how we define success, why our clients do business with us. Hopefully I have convinced you that there is still a great business in the United States and great growth to be had, and as good a story as the U.S. is, frankly, I don't there is a better story around the globe than Brazil. Go back 15 years ago it was a promise that was very uncertain. What Ruben and team have done, and Ruben in the Brazilian market with companies that did business with us, and now in his position as Head of our Brazil business it is squarely positioned as a high potential developed market and we are convinced that as we look down the road that it's going to be one of bright shining assets within Visa.

So with that I'd like to ask Ruben to come up and talk to you a little bit about our business in Brazil. Thank you.

**Ruben Osta, Country Manager – Brazil**

Thank you, Bill. Good morning everyone. My name is Ruben Osta, I have been with Visa for a long, long time. In 1995, I was assigned to a special project in Brazil, which was to develop a single acceptance platform. A joint venture between Visa and banks in Brazil called VisaNet. My role here today is really to explain that Visa's success story about this past in Brazil over the last 15 years, but also to demonstrate how the corporate strategy, outlined by Oliver this morning, capitalized in a fast growing market like Brazil and also the roadmap that took Brazil from an emerging market to a developed market in terms of electronic payments.

By any major metric, the story of Visa in Brazil is excessive, a very tremendous success. In terms of cards issued, we came from five million cards to 220 million cards from 1994 to 2009, an impressive 29% CAGR over the last 15 years. In terms of acceptance locations from 2,000 merchants to 1.8 million acceptance locations, 16% CAGR. And in terms of PCE penetration from almost nothing, less than 1%, to more than 11% in 2009. So over the last 15 years this operational success translated in an strong brand awareness.

As you can see in this chart, it's a survey from Datafolha. Datafolha is a very trustable source in Brazil; it's similar to Gallop here in U.S. They came to the street and they asked in the last almost 20 years, they asked a simple question, what is the first credit card brand that comes to your mind? As you can see in the chart we are the clear leaders in the streets. We have the top of mind of the consumers and also very differentiated than the other competitors. You can see MasterCard and you can see Creditcard it's a local brand owned by Citibank in Brazil. Also I can assure you that we are the clear leaders in terms of market share, we have more than 59% of market share today in Brazil against MasterCard.

So how we did this? How was really the roadmap to the success? It starts with getting the cards issued. First establishing solid partnerships with good banks in Brazil, with the right banks in Brazil, with strong brand recognition, with a solid financial statement and, very important, Brazil is a large country. It's a continental country; the ones with a very large footprint in terms of branches.

One of the unique characteristics of Brazil and probably the many other emerging markets is that we don't sell cards through mail. We primarily sell the cards through the branches. So that's important to have a very large footprint, a national footprint to sell the cards. And, also, the right sales process supported by ongoing markets to establish the trust; the trust in Visa, the trust in Visa brand, the trust in Visa products and services, to targeting the right customers, the ones with high incomes, frequent travelers with better credit and the most likely to be heavy users of our products.

Also, key to success was building a robust platform of acceptance in Brazil. 15 years ago the volume was so concentrated that 80 cities of the 5500 cities in Brazil accounted for 90% of the total volume. It was also concentrated in the T&E segments. So in order to accelerate the growth, we needed to broad that acceptance, in terms of geography and in terms of segment. So at that time the solution was to create VisaNet to Brasil, a single platform to – a joint venture with the banks to promote merchant coverage, terminalization, growth, innovation, to also share the costs of infrastructure and shared investments with the banks and Visa and to align the strategic initiatives and efforts between Visa, the acquirers and the issuers.

Also, it's important to mention that Visa and VisaNet at that time we spent much, much money in training the branches. Training the branches on one hand, to sell the cards properly and in another hand, to sign up merchants in Brazil. So this was important for the interorganization of the country where the banks did the job of selling cards and at the same time sign-up merchants. Actually, today we still have 85% of the sign-ups done in Brazil through branches.

Marketing was also a very important and essential component of our service. In the past it was more brand building; today it's more activation, it's more usage, it's how to drive the transactions from cash, from checks to POS, it's how to drive the transactions from ATMs to POS. A 140 million debit cards in Brazil that access ATMs, but also they access the POS. One, aligning the issuers, the VisaNet, the acquirer and the merchants. Two, promote merchant co-op programs signage, activation and promotions, and the point of sale connected to the promotions to the consumers and the promotion of the products of the launch in the new products. And important also, very important, was the educational campaigns. We did educational campaigns for consumers. We did educational campaigns for branches, and educational campaigns for merchants.

I can give you an example why these are so important in Brazil? We have 35 million cards that are combo cards. They are debit and credit in the same plastic. So we promote a very important – very important educational campaigns in order to those cards to be accepted and normally accepted at the streets. Today when you go to a merchant and you present your card, the merchant will ask you, it's debit or credit? So the customer will choose which transaction they want really to perform at the point of sale.

So, our strategy really paid off. As you can see, we captured a much larger share of the PCE today. The consumers are using the cards in day-to-day situations to buy a cup of coffee, and Blockbusters or to buy through internet, football tickets and use the card to enter in the stadium as we saw in the video shown by Elizabeth about Visa Passfirst. So we evolved beyond the credit roots. We launched debits. We have 145 million debit cards in Brazil. We launched prepaid. We have the second largest prepaid program in Brazil Called Visa Vale. Visa Vale was launched to replace the meal voucher, the Government meal voucher which was in paper.

We launched verticals. Verticals are products designed to address a close loop situation and I think we are going to have more about that this afternoon. But it's important to mention one vertical here. In Brazil, the agricultural business is so important. The agriculture accounts for 34% of the GDP of Brazil, and we designed Visa specific products to be the channel for the consumers, for the farmers and the producers to the lines, the credit lines that comes from the banks and that comes from the government.

The right innovation is also very important. As you know Brazilians are very creative and they are very early adopters. We launched chip in Brazil for security reasons. Today Brazil is the second largest country in terms of cards with chip based, and we launched eCommerce and we launched Visa Passfirst to connect the passion of football to a convenience of using the card to pay and to pass and enter in the stadiums.

Finally, we concentrate our focus and resources in terms of getting a long-term relationship with our clients. We sign contracts, long-term contracts, multi-year contracts with right incentives to the commitment to growth and to our volumes. So where to go from there? The focus going forward on the three pillars that we show here. But I would like to add that as important as this is the commitment that we had from the Senior Management of Visa. Last year [inaudible] process, we presented the plan for 2010 and we've been asked to come back and present a more aggressive plan. What do we need to really make Brazil grow? So we come back with a five year plan called Brazilian acceleration plan. The plan was presented to the Senior Management, was approved as presented, is being implemented and all the milestones are on track.

So what I can say is that we have a very tremendous past, but I'm confident on the future growth of Brazil and on the future growth of Visa in Brazil. Thank you.

**Jack Carsky, Head of Global Investor Relations**

At this time we are going to have our first of three Q&A sessions. So, Ruben stay up here and if the other presenters from this morning want to come up, and we'll have about 30 minutes for this after which we will then hear from Byron [inaudible]

## QUESTION AND ANSWER SECTION

**<Q – Adam Frisch>:** Good morning. Adam Frisch from Morgan Stanley. Just wanted to ask a quick question given the management changes that were announced earlier in the week. With Jim taking over as Head of Product now, I am wondering there is so much you guys offer in terms of product and geography, having Jim now in that seat for you Elizabeth acquiring Product also in sales, can you talk about more cross selling opportunities?

And a common theme that we often hear about is you offer so much, are you really getting the right penetration in each of these different products and initiatives in your customers' hands? Do they really know everything that your company has to offer. So having Jim McCarthy now in that role with his sales background, if you could just give us a little bit of a highlight on why you wanted to do it this way, why he became the Head of Product and ultimately what you expect to change going forward with a new face in that seat? Thanks.

**<A – John Partridge>:** Well, let me start off with that. First of all, Jim spent most of his career at Visa in Product. He was responsible for managing all of our consumer products, consumer debit, consumer credit. And it was only, I guess about a year and a half ago, that he went over to sales. So from our perspective, this is really great for the company, he has been out in the field, sort of selling what he had been creating and getting the interaction from the customers and understanding how the customers react, and how they adopt our products and services. And so, he was the natural person to come back and takeover our global Head of Products.

Conversely, we think Elizabeth who has been Head of our Global Products for all of her time with Visa I think, her having already worked with most of the geographies on a regular basis, knowing those geographies, knowing the people who knows geographies, knowing about our products and services, the ability to take that knowledge now directly to the customers, and particularly more specifically internationally, we think is a great fit. And I think that, we couldn't be more excited about the two folks that have moved into these positions and what we think that can do for our company.

**<Q – Julio Quinteros, Jr.>:** Good morning. This question is for Oliver. Julio Quinteros from Goldman Sachs. Can you talk a little bit – I know we're focused on the growth initiatives and the growth drivers, but maybe to focus on the other side of your business, the credit card side, can you give us some sense on what you guys are thinking about there in terms of strategy for possibly reinvigorating growth and what the sort of initiatives would be there to think a little bit about the other side of the business as well on the credit side?

**<A – Oliver Jenkyn>:** Probably better for you guys.

**<A – Elizabeth Buse>:** Thank you. I think when you look at credit, you need to look at it in segments, right. Because, what happens is we have such a big base of core credit that it obscures the fact that premium credit has continued to grow beautifully even through the economic downturn, because it has characteristics that are much more similar to debit, right. it's people who are using their credit card as a deferred debit product, because they transact, they pay their bill every month, and they also happen to be the people who spend the most on their card. And that's true not just here in the United States, but around the world.

In Ruben's market the affluent credit consumer is extremely attractive. And one of the areas on which we are focused in Product is developing an affluent platform that allows us in locally relevant ways to go after that affluent consumer with an unparalleled suite of services, both in product and in marketing much as we've done with Visa Signature here in the United States.

**<Q – Jason Kupferberg>:** Hi, good morning, Jason Kupferberg from UBS. Another Product question on Money Transfer. Looked like from the chart, you showed earlier, you've got I think 50 some odd issuers globally, signed up, just one in the US so far with U.S. Bank. Give us a sense maybe over the next 12 to 18 months, how might that slide evolve in terms of number of issuers you expect to have signed up domestically and overseas?

**<A – Elizabeth Buse>:** Yeah, I'll talk about overseas, and if Bill has a different point of view, I'm sure he'll add it. Given the challenges in the U.S. marketplace, the demands on technology in U.S. issuers just to comply with new regulations, getting prioritized in that queue is a really tall order. So I think if you look at our last three announcements on Money Transfer, China, the UAE, Australia. I think you will continue to see our growth primarily outside of the United States. Although you will see the U.S. as a receiving market, I think we're not going to see real momentum on U.S. issuers jumping in with both feet until they get through this regulatory situation.

**<A – John Partridge>:** Yes.

**<Q – Christopher Brendler>:** Hi, Hello. Thanks. Chris Brendler from Stiefel Nicolaus. Just want to follow-up on the credit question for a second Elizabeth and maybe Bill. Bill in your remarks you said that credit is kind of, I think you said dead for a while or whatever it was, and we have seen, in the volume metrics, and to your point Elizabeth, I mean you have seen a big drop in credit volumes in the U.S. and they are starting to come back. So I'm just trying to figure out is the affluent always been there or is the affluent coming back, the issuers are starting the market again. It seems like there could be a little bit more of an opportunity than you seem to be suggesting in your comments.

**<A – William Sheedy>:** Yeah, so just to build on some of the themes from Elizabeth's comments. One, the affluent consumer has been there, did not drop out of the market. And the difficulty that you all have since it get blended inside our numbers you couldn't see that that continued to grow and quite frankly the core credit business continues to be smaller, it continues to quite frankly shrink. The difficulty there is the taste of the U.S. consumer are also changing as it relates to credit.

So go back 10 years ago, the core credit product without any rewards where the issuers competed among themselves on rate and balance transfers via Visa checks; frankly that is dead. What happened is you've seen a tier of rewards come into the market where you have mid-tier reward programs, more attractive and super affluent award programs. Those programs are growing and that's where we see the investment and with Visa's feature select and some other offerings you are going to see issuers invest in credit, but they are going to do it in a way that's going to for the mass affluent and for the affluent better target market, the features and functionalities of rewards that connect with that consumer. I think you're going to see a rationalization of affinity and co-brand programs.

So over the long-term actually even in the medium term, one of the things we have to be sensitive to is the financial institution clients will make more money on credit than they will on debit, so we can't and shouldn't take our eye off the ball there. Having said that, that's going to be much more segmented in driving point of sale value and less around trying to optimize portfolio risk adjusted net interest margin and risk based pricing.

**<A – John Partridge>:** Yes.

**<Q>:** Morning.

**<A – John Partridge>:** Oh, he doesn't have a mic. We'll come to you next.

**<Q>:** Just to clarify Oliver, the 50% target by 2015 revenue outside the U.S., is that independent of what happens with Visa Europe?

**<A – Oliver Jenkyn>:** It's independent, yes.

**<Q>:** Okay, thank you.

**<A – John Partridge>:** Yes. That would be kind of cheating. Yeah, that's cheating.

**<Q>:** Hi, [inaudible]. Could you say a little bit please about your plans in Brazil? And in how many emerging markets is use of debit at the point of sale significant as opposed to use of debit at an ATM? And what is your strategy for working with the merchant acquirers to stimulate use of debit as it should be used rather than just to go to a hole in the wall?

**<A – John Partridge>:** Okay, so they are three questions. One is Brazil. Do you want to...?

**<A – Ruben Osta>:** Okay. The traditional plan in Brazil, we prepare a plan for five years, and this plan is a very comprehensive plan, it goes from products to acceptance to this new acceptance environment that we're going to have in Brazil, which is going to be a multi-brand, multi-client environment and all the products from core to the innovation projects that we are launching there, and I'm sure you're going to hear more about those products this afternoon.

**<A – John Partridge>:** Okay. And then the second question was what other markets outside the U.S. is debit currently being used?

**<Q>:** Outside the U.S. in the emerging markets, is there any market where debit is really used at point of sale as opposed to for the purposes of withdrawing cash.

**<A – John Partridge>:** In Australia. Certainly in Australia.

**<A – Elizabeth Buse>:** so certainly Australia and Canada right, because they have big well established domestic debit systems. But if you look at Visa's penetration we have a tremendous number of debit cards outside the United States, in many markets those cards are used primarily at the ATM. So Russia is the perfect example that's primarily a debit market for us. Most of our volume is cash volume at the ATM. We are working through a combination of marketing and product activities in markets like Brazil, Russia, Mexico to partner to drive that activity from the ATM to the point of sale and as Antonio mentioned that is blocking and tackling, it's working with the issuing financial institutions, it's working with the merchants, it's putting the right marketing in place and we think that what we have achieved in the United States is transferable in locally relevant ways and so we think we are going to be able to grow that point of sale volume more quickly than our competition in those markets.

**<A – John Partridge>:** Then the third question was in terms of working with acquirers in markets.

**<Q>:** Yeah, and what's going to be the role of Cielo in Brazil?

**<A – John Partridge>:** Oh, so you're talking specifically about Brazil?

**<Q>:** And will you get into the business of investing in or stimulating or creating merchant acquirers?

**<A – John Partridge>:** Yes, Cielo will be an acquirer and as you know we have sold our position in Cielo. The marketplace in Brazil is opening up, so there will not be exclusive acceptance in Brazil. So there will be competition in the acquiring side of the business. And we will be working with all interested parties that are interested in getting into the acquiring business in Brazil and having a license from Visa to do acquiring.

**<A – Oliver Jenkyn>:** But if I extend that a little bit we like what happened with VisaNet do Brazil we like it a lot. And so in conversations when we are doing our country strategies in other markets we are having conversations with banks to see it they'd be interested in a similar such model in any of these markets. Now there's different dynamics in every market, but that model is a massive success. And so there are different variations and we're exploring that in all of our country strategy to see if we can replicate a variance of that in any market around the world.

**<A>:** Yeah, in Latin America VisaNet is the poster child in Cielo in Brazil but it's not an aberration. In Argentina we have a very similar situation where we have a minority interest in a company that has built out over 400,000 merchant acceptance locations in that country of like 20 million people. Guatemala and some other countries. So when we started looking at the global business, we underestimated initially the power of the strong acquiring an ISO franchise we have in the United States that sells into the merchant community. In many markets, merchant acceptance is the first order constraint to growth.

**<A – John Partridge>:** Yeah, the other thing you'll hear this afternoon when you'll hear Marc Luet talk about our acceptance strategy. And so there are other steps that we're talking to build out acceptance in those markets besides necessarily just looking at whether or not we would invest in or be part of acquiring a consortium.

Yes.

**<Q – Tien-Tsin Huang>:** Hey, I have a couple of questions, it's Tien-Tsin Huang from J.P. Morgan. I was curious about growth over the next five years. So if we could see more of a big shift towards inorganic growth to hit some of your targets over the next five years? Inorganic growth or M&A as part of the strategy to achieve some of your growth objectives over next five years?

**<A – Oliver Jenkyn>:** Yes. So I mean on innovation, there's innovation and M&A were both mentioned there and innovation I think Elizabeth laid out a lot of things we're focused on, and we're going to put a lot of money against innovation in the years ahead and Joe is continually pushing us on multiple fronts on there.

On M&A in any of our growth strategies we look at build versus buy versus partner in any gross strategy that we have got. What I would say is relative to Visa past, we'll probably put a bit more attention on buy and partner going forward. And so we've built a really good corporate development M&A team, we are getting our integration capabilities up and running. So I think relative to Visa of the past, I think in that trade up between build versus buy versus partner there's going to be more buy and partner to drive that growth. So I think there will be more inorganic growth to meet those aspirations for 2015. Where has to be.

**<Q – Tien-Tsin Huang>:** So as a follow on at that, I guess the characteristics that you are looking for in terms of doing deals whether it's size, accretion, dilution, margin profile, is there some kind of criteria that you look to?

**<A – Oliver Jenkyn>:** Yeah, we've got a range of criteria that we use, I mean, accretion, dilution is on the list, but first and foremost it's can we get there faster and better, if we were to buy it versus we were to built it ourselves. Visa has been fantastic at building all kinds of capabilities for itself, but sometimes folks are further ahead of us, and we can bring it to scale faster, we can add security, convenience, acceptance levels to ideas that are just sort of burgeoning. And so, really our key criteria is there is strategic value that we can accelerate the growth at some level of innovation to industrial strength in a way that a startup down in the valley can't fast enough. But, again the idea is in any type of growth idea we are going to look at build versus buy versus partner and so it can show up in many places. Was that the....

**<Q – Tien-Tsin Huang>:** Yeah, that's helpful. I just want to ask one last one. Just listening to the presentation it seems like there is a lot more of a B2C focus for Visa, than we had seen in the past as opposed to think about Visa as more of a B2B company. So I am curious if the economics of the business will change given that there is more constituents that you are dealing with, whether it's on the mobile side, the front end with the internet, obviously dealing with the financial institutions as you have in the past. So I am curious if the economic model could materially change as we see the model evolve?

**<A – John Partridge>:** Yeah, I don't think you're going to see our economic model change dramatically in the course of the next five years. We certainly are – and when you move into the Internet channel and the mobile channel, our ability to deliver products through our financial institutions requires that we start to have the ability to touch the customer. And when we talk about some of the information based products, the ability to break that down to the account level and to the consumer we believe that that's a differentiator and a requirement. So while you will see that we are touching the consumer more than we maybe have in the past that is really in our efforts to work through our financial institutions and deliver capabilities to them that they can then use with their consumers and drive value through our network.

**<A – William Sheedy>:** Just back on one thing, Tien-Tsin so if we can touch the customer in RightCliq and it's branded primarily as a bank delivered service powered by Visa, and do it in a way that none of our network competitors could match that functionality, then when it comes time for that bank to decide where I am going to take my business in a contract renewal and they have to face the prospect of ripping that functionality away from their customers and changing the customer experience, we like that position when we're negotiating contract. So, yes, there is a B2C focus in terms of emphasizing, how we can drive value to the customer, but ultimately and consistently it's through the financial institutions partners as a B2B provider.

**<A – John Partridge>:** Back of the room?

**<Q – Moshe Orenbuch>:** Yeah, Moshe Orenbuch from Credit Suisse. Two questions for Oliver. I guess first is, you kind of expressed some appreciation for the 3M idea that 30% of your revenues are from products that are within four years of products that you don't have right now. Just talk a little bit at least or for the Group as a whole, maybe thinking a little bit about, are those really products you don't have or are they products that just aren't currently emphasized right now or will be growing extremely rapidly?

And the second part of it is, just for Oliver, why is market cap actually a strategy?

**<A – Oliver Jenkyn>:** Two great questions. I'll answer the second one first. Market cap isn't a strategy at all, and Byron is beating me up over having it on there at all. Frankly this was something we also used internally with our employees. And it was a bit of a pompons sort of aspiration, where when I first got here, we never really actually calculated where we were on that. And there was something around employee morale and motivation to say, hey actually listen, we're a significant global company and we should be proud of that. From a strategy point of view, it's an output not an input, so it's a great question, you're absolutely right. So that's two black eyes I have; one from Byron, one from [inaudible]. And then remind me the first question. I always do it when there's two questions I only [inaudible]

**<A>:** 30%.

**<A>:** 30%.

**<A – William Sheedy>:** 30%.

**<A – John Partridge>:** 30% of our revenue.

**<A – Oliver Jenkyn>:** Oh yeah, the specific answer then would be it's both. And so Elizabeth and I debated it a lot when we put this aspiration up, because it's both completely net new stuff that we're going to have to make up and that we don't have anything that we are doing in now. But it's also – and why we specifically use the word not actively commercialized today, there's a bunch of things that we are investing in that already are delivering a little bit of revenue for us. But we're investing in them and they are going to ramp up over time. So it is specifically things that we don't have sort of institutional strength commercialization of yet. Otherwise, there is no way we'll get to the 10%, just with stuff that we're going to make up this afternoon and start pushing.

So it's both stuff that we're going to ramp up the commercialization of and it's stuff that are very much in sort of incubation stage right now and that we're going to push forward. Both of those will have to be there to meet that very specific target of X percent.

**<A – William Sheedy>:** So when I think about that in the context of the U.S. I think about information products as new, and I think about getting deeper with our clients on processing related to products that we have in market as sort of an extension of our current business, both of those need to deliver in order for us to accelerate the revenues.

**<A – John Partridge>:** And thanks for clarifying [inaudible] sandbagging on your MDO. Do we have the microphone on this side?

**<Q – Rod Bourgeois>:** Rod Bourgeois here with Sanford Bernstein. So my question is simply the growth strategy that you've outlined today are attractive and alluring, but can you do everything on your list well? In other words, the strategies you've outlined look very comprehensive; I can't see many opportunities that aren't on the list. So my two questions are, in the way of focus, are there two or three of these growth levers that are your real priorities where you are going to put the most investment? And at the same time, I guess the second part of my question, did you exclude anything from your list of growth levers, things that you think there is an opportunity there, but currently you are going to hold back on the investments in order to drive more focus?

**<A – John Partridge>:** Well, let me start off, everything that we have shared with you today we are – we have full plans behind those. We understand the investments that they're going to take, we understand the resources that they're going to take. So we have gone through that process prioritizing where we are going to put our money and where we are going to put our emphasis. And so, when you talk about the leverage, whether it's growing our business in the eCommerce space or in the mobile space, we have very detailed plans as I said, and we believe we've got the resources and the capabilities to pull those off.

And again, the flipside of that question is what happens if we don't pull that off and what happens to the company, and I don't there is anybody up here that doesn't believe that we need to be able to complete what we've laid out to you here today and we think we can do that.

**<A – Elizabeth Buse>:** Can I just add, to your question? Part of the reason I think this was comprehensive is we are not doing all of the same things in all of the same places. So we are focused when I think from product perspective, you've seen the portfolio of products on which we are focused, but prepaid for example, of the 140 countries in which we operate, we have five that are really driving our prepaid growth. We have similar country unique product strategies on each of those.

And there are a lot of things that get a lot of press that we are simply not doing. And if you'll remember the decoupled debit. We have no interest in disintermediating our financial institutions. The same thing when you talk about the three party model are going direct to consumers. As Bill said, we're doing that in partnership with the four party model. We're also not trying to push up a rope as it relates to infrastructure. Perfect example is Compaq within the United States. You go out there you see the microSD, you know that we are innovating in that area, but we are not going out and trying to get merchants to change the way they are doing things; instead, we're rolling out no signature required, we're meeting that same objective, but we're not championing particular technologies that you will often see our competitors champion.

**<A – John Partridge>:** In the back.

**<Q – James Freedman>:** Thanks, John. It's Jamie Friedman at Susquehanna. My question is for Elizabeth. Could you compare and contrast your assets to use your word, your assets versus PayPal, what do you have that they don't and what do they have that you want?

**<A – Elizabeth Buse>:** What we have that they don't, I think it gets back to our core assets. Even let's just limit it to the internet space; we have a better brand, we have a much broader product suite, we have a much more secure, reliable and convenient processing infrastructure and we have ubiquitous acceptance. So same advantages in the internet space and maybe even more so because acceptance is so crucial when you don't have the cash and check alternative.

What they have that I want, I mean, I'd like to have every bit of their market share. So why do they have the position that they have, they have alias incapability, right, they allow consumers to pay for things without putting their card number out there. We think, and Antonio is marketing everyday against this, that consumers should be perfectly comfortable putting their card number out there because they have zero liability regardless of how they chose to pay. Some consumers don't want to do that. We know that we need to match that functionality. What you see in the lobby with the convenience of the consumer experience is something that they had that we want and therefore we matched.

**<Q>:** Can I ask about China? First of all size of your current business, size of the opportunity, what your current strategy is and where you see it going in the future please?

**<A – John Partridge>:** Can we comment on the size of the business in China? I don't think we can talk about the size of the business in China. We can tell you that our business in China with respect to our dual currency, dual branding cards, I think we talked about the card count, which is I think north of 60 million cards.

And as far as our strategy in China is concerned, we'll continue to try and grow acceptance, so inbound travelers can use their cards in more locations domestically in China. We will continue to work with our partner banks and look for opportunities in the domestic market, possibly around prepaid, appears to be a possibility that that market might be open. We are continuing to work with the Chinese government and with respect to trying to open that market up for more domestic business. And we will continue to issue our dual currency, dual brand cards to Chinese nationals who may travel outside of China.

**<Q>:** Question for Ruben on Brazil. You talked about 200 million cards in Brazil. I think given the huge lopsided income distribution in Brazil you probably have this huge concentration of these cards in some upper middle class people. So what is your strategy going forward? You can talk about, yeah, we have 200 million cards but I don't think for a minute it's well distributed in the economy.

**<A – Ruben Osta>:** Well today we have in Brazil very large projects for all segments. We have 140 million cards, debit cards that's not just for the upper classes, it's also for other classes in Brazil and entry level.

We have also partnerships not just with banks, but with the largest retailers in terms of migrating the hybrid cards. It's a private label with Visa brand with wide acceptance throughout the country. So we have very various sets of strategies to go beyond the A, B and C classes and reach all the segments in Brazil.

**<A – John Partridge>:** Do you have a mic? Okay, we have a mic over here.

 

**<Q>:** A question for Oliver. What portion of your transactions are processed on the network? I know you have a target for several years down the road that you aren't giving up, but what is it today and how do you get to this target maybe more specifically?

**<A – Oliver Jenkyn>:** Can I...

**<A>:** [inaudible].

**<A – Oliver Jenkyn>:** Okay. So I'm being told that you'll get the answer this afternoon. I haven't but I will defer to Marc. The percent is approximately 75% globally is currently riding on our rails. Visa transactions that ride on our rails is about 75% globally.

**<A – John Partridge>:** So we got time for one last question. And then I think we are going to be back...

**<A>:** I think we wanted two.

**<A – John Partridge>:** All right, we are going to do two. Sorry, Jack.

**<Q – Bob Napoli>:** Bob Napoli from Piper Jaffray. Your strategic aspirations for 2015, I guess I was wondering if you have senior management compensation plans built around attaining the goals that are in that.

**<A – John Partridge>:** Yes we do.

**<Q – Bob Napoli>:** Oh yeah, and...

**<A – John Partridge>:** That's I was saying that he was sandbagging on me [inaudible]. But yes, our goals are in compensation, are tied to those strategic objectives and aspirations.

**<Q – Bob Napoli>:** Okay. And one follow-up question. I guess Joe had mentioned increasingly hostile feedback I guess from merchants on Interchange regulation. And at some point you have to come to some kind of I think of an agreement or get into a situation where it's not so hostile long term, and they seem to want to be able to negotiate with Visa and MasterCard like they do with American Express. Where does it go, why are they getting increasingly hostile and where does it settle out?

**<A – John Partridge>:** Bill, I think I'm going to give you that one.

**<A – William Sheedy>:** Sure. A subject I'm never going to be able to dodge. So first of all increasingly hostile is right, in that merchants in the United States are exceptionally well organized in DC. And you look at the National Retail Federation, the convenient stores, supermarkets, they are well capitalized, they are organized and they are being opportunistic.

So the other challenge we have with the merchant messages around Interchange. They are very simple messages, they are well researched, and they penetrate. That being said, the commercial tension around Interchange that we feel today it was there five, ten years ago and it's going to be here even to a greater degree five and ten years from now, because the size of the payment system has increased.

If I were a merchant, I wouldn't want my merchant discount to go down and I want Interchange to be lower, forget that. But I would tell you that the nature of the discussions we have outside of D.C. with merchants haven't changed. I do think that it's important for us to continue to invest in products and services and relationships to broaden the relationship with the merchants, because right now too often the discussions with the merchants are really around a particular service we provide at the point of sale and what they pay for that service. I'll dispel one notion, that we don't negotiate on Interchange. Yes Amex has direct contracts with merchants, so there is a more broad based negotiation. We have hundreds of contracts with merchants in the United States where we negotiate on rate. They know it we know it, we spend a lot of time talking about it. So there is commercial tension and there is give and take.

Again, I think ultimately we've got great relationships with certain merchants where we have co-brand, we have marketing arrangements, we provide information products and we provide a service at the point of sale where in the United States 600 million cardholders are enabled to transact. I think going forward we will be better served as an industry if we provide even more services to them for which they are willing to pay.

Information products, we've a lot of things in the hopper on the information front to help the merchants understand what's happening within their segments, within their geographies, help them benchmark their performance. Even if we don't earn great margins on those transactions, if we can fortify the relationships with the merchants, tie them into co-brand programs and other things, I think we'll be better off. But I don't want to leave anyone with the sense that we think that the tension with the merchant community is going to go away, because there is a highly visible commercial tension between a buyer and seller, which isn't necessarily a sign of a problem.

**<A – John Partridge>:** Okay. One last question.

**<Q>:** Thank you. [inaudible], and I had a question about U.S. debit and specifically Signature versus PIN, and I wondered if you could just help us understand, just remind us of the mix.

Secondly, how you're managing the inevitable tension between merchants, who want PIN and issuers who want Signature, and therefore how you see that mix evolving?

And then finally how that impacts your economics. If you can say anything, how your economics are different one versus the other? Thank you.

**<A – William Sheedy>:** Happy to. So in the macro in the U.S. – I'm just talking about the U.S. debit market, not our business in particular, but you can extrapolate given our market share position in online and offline that our experience is similar. So, in general, it's about 60% offline non-PIN, 40% PIN-based transactions. We are seeing in our business PIN grow a little bit faster, but it's not, because of – it's not because the categories PIN, signature are growing faster, we are picking up faster share in PIN for a number of reasons. So we have been more successful in portfolio conversations in PIN.

So, there are a number of things embedded in your question. One, the tension that merchants have, the preference that they have for PIN versus signature; we look at drug stores, convenience stores, supermarkets, discount retail, they do have a lower price point for PIN generally. Although that gap has narrowed, in part because of the way that we've managed interchange.

Ultimately I think what you are going to find is the largest face-to-face retail merchants, they've deployed PIN pads, they have deployed sophisticated prompting routines. And what we have done is we said that's fine. The merchants ought to allow cardholders to authenticate themselves at the point of sale however they like. Consumers, some consumers prefer PIN, that's point two, it shouldn't – to Elizabeth's point, we shouldn't bite on things like standards or authentication methods, we ought to provide a broad suite of products and let the marketplace go where it needs to go. If we find ourselves fighting against those odds, I think we are going to take our eye off the ball.

I think over time our strategy has been to try to create or minimize the interchange differential between PIN and signature and let consumers and merchants do what they want at the point of sale with the different options.

I think that as it relates to our economics, I think we've told you, we look at debit on a portfolio basis. When we go into – on issuer, the typical issuer that participates in PIN with us, is also participating by definition in signature, the portfolio that we have on services with an issuer on debit is equally attractive to us as it relates to credit. So we are indifferent between the two even though we make slightly higher margin on offline and slightly lower margin on PIN.

**Joseph W. Saunders, Chairman and Chief Executive Officer**

Okay. Thank you very much. It's my pleasure now to introduce our Chief Financial Officer and my partner, Byron Pollitt.

**Byron H. Pollitt, Chief Financial Officer**

Okay, time for the financial review. I have five topics that I would like to talk about with you today all of which have been suggested as topics to address by many of you in the room.

The first one is volume and support incentives. Second is, say more about foreign currency hedging. Third, capital structure and uses of cash, update on the February metrics and early thoughts on fiscal 2011. And so, I would like to begin with volume and support incentives. And I think after the last quarter's earnings call, this would truly be the topic de jure. So, let me begin by saying the headlines which begins with a reminder that volume and support incentives, that's another name for price discounts, and we offer price discounts as an inducement to have our clients enter into multi-year contracts with us.

We also structure them predominantly so that they encourage growth in the payment volume portfolio which is a win-win for all involved. Because they take the form of price discounts, we are obliged to account for them as contra revenue, that's why we have gross revenue, less the volume and support incentives and then we probably report our growth as net revenue.

Having said that, there are some differences and some judgment that can be applied to how you account. So the accounting can change or can vary and I'll talk about that in a minute. And then finally, we do expect incentives, both the absolute amount and the metric, incentives as a percent of gross revenues, we do expect both to increase over time. So let me talk about those.

So, first, I said that incentives are an inducement to enter into multi-year contracts. If you look at the pie chart to the left, at the end of fiscal year 2009, this is the spread or distribution of the contracts we've entered into and you'll notice that the single largest shaded area are contracts – whoops, thank you – are contracts that are in the three to five-year standpoint term. This is where the large – it's not only the largest volume of contracts, this is where the bulk of our volume is and if you were to single out the most typical contract term it's five years by a long shot.

Also, what's very important to us is, how much of our payment volume is under multi-year contract and when we did this, when we showed something like this two years ago, recognized that this month is the second year anniversary of us as a public company, this was predominantly weighted to the United States where multi-year contracts were really pioneered. We now have roughly an equivalent amount of volume under contract, rest of world versus U.S., weigh them together and it's roughly 80%.

In addition, we have no major client contract coming due for renewal until late 2011 and when I say major contract, think one of our top ten customers. Having said that, there is always the chance of an early renewal and we do face those from time-to-time.

I said that these were customized contracts with customized pricing; I thought it might be helpful to share with you just some of the incentive terms that we have to use to tailor a contract with a client. And so here they really fall into five different types, two of which are pure growth conversion and two are form of fixed payment. The first is just the concept that however much volume you produce in your portfolio, the client will get a certain number of basis points for the payment volume produced, pretty much a linear relationship. Then you have pay for growth.

And so, if an example of the first one is two basis points on payment volume, an example of the second would be a much higher basis point incentive but it's only on the growth portion, 10 basis points on the payment volume growth over the prior year and that's an important relationship to remember growth over the prior year, because we're going to come back to that in a second.

It's also customary when a contract involves conversion for the new brand to help pay for that conversion. So to have a specific dollar incentive per card converted, it would be typical and it would be also be typical to have milestone payments in a conversation, $1 million when you issue the first converted cards, maybe another $5 million as an example when you are 80% through your conversation.

All three of those are clearly variable and performance oriented. The first two really comprised the growth component of our incentive structures. Then you have fixed. So a fixed might be just like you do with an athlete, it's a signing bonus. $5 million if you sign up to do our program. We might do a fixed with a hurdle. So $3 million bonus, the moment the portfolio generates $1 billion payment volume, and so the first one, five million signing bonus, may or may not come with conditions. The second one clearly does. The contract terms that we specify in the arrangement with our clients drives the accounting.

So, when it comes to the account, this is really, do you amortize or don't you. The way we approach at Visa, in order to amortize versus immediately expense, you have to meet four conditions, and it's all four, it's not three out of four, it's all four. And those four conditions are; if we make a payment, an upfront payment, and it's not yet earned, that's condition number one. Number two, if a client ultimately breaches the contract or early terminates, do we have the ability to recover that payment. Third, let's say we do have the [audio gap].

Okay. So, even if we have the right to recover, we have to ask ourselves do we have the ability and the intent to recover; that's always an interesting conversation with your accountants by the way. And then finally fourth, do we have enough future profit left in the contract in order to recover whatever amount you would otherwise amortize. These are obviously ongoing tests. If you fail any one of them at any point – if you fail any one of them in the beginning, the Visa approach is to expense 100%. If you start the amortization process and you fail one of these tests during the course of the contract, our approach is we expense the unamortized portion. So, these sometimes require some judgment, so let me just give you a little bit of color on the first two.

The first one is not yet earned. So if we were to give a client a signing bonus, and there is no performance requirement to earn it, in effect it's earned upon receipt, that would be a classic case of we would expense the signing bonus in the period paid, we would not amortize that payment over the life of the contract.

Let me give you another example which focuses on number two, where you might have a situation where client breaches or early terminates. Let's say, we gave a client $10 million of marketing money that we were going to co-invest with them in the first two years to drive growth in the program. And let's say that in the third year, this Visa bank was acquired by a non-Visa bank and the portfolio converted or began converting, that would be a breach.

If we don't have the ability to recover in the event of that type of breach, and these are obviously situations that you can contemplate at the time a contract is negotiated and signed. If we don't have the ability to clawback that upfront marketing expenditure, our approach at Visa would be to expense that marketing as incurred.

So, you can I think appreciate that this type of accounting approach where you're facing potentially sizeable payments and you either amortize under certain circumstances and you don't amortize under others, can create some lumpiness in the way that volume and support incentives are reported in quarterly P&Ls. And that's why we choose to guide on an annual basis and to be hopeful give you what we think our incentives are going to be as a percent of gross revenues, in order for you to better understand what the full-year impact is going to be and not being misled by any lumpiness that might occur during the quarters.

Okay, I also said that incentives, we expect to grow over time. And there are three reasons we believe that to be the case. First, both in absolute terms and as a percent of gross revenue, we believe that incentives will increase first, because incentives will naturally rise as payment volume grows over time, because of the way we have structured our contract.

And what I'd like to do is have your focus on the pie charts for a minute and let us take you through a little bit of chronology and you can see what happened in '08, a recession year '09, and then as we begin to lap the recession year in '10, what's happening. So in that first pie graph, you'll see that in fiscal year '08, of the incentives that we paid out, we Visa paid out, 72% of those incentives were directly tied to growth in client portfolios, using some of the techniques that we talked about earlier. Our incentives as a percent of gross revenue was 15.6% in that fiscal year.

Now let's move into fiscal year '09, recession year. Client portfolios significantly challenged on the growth side, therefore it would be intuitive that the growth triggers in our incentive formulas would pay out less and they did. And so of the incentives we paid out, 62% were growth based and the percentage of incentives relative to gross revenue dropped to 15.1%.

Remember, when I gave you the examples of how the pay for growth works. It's typically structured growth over the prior year and so '09 recession year reset the base for payment volume. Therefore as we moved into the first quarter of 2010, we're now lapping a lower base relatively in '09, growth is starting to appear again in the portfolios and not surprisingly the growth components started to move up again, in this case 66% from 62 and our incentives as a percent of gross revenue moved up as well, 16%.

That 16% fits with the guidance that we had given ahead of time, up somewhere between 16 and 17% for the full year. So that gives you a flavor of the impact of these growth triggers that as these portfolios grow over time you can expect a higher level of incentives. That's reason number one.

Reason number two; there are higher incentive payouts as our client portfolios grow in absolute size, that's what's intended to be represented by the graph on the left. The larger the client portfolio, the higher incentive yield we are willing to contract for in our arrangements.

This phenomena of larger client portfolios had an unusual accelerator in the past year, namely that there was significant bank consolidation during the recession period and there was some significant inacceleration among Visa issuer banks. The four most important consolidations are summarized on the table on the right. And so these larger portfolios in effect reset the amount of incentives that we pay to the parent bank and that reset will stay with us and sets a new level at which we will grow off of and measure incentive payouts.

 

There is a third reason, Bill mentioned this earlier. We said at the time we went public that fundamental to our strategy was to develop the sticky relationships with our clients and to make that – and to make it more possible to invest in those relationships to establish those relationships on a multi-year basis.

From 2008 through the first fiscal quarter of 2010 we have increased both in the U.S. and abroad combined by 35% the number of accounts that we have under multi-year contract, and it means that more revenue compared to 2008 is now under multi-year contract and therefore is eligible for incentives. And so, incentives are going to rise for that reason, but it's a good reason.

When you look at these kinds of complexities and if I am sitting in your shoes trying to understand how I'm going model incentives given all these variables, it's hard, it's just hard. The way we do it is bottoms up, we project our incentive levels, the guidance we give you are based on bottom up projections from our major client contracts and they benefit from a complete understanding of what those contract terms are and a deep understanding about how those client contracts are growing.

And so that's not something we are likely to share with you all. What we've decided to do to be helpful is to anchor guidance in giving you a full year outlook of incentives as a percent of gross revenue and how we see that moving. Hopefully, this gives you a little bit better appreciation of the factors that actually drive those incentive results.

What I would like to turn to now is foreign currency and how we measure the exposure. Four topics here: What drives Visa's FX exposure; how significant is the exposure; what is Visa's approach to hedging; and how hedging has impacted our revenue growth. I think it's a really exciting subject before lunch.

So – but you guys wanted to talk about foreign currency. First of all, I think it's really important to remember that we operate in 190 countries and territories, representing 165 currencies, think revenue. We maintain offices in 29 countries, think expenses.

What we hedge is what we refer to as the net exposure. So what we do essentially is pick your local currency, we start with what is the gross revenue generated in that currency, we subtract out any incentives that we pay to get to net revenue and then we subtract out any expenses in local currency and what you are left with really is a proxy for operating income in that local currency.

That operating income is what we refer to as the net exposure. And so you might ask how significant is that exposure? So if you look at the net revenue, so think of net revenue as gross revenue minus the incentives to get net revenue, precisely 26% of our net revenue is coming from currencies other than the U.S. dollar, an offset to that is expenses.

So if you take our total operating expense, 18% of our total operating expense is incurred in currencies other than the U.S. dollar. As you saw before what we do is we net those two to create the – to create kind of the gross exposure or the net exposure for Visa, Inc. as a whole and then I will explain how we do this in a moment, we basically hedge about 70% of that exposure, but we are hedging is the operating income component. We are not hedging all the revenue in – that is not-U.S. currencies. We are hedging only the income equivalent.

What that means is that there is always going to be volatility, some degree of volatility in our revenue and our expenses related to FX because we report 100% and have to convert 100% of those revenue or expenses but we are only hedging the equivalent income portion of that. So that's our approach.

First of all, we solve – what we are really solving for, frankly it's a pretty straightforward approach, there is nothing sophisticated here. We sell for reduced risk and volatility, our objective with hedging is to simply dampen the impact over FX rate changes over time. Sometimes you are in the money, sometimes you are not, frankly we don't worry about it, we have a very disciplined approach for hedging. We are just trying to dampen the impact.

Second, we execute what we refer to as only economic hedges, and it's important to understand and in – in our parlance an economic hedge is the net exposure, so we are only hedging the income exposure in a local currency. We use a value at risk model to determine which currencies to hedge, this model tells us basically where is the most exposure, we set some thresholds, if the exposure is above the threshold if we can we hedge the currency.

From the practical standpoint, we monitor 25 currencies, today we hedge 17. We'd like to hedge two more than that but it's either too expensive or it's not practical, one of them is the Argentine peso and most recently the Venezuelan bolivar was added to the list. In some, very straightforward approach.

So, what kind of impact does that have on our revenue? What we've illustrated in this table is the impact FX has had on our reported revenue by quarter for 2009 and the first quarter of fiscal 2010 including the impact from our hedging. So, if you look at 2009, throughout the entire year, as we mentioned during our earnings commentary, we have had a headwind when it came to FX, a headwind that in the first quarter was minus 1%, peaked in the third quarter at minus five, so that's a 5% drag on our growth, and for the full year it ended up at minus three.

As you look at it in quarterly sequence, you will see that in the first quarter we – with our hedges in place, the impact – our FX impact was neutral, zero, headwind gone and given our outlook looking at forward rates along with the hedges we have in place and I didn't mention it but what – we hedge 12 months out, so it's a rolling 12 months and we lay in the hedges month-by-month, so it's a blended hedge. If the forwarded rates are a good projector, we have got a pretty good idea of what the FX impact is likely to be. And our outlook here is a flattish impact on revenue growth for fiscal year '10.

To the extent that we have foreign exchange impacts whether we're in the money or out of the money when they mature, they basically show up in four accounts; revenue, it's either service fees or international; our revenues on the expense side is typically personnel or marketing. Those four lines predominate where it occurs.

Okay. Capital structure and uses of cash; this I think is actually a lot more interesting topic before lunch. So, let's start with some guiding principles. The first call on our cash is always to reinvest in attractive growth, whether it is organic, whether it is inorganic, whether it is joint ventures, whether it is M&A, Oliver gave you a good framework for what the kinds of things we are looking at and that will always have the first call on our cash.

We also want to preserve a very strong balance sheet with sufficient liquidity to backstop settlement risk and should Visa Europe ever put, we need to be able to respond to that put, should it occur. So those are the settlement risks and having liquidity ample to accommodate a Visa Europe put, those are the two principal calls on our cash that are worth calling out.

Just a moment, what is settlement risk? In its simplest form, every weekday we are settling billions and billions of dollars. We are taking cash from the issuers and we are giving it to the acquirers, who have fronted the payment to the merchants. And so every week day, all over the globe, we are settling an enormous amount of money. And so the settlement risk is really what happens if a financial institution fails to deliver to Visa its obligated payment, so that we have the cash to in turn pay the acquirer. And the risk is we are going to make sure that transaction settles and so we've got to make sure we've enough liquidity such that if that situation were to happen, we can cover it.

Third, guiding principle is we are generating a lot of excess cash. We have committed from the time we went public that we would return excess cash in the form of dividends and share repurchases, which I'll have more to say on in a moment. And then I'm often asked, are we going to put debt into the balance sheet in order to better optimize the cost of capital? And the answer is at the right opportunity, absolutely yes, because this would be the right thing to do.

What we are challenged with near-term is use of proceeds. We are throwing off over two billion of free cash flow. We essentially don't have any debt. And so then you have to ask – and we are funding all our growth initiatives.

So you have to ask yourself what would be the use of proceeds. Well, one that might come to mind and that we are occasionally asked about is, why don't you buy back more shares? So let me remind you that one of the objectives of our IPO was to ensure that at least 50% stock ownership would always be in the hands of the non-bank public. So that's a threshold we are not prepared to go below and I can share with you today that as a company today we have no appetite to borrow to buy back shares and so what we do, so we are going to wait until the right opportunity occurs for us to put debt into the balance sheet.

We have created a snapshot of our capital structure with an eye towards talking about liquidity and how we deploy some of our liquidity. So that you have a better idea of what we consider excess cash given the sizeable amount of cash that we are currently carrying on the balance sheet.

So this snapshot is quarter end, the December quarter end, so the end of our first fiscal quarter for 2010. We would say that we have available cash of 3.6 billion and that cash is available after fully funding the litigation escrow, capital expenditures, working capital, joint ventures, dividends and any share repurchases, and so available cash of 3.6 billion. We also have a credit line, unused of three billion. So to the nearest 100 million we have available about 6.6 billion.

Settlement risk set aside. So I don't think we've ever talked publicly about how much we are setting aside. So we are setting aside about five billion of liquidity and we include the credit line as a mechanism to help fund that liquidity. That settlement set aside is informed by the standard promulgated by the Bank for International Settlements that suggests that you should have liquidity at least equal to the day on which you would have the single largest settlement requirement for one of your clients should they fail to settle, and typically that is a Monday, after three days, Friday, Saturday and Sunday of very heavy traffic and remember this is a global number.

And so what we do is we identify every year, it's an ongoing evaluation, we identify the single largest day of exposure from one client. We then go a little bit beyond that standard and add an increment to it and say if that client failed to settle on that day and it could be not because they didn't have the money, it could be an operational breakdown and they couldn't transmit it to us, do we have the liquidity to settle? And so roughly today that's about five billion.

There are ways of getting that number down by working with our clients and we are doing that and I'm hopeful that if I were to give this presentation to you next year that number wouldn't be as high, but that's what it is today. And so, then you subtract that out and what we would describe as excess cash as of the end of first quarter would be about 1.6 billion.

Let me now switch you to the little table to the right. I said before we had some additional calls on our cash one of which would be, should we have a merger or acquisition candidate, excess cash would be available to fund that. But also we have to have enough cash set aside or liquidity set aside to cover the Visa Europe put.

And so, as I said before, we have very, very little debt on the books. We are currently rated A+, if we had to borrow to buy back or to complete the put should it be presented, then we would have no difficulty borrowing at a level of A, going down to an A rating, maybe even at A minus. At an A rating, we would have six to seven billion of unused debt capacity. So, when you look at all this, we are very, very comfortable that in looking at excess cash of 1.6 billion that we have more than enough liquidity to handle any other use that we might be called on to use the cash for.

And so having excess cash, once we quantified that number, a number we share with our Board, we then engage in a discussion around dividends and then potential share repurchase.

On the dividend front, we're guided as to the dividend levels at least today by benchmarking S&P 500 companies that have a five-year record compound annual growth of delivering 20-plus percent EPS. That's our guidance, not for five years out, but it's our guidance currently to grow at 20-plus percent, that's the peer group we compare ourselves to and we compare ourselves on yield and we compare ourselves on payout ratio. We regularly run these comparisons, the graphs in front of you were done in mid-February, you can see that with both the yield and with the payout we are very much in the ballpark, and this is something with the Board that we review annually.

With regards to how those discussions have gone, since inception, we have returned excess cash to shareholders in the amount of 2.7 billion. 2.7 billion, and we are a week away from celebrating our second anniversary as a public company. Of that 2.7 billion we have returned a little over 500 million in dividends and we have repurchased shares valued at 2.2 billion through the end of the first fiscal quarter of 2010.

We have clearly overweighted our return of excess cash in the form of share repurchase, guided primarily by management's view that we were in a position to do this with an attractive share price outlook for the future, and the outlook that we know is shared by many in this room. If you look to the table on the right, as of March 9, we've taken 27 analysts who have updated their published projections at least February forward and the pricing outlook, as you can see the median of the range is 103.

For the record, through Q1 we have spent 2.2 billion on share repurchase, we have retired 37.9 million shares at an average price of $58.95, and the amount of shares redeemed represent 4.9% of our fully diluted share count as of December 2008, which is when we began the first of the repurchases.

Okay. So that's the discussion on capital structure and uses of cash, I hope that was helpful. Just a few quick words on updating the February metrics, it's in your packet but I'm going to go over U.S. payment volume growth, cross border growth, processed transactions, recap of the financial metrics and then we will conclude with 2011 early thoughts.

Okay. This table, U.S. payment volume growth, you know, it's one thing to lap year-over-year and look at the comps, but actually we think the more informative perspective today is sequential month by month. And so, what you see here is U.S. payment volume growth October through February, total, credit, debit, and so, total 12% growth.

On the credit side still a bit hard to interpret the trajectory, it's encouraging clearly, but it's still a bit hard to interpret the trajectory, but February was a positive two compared to flat for January. On the debit side it's just very, very healthy robust growth with 20% in January and it repeated in February.

Cross border; I don't know what else to say, but the world is traveling. At the first quarter earnings call when we shared some of the January, we shared December and a little bit of January, it was hard to know whether this might have been a seasonal impact with the holiday season. But as you can see here the progression has gone from flat in October to plus three, plus four, 7% in January, 11% in February, and then if you look across U.S. and rest of world, and just remember for us rest of world does not include Visa Europe. I said the world is traveling, both U.S. and everyone outside with the notable exception of the Venezuelans, thanks to the devaluation they're staying at home.

Processed transaction growth; here, lifetime Olympic tickets for anyone that can find transaction growth anywhere on the planet on this table under double digital growth on a sequential month, it's just fantastic. And it is U.S., rest of world, we are going at 13% transaction growth. So when Oliver talked about what are we doing to drive higher utilization around the network, when Antonio talked to you about all the programs that we have in place, the blocking and tackling, this is what happens when those programs work, you get this kind of transaction growth even during a recession year.

So, with those trends, we are very confident in the growth of our top line for this year, there is no change that this slide and the next deal with our guidance for 2010. There are no changes, all the upgrades to our guidance you would have received during the first quarter's earning call and today we reaffirm all of those, no change. Which brings us to some early thoughts on 2011, beginning with revenue.

We expect global debit and rest of world credit to be the primary drivers at this point in 2011. It's still early for us, we're encouraged, but it's still early for us to settle in on a trajectory as it relates to U.S. credit. We are encouraged, however, that for the first time in a while, we are starting to get sincere interest by some of our issuers to restart the engine of card acquisition, which we would be a willing partner to co-invest with.

We expect volume and support incentives to continue to grow as a percent of gross revenue and you have got the reasons earlier. On the marketing front, we expect to increase client marketing support with spend weighted more outside the U.S. And we also expect to target higher support for prepaid products and the eCommerce channel. The exciting opportunity in eCommerce, Elizabeth talked to you about this morning. Brian Triplett is going to talk to you about the global opportunity in prepaid this afternoon and you will understand why we are enthusiastic about supporting that growth with marketing spend.

On the product innovation side, we plan to increase our R&D spending in eCommerce channel with a particular focus on Rightcliq, related platforms and security. You'll here more about what we are going to be investing in from the security front from Ellen Richey this afternoon.

We plan to extend commercial functionality by enabling small businesses to accept mobile payments, excuse me, mobile payments. And you're going to hear much more about the exciting opportunity we have in commercial from Darren Parslow this afternoon. And we expect to accelerate development spending in mobile, money transfer, and informational products and services.

So all of this product innovation spend is something we are very confident in supporting, feel it's essential, if we're going to meet our aspirations and we are confident enough in the underlying trends we now see in the global economy that this is the right time to start to amp up investments in these categories.

I should also mention that in our business when we talk about supporting growth in initiatives like these in pioneering new products and innovation, the lion's share of that type of support comes in the form of expense, not capital. And so, we'll talk more about that when we get closer to fiscal year '11 and what that means, but it is important to understand that our growth and what we do to innovate is an expense proposition. And so, it'll have margin impacts.

On the processing side, we plan to continue actively seeking investment opportunities to expand our processing footprint outside the U.S. Oliver mentioned our situation being a one of the short listed ones with State Bank of India, that's a perfect example of what we are talking about here. You'll hear more about what that kind of expansion of footprint means with Marc Luet this afternoon, and he will also talk about, in the processing front, why we are excited about investing with a focus on network acquirer and issuer processing, with JVs a likely format.

  

So lot of activities, let me re-anchor you, we expect to be able to do all of these things and still deliver 20-plus percent EPS growth for the year. Capital expenditures, we would expect to rise modestly over 2010 as we enter the next phase of standardizing and optimizing Visa's global technology platforms. We will do this with a very, very strong base of free cash flow which again we expect to exceed two billion next year.

And then just a word, next year, next March we'll mark the third anniversary of our IPO and the remaining C shares that remain locked up will be unlocked no later than March 25, 2011. We're currently going through our second deliberate plan to unlock of C shares as we speak. Many of those have now been released, and so far we've not encountered any issues with regards to trading volume and we can't see any impact on price except that as we unlock, the pricing to go up. Maybe we should do that again.

Okay, so that concludes my comments. Should we...

**Jack Carsky, Head of Global Investor Relations**

And originally we were going to have Q&A with Byron, Joe and John, but recognizing the time zone difference and if everybody is hungry as I am, we are going to adjourn for lunch now and then come back at 1:45 for that Q&A prior to the afternoon speakers. So lunch I believe is out that door and to the right, but I could be wrong.

## MANAGEMENT DISCUSSION SECTION

**Company Representative**

We have a Blue-Ribbon Panel up here and this will last for about 30 minutes and then we'll go to our afternoon speakers, all of whom are eagerly awaiting their chance on the dais. So questions?

## QUESTION AND ANSWER SECTION

**<Q>:** Thanks. Hi. Can you talk about the management compensation plan, how that works? Management compensation plan.

**<A>:** Compensation...

**<Q>:** Yeah.

**<A>:** Management compensation – how it works.

**<A>:** It's – our management compensation is tied to the performance of the company. The compensation beyond the salaries are cash bonuses, restricted stock, stock options and performance shares.

The senior management is mostly in options and performance shares. So it's very oriented to our objectives around our guidance. And it's benchmarked against the number of companies and our objective is to being above the seventieth percent, somewhere in that fiftieth or seventieth percent of those benchmarked entities.

**<Q – Adam Frisch>:** Thanks. Adam Frisch, Morgan Stanley. Two questions, I will ask them separately. First, if the rebate incentive line increases as a percentage of growth, Bryon, maybe you can give a range on how much it could – you said 17, 18 – sorry, 16 to 17 this year, where could it go overtime?

Could you also talk about how you plan to manage the P&L in terms of operating costs, tax rate and share count to potential offset a higher country revenue line throughout the P&L. And then I have a follow-up.

**<A – Byron Pollitt>:** Okay. So starting with the country revenue line, just we ground everybody; our guidance is 16 to 17% for fiscal year '10. Because of the large number of variables associated with trying to project that, we would normally plan on providing guidance for 2011 at the end of this fiscal year once we better understand what contracts are in place, what level of revenue trajectory we have by client, because our projections have to be done bottom up.

And so we don't intent to guide out beyond whatever the current year is, at least at this point. And so a trajectory – what we're really signaling is that there are some perfectly natural reasons why it would drift up, and its good business to manage it that why.

And by the way, given the way our contracts are structured, given the low base year of '09 and the heavy gearing we have towards paying for growth, these are natural progressions. So in terms of guidance you could look forward to that at the end of December, once we have – once we're able to – budgets are complete and we have a good bottoms-up projection.

Our 20% earnings per share growth for 2011, contemplates that our ability to accommodate whatever incentive level is required for 2011. So to the extent that you asked about offset, we're not putting any caveat on 20% EPS growth, 20% or better for fiscal year '11 related to incentives. .

**<Q – Adam Frisch>:** Perfect. Thank you. And then my follow-up, you talked about increased spending on innovation and so forth, that's a theme that we have been writing that now for several months since we came back and initiated in January.

Every investor that I speak to is totally fully onboard, pretty much with this strategy. If your cost went up, because you're innovating and prolonging revenue growth and EPS growth, it's a good thing. But could you talk about what kind of things – how much things could be impacted over time, could it be a one-time thing, could it be more prolong thing?

Again just coming back to my point, I don't think any – I think most people in this room are shareholders, would appreciate having more revenue at a lower margin if the absolute dollars drop to the bottom line.

What kind of things are we thinking about here in terms of size or scope or timing, things like that? Because I think people were talking about it outside, it'd be a good thing to address.

**<A – Byron Pollitt>:** So I think several people have spoken to this topic, I think Oliver mentioned that – make sure Oliver mentioned that, we would spend money on things that either provide a functionality that we don't have regardless where we wanted to go more quickly that we could get there otherwise.

I think you mentioned that we would look at strategic partnerships, we might look at minority investments and with commercial – tied to commercial arrangements that helped us get where we wanted to go.

There are some spaces particularly in e-commerce where we might look to acquire functionality that we simply don't have. And then that's on – that's more on the M&A side. And to that we bought the VPS processing system in India.

We have a minority investment in monetize and we have other joint ventures around the world including with Google, Microsoft and others. We – on the other side of the coin, are investing in our own technology, some of what you see out here today, but that certainly is the tip of the iceberg, not the whole thing.

We obviously invested in a data center that gives us the capacity and the technology to do a lot of things on a global basis that we haven't done before and we have some things in the works that will make that even more useful.

So I mean we're going down multiple payouts at the same time. I think at the end of the day by the time all the small clearance – at the end of this year and at the end of next year you'll begin to see in a more explicit way of what I'm talking about.

**<Q – Timothy Willi>:** Thank you. Tim Willi with Wells Fargo. Could you talk a bit about a couple of things related to working with the parties and the – I guess the transformation of Visa going from association to public and eventually probably substantially less ownership by the banks that you build new products and potentially have other people in the food chain, they're all trying to hash out what share of the economics that they get versus how it used to be when it was basically Visa bank's merchants.

And then thinking about going forward, where as a core profit entity, the bank's rather very important, you obviously have to work to the best of your shareholders. I don't even know if I have per se, a direction, I'm just curious about your thought about managing that overtime as you develop these relationships and new products, the new distribution and partners. How do you think through that and what's been sort of thought about internally along those lines.

**<A – Byron Pollitt>:** Well, obviously we moved from – and associated – we de-neutralized most from a association model to a forward profit model, and I think that everybody – all the financial institution owners understood what was going on at the time they went on, and the reasons for it and since then there has been – at least in the United States considerably more consolidation within the financial services industry.

So it's accelerated thinking about things a lot differently. So we have a tendency today to look at our – look to our financial institution customers whether they'd be individual, very large customers or whether they'd be middle market customers or smaller groups of smaller institutions and we think about what they need differently.

So at Visa it's no longer one size fits all and we have to appeal to whoever our customer is and whatever their motivations are which means that we need to customize a number of things we do. So when I invest in technology and when I deliver functionality to somebody, I may deliver it to one person sooner than others, because that person is more interested than the others are. I might build a mouse trap in conjunction with somebody that's different from what everyone else is doing and then I just turn around and give up to – give it to everyone else.

I certainly have to be concerned about collectively what we do with smaller institutions. I think I saw in the – you will find large banks is $60 billion more and the smaller banks is less than that and 47% of the deposits in United States are in the smaller bank category. So that's something that we have to focus on, particularly from the debit side because that's considerably less consolidated than the credit cards side.

What you are getting me to do here is to ramble on above the fact that we're just a very different company than we were two years ago, and I think we are the different company in a good way both with in United States and on a global basis. We have some incredible successes outside in United States by exporting technology in the manner that never would have been done under the previous structure.

**<A – Joseph Saunders>:** I think it also gives us an opportunity. I think looking a different channel for distribution of our product, looking at different product construct so how can we use our information to work with merchants deliver more value than the merchants, how can we use the merchants to deliver some of our prepaid cards and in conjunction with our bank partners.

So it gives us an opportunity to do some things that we weren't able to do before but we cannot and will not lose sight of the fact that our customers are the banks and are they are cardholders and that's what we are driving our value for, so we are not going to loose that focus.

**<Q – Bob Napoli>:** Napoli from Piper Jaffray. Question on the incentive payments and trying to compare Visa to MasterCard, your incentive payment is 16 to 17% of gross revenue, MasterCard close to 30%, I know there is you know may be some accounting difference, but if you could kind of address that huge gap and then may be related to that MasterCard in SunTrust take away may be trying to get more aggressive and there is gap incentives there which you are feeling is on the change in competitive environment?

**<A – Joseph Saunders>:** First of all, relating to the SunTrust, I am not going to talk about -- we are not going to talk about our dealings with SunTrust, they were done confidentially. And – I can know – I only know what we did. I don't know what MasterCard did. I can't tell you how it fits in to their strategic vision or their strategic plan what it gives them or what it doesn't give them.

I know that we did an extraordinarily thorough and good job, as far as I am concerned in trying to keep them as a customer and it wasn't possible. I will also remind you given nice -- because I like [inaudible] that -- this had to happen sooner or later. And I've said that I think a lot. I mean – this is a – they just earn people and they are just not going to go in a corner and hide go let and they are going to have that.

They are going to have to win something once in a while and that's the nature of the business and that's competition and if we did discount on wining every deal for the next three years well then the justice department would come looking for me. And you know there is a -- we do operate in environment where there is -- there is an expectation there is some competition.

So that's SunTrust. Is it relates to their incentives ones again I don't know how -- I don't know how they are structured but from what I can garner from is – what Byron has told me what I can garner from looking at their financial things. They do things very differently than we do and I think that there is very problem there to compare what they pay versus what we paid. I think that the better way to look at it is in net revenue. It's just because they do it one way and we do it another way, but it comes out – on the net revenue.

And I think frankly that's what Byron just said which is whatever the incentives will be, what they would be, but its net revenue that you are really looking at and that's what we are really concerned about. So however, we set up a contract for somebody, no matter how we do it -- it's the bottom line, it's the net revenue line that we are managing to.

**<Q – Bob Napoli>:** Joe a little confused a little – we are a small shop from Vancouver, I think, Visa is our largest position, now. Just, first compliment to your marketing department on job in – over the Olympics. It's very extensive and very tastefully done? So well done there...

**<A – Joseph Saunders>:** Well, before you get started, let me tell you...

**<Q – Bob Napoli>:** Yeah.

**<A – Joseph Saunders>:** Let me – we were very collectively impressed by Vancouver and how Vancouver those were in fact were handled with the utmost professionalism and never seen – I've personally never seen any Olympics run any better just and how people moved around, what they did so? So thank you.

**<Q – Bob Napoli>:** I've a lot to do that personally. I wonder if you could discuss both sides of the issue of pricing power and as much if it's a risk and – or an opportunity.

**<A>:** So, why won't I start? The – from the network standpoint the ultimate price that our client receives is completely a function of a very competitive process that has been incant for quite some time. And so as Joe said in the end, it's not about how much gross revenue, it's not about how much incentive, it is in the end what is the net yield that you give in your bid. And you the winning bid, so to speak, is always a function of the losing bid. And so with regards to pricing power, it relates to our clients and the increasing size of portfolios. It manifests itself in the way that the competition ultimately bids in an open market for the business.

**<A – Joseph Saunders>:** Okay. As it related to pricing power by -- to -- for changing our pricing in a way that adds to our profitability which you've been looking at for a number of quarter, it's -- I have continued to say that from my point of view I think that that's going to diminish and become a much less significant part of our revenue increases over time. That is not to say that something like that happens occasionally that will change that. And if you are referring and even you are not because somebody else will if you don't that you would like to know what we are going to do as it relates to the acquirer price MasterCard already increased. So my answer is going to be somewhat big and the answer is going to be -- we are considering what we really wanted or we need to do to react to them.

We like to consider ourselves to be price leader not a price follower. And of we follow it will be – because the structure of our industry in the way the things are done, we'll require us to do that. But I am not – I am certainly not ready to say that that is the case as it relates to be yet, not increase the acquirer's fees at Visa.

**<Q – Julio Quinteros, Jr.>:** Julio Quinteros, Goldman Sachs. Byron, the six strategic aspirations that all of you have laid out, I was wondering if there was any way to give us some color around what to get to the strategic aspirations, how much of that is expenditure that you guys can just leverage from sort of your existing expense space and what would be or what percentage would be from new investments. Is there any way to think about what actually is incremental from here to get to those aspirations or is it just a part of your normal expense structure?

**<A – Byron Pollitt>:** I would say it's really hard to give any sort of boundaries around that. The -- I think the core of what we bring to there is an enormous scale on a pre-established existing network that will – we have every reason to believe will allow to read economies of scale from those expansions. So it's really hard to give boundaries. But I don't think we will be wandering far from our routes and what our global network brings to bear in the economies of those growth initiatives.

**<Q – Jason Kupferberg>:** Hi. Jason Kupferberg from UBS. Two questions, the first one is kind of specific and the second one is a little more general, but on the specific side, Byron, incentive payments, specifically upfront payments. Can you give us any sort of rule of thumb or range in terms of how people should think about, is it a percentage of issuer, portfolio volume typically, how should we think about what really drives the size of those upfront incentive payments, any metrics there?

**<A – Byron Pollitt>:** I think the -- I would like to be helpful on that one. I think I would like to refer you back to the pie chart that showed the mix between fixed and growth. The upfront payments are typically in that fixed category and that fixed category was well under 50%. So that is not – it's not uncommon to have them. But the real focus in the way we gear our incentive contracts is have growth, we'll pay.

**<Q – Jason Kupferberg>:** Okay. And then my more general question, I mean it looks like you guys all sleep pretty well at night but when you look out over the next few years, what are the biggest issues or risks that worry you guys, I mean, everything today is pretty upbeat and positive for obvious reasons but what do you worry about kind of longer term?

**<A – Byron Pollitt>:** Well, I think -- what I try to say that this morning -- excuse me for stuttering there. But, I mean -- obviously its competition, its regulation, its -- it is technology that -- it's all of those things. I mean we are in a -- we're in a space that's a very good place to be because electronic payments and movement, the secure moment from cash and checks is a big deal and its not going to stop. And the bigger it gets the bigger target in a lot of ways we become. So I think we have to be worried not just in the United States, but on a global basis about everything that's happening around us.

I mean we have to be concerned about China union pay. I mean we need to be, we need to be concern about JCB and Japan. We need to be concerned about certain technologies that are involving in other parts of the world as well as in the United States. I need to be concerned about national payment systems in Russia and India. I need to -- I remain curious, but curious as regards the way merchants are continuing to attack us on a legislative front, but they are and I -- I need to be concerned about that. So I think that our success is predicated on our ability to do a number of things at the same time and lot of write-down. I mean that's -- that win a lot more than we loose. I think we're positioned for that and that's we're going to endeavor to do. And so I am going to try to execute as much confidence as I can in that regard because I believe that to be true.

**<Q – Jason Kupferberg>:** Byron, on the -- your restricted cash -- restricted cash on the balance – restricted cash plus debt capacity that you have to part for settlement. Does that naturally go up overtime just due to the size of your business? I think you hinted before that maybe that comes down next year. I was wondering, how that's going to work overtime and are you restricted what – I mean, can you earn more on that cash any parts overnight, maybe you can just give some more detail on that? Thanks.

  

**<A – Byron Pollitt>:** Cash that is technically restricted on the balance sheet is an as per account. Its there for the benefit of our US banks and is money to be used for the litigation settlement, is that the restricted cash you're referring to?

**<Q – Jason Kupferberg>:** Settlement risk?

**<A – Byron Pollitt>:** So the settlement risk which we said was roughly 5 billion. We have strategies that we are executing with our clients that represent that peak exposure that if implemented can bring down that that set aside, our biggest hurdle in getting those strategies executed is what a little bit described earlier. It requires some significant systems, reprogramming and trying to get the attention, if we're just not at the top of the priority list, yes, in terms of getting those things implemented. But we do have proven strategies for bringing it down. And it is our -- we are hoping that by this time next year we're going to be able to bring that number down. And if we do everything else staying equal then that would increase the category of excess cash.

**<A – Jack Carsky>:** You know, this is formula and we -- there are standards that we need to adhere to for settlement risk that have to do with the amount of settlement risk we have with our largest customer at any point in time over a number of days. And lot of our buyers are referring to is the fact that we have many different endpoints with some of our largest customers and if those end points are consolidated then the formula is going to yield a huge number. I'm not saying that it's inappropriate. We've lost as it relates to settlement risk I think over the years.

**<A – Byron Pollitt>:** Let me be precise in the last noted loss that would -- with the 1998 we've lost $0.5 million in Russia, otherwise you have to go back to 1991, 12.8 million and that was BCCI Bank of Pakistan and otherwise we have not lost anything.

**<A – Jack Carsky>:** And obviously we've gone through a lot of turmoil -- turmoil -- excuse me -- we are going through a lot of turmoil in a lot of bank closures in the past year and a half. And so the structures that we have put together is put together to accommodate this risk and to recognize them to and to mitigate it. But it is what it is on the balance sheet.

**<Q – David Koning>:** Yeah. Hi guys. Dave Koning at Baird. And now you mentioned on a debit side, we are tracking about 20% growth in the US right now as far as this quarter and that's a strong in many, many quarters despite the bad economy. So I guess first I am just wondering if you expect that type of growth to actually accelerate as you probably get the conversions to come through and the economy gets better? And then secondly maybe if you can breakdown how much growth is from existing clients and how much is new?

**<A – Byron Pollitt>:** So the -- it's hard -- we are capturing debit. So the debit has back-to-back year-over-year growth I think of 20% in both January and February in the US. We are capturing -- we are continuing to open new categories, and so which is clear -- that's more what's fuelling the growth. If you look at the -- and if you look at it by market segment, it is healthcare. The increase in the price of gasoline has also meaningfully moved the needle on debit. That's not something that you -- if you would necessarily say would continue to grow build another huge category that is being opened, increasingly, and then I would say supermarkets. Those are the four that are driving it and if presumably there is only so much room to be consumed and so much penetration to achieve. So I would be cautious about extrapolating off 20% growth rates. But we are happy to share our growth rates with -- at each earnings call. And then you'll be able to see how the debit is progressing.

**<Q – Greg Smith>:** Hi. Greg Smith at Duncan Williams. Just on the rebates and incentives, I believe there maybe a little tiny bid at that that actually goes to the merchants, is there any possibility we're going to see that increase over time?

**<A – Jack Carsky>:** Well, I mean we do negotiate acceptance deals with merchants. I don't -- but it is as you said, a small part of the incentive line and I don't think it's going to become a material part of it. Most of the arrangements on merchant's incentives was to put together with financial institutions prior to the merger and there was a small fee attached to issuer fees to cover those incentives.

**<Q – James Friedman>:** Thanks Jake. It's Jim again at Susquehanna. You know I may have missed it but I don't remember Bill discussing Canada. John I was just wondering if you could give us sort of an update what the status to interact. Are you issuance there yet, may be what the timeframe is. I mean was noticeably absent from this comments, right?

**<A – John Partridge>:** So, no, we are in the process of finalizing with a number of banks agreements. We have been going out and taking with the merchant community and getting agreement on acceptance. But I think first card issuance is going to be within the next probably 90 days. I think that's right. Correct.

**<A – Jack Carsky>:** Okay. Around here? It's time for a couple of more questions. Somebody moving hand, excuse me.

**<A – John Partridge>:** Give your mike.

**<A – Jack Carsky>:** Oh. I am sorry.

**<Q – David Grossman>:** Hi, it's David Grossman from Thomas Weisel. Perhaps this is a follow on to some questions that were asked earlier. But margin expansion has been a big driver for earnings growth, you know over the last couple of years and given what you are saying about pricing about some of the incentive and that the margins are at very healthy levels right now. Can you share any thoughts on how we should think about margin expansion and its contribution to earnings growth once we get beyond fiscal 10?

**<A – Joseph Saunders>:** So with regards to margins as we've repeatedly said, for us margins were an outcome, they are not an objective. We are an NPV driven company and as we evaluate all the initiatives that we discussed this morning and those to come it will always be a value NPV driven approach. The margins will be what they will be. We'll be more guided by the NPV and the absolute size of the opportunity ahead of us. So in the end margins are going to be an outcome. It is our practice to guide to margins for the current fiscal year, so you have margin guidance for this year. You can reasonably expect that at the beginning of fiscal year 2011 we will revisit what our guidance will be at that time and then whatever margins guidance we give will fully encompass the initiatives we expect to fund in the coming year along with any revenue that might be produced by those initiatives. So that's our practice today and we would expect at lest for the near term to continue that practice.

**<Q – Rod Bourgeois>:** Yeah. Rod Bourgeois here with Bernstein. Clearly, rebates and incentives have created a lot of consternation in recent weeks. But clearly revenue yield is the more important number here. Can you just comment on a one year view on revenue yield and then maybe a longer term view? Can we expect a stabilish type revenue yield in the next year. And are there things over time that you can do to drive revenue yield up and so on?

**<A – Joseph Saunders>:** So – if you think about the earlier commentary on incentives, we pay for growth on our incentives, that's where the lion's share of our incentives go. And by paying for growth the pie, the revenue pie to be split by all the participants, it grows larger. And the math is that, that as portfolios grow in size within that pie, we are structured to pay a higher level of incentives. And so independent of how revenue yield works out, we're focused on profitably growing the pie so that our banking clients make more and we make more, and that yield is not so much the focus as do we have a good balanced economic proposition in the way the pie is grown and distributed.

**<A – John Partridge>:** Yeah. So think about it this way. We have probably at least twice the capacity in our infrastructure as we're using. And so as an individual customer grows the overhead of dealing with that financial institution doesn't expand much at all, and the cost of processing all the subsequent transactions is virtually nothing. And so we can take a lower yield under those circumstances and leverage that growth for our revenue. So thank you.

Jack?

**<A – Jack Carsky>:** I guess we're out of time. I am pretty good at reading subliminal... [laughter]

**<A – John Partridge>:** You said two more questions, Jack, and you got two more.

**<A – Jack Carsky>:** Gentlemen, your work is done here. Thank you very much.

**John Partridge, President**

Wait a second. I want to thank everybody for coming. I really truly appreciate it. I want to thank all of my management staff for the time and the effort that they put in to putting these presentations together. I hope you are getting out of this what you want to and I hope you come away with a sense of confidence in us, but not arrogance or complacency. We are not any of the – we are not either of the latter two. I mean we try to – we try to exercise our responsibilities in the best manner that we know how and part of that is having some confidence and trying to get some wind at our backs. So thank you very, very much for coming and listening. I appreciate it very much.

**Jack Carsky, Head of Global Investor Relations**

Thank you and now it is my pleasure to introduce Brian Triplett, who heads our Global Prepaid business and he is going to kick off the afternoon.

**Brian Triplett, Global Head of Prepaid Products**

Thank you, Jack and thank you Joe. I know that you didn't want to take any time way from prepaid, so I truly appreciate that. And just to kick us off, I want to make sure that this afternoon we are little bit more relaxed and casual. So I am not going to button my jacket. So everybody can sit back and feel little more at ease today.

I am here talking about prepaid. Prepaid is a tremendous innovation story, a tremendous success story. We really think about where we were at 10 years ago, just introducing a simple gift card non-reloadable. And where we are today with the full spectrum of products. They said multiple segments and a growth that we're seeing. It's no wonder that I think by far the most exciting segment in payments today.

So what we are going to achieve with prepaid. First and foremost, drive growth across all our core segments. Now a lot of people who are new to prepaid, don't quite know what that mean. So for the key segments that we're going after, are consumer segments. Consumer products like general purpose, number one, but also gift and travel, prices a consumer can get through the retail bank or pick up in a retail merchant location. That's number one.

 

The second segment is the government segment. Where governments are paying out disbursements to their constituency. These add on unemployment, child care, aid for needy families. Governments who are making these funds available to their constituency. In this case mostly on a state basis, but there are some federal and also some local. And the number three is the corporate channel, a number of different programs in the corporate channel. There are payroll cards to employees, there are incentive cards like sales incentive cards where bonuses are paid to sale-on-sale basis, also consumer rebate cards. So, anywhere where a corporation is funding an employee or a consumer falls into that category. And those of the three major areas that make up our core emphasis.

Now we are looking at a very specific segment of the customer channel and that is who we call the underbanked. Underbanked also includes in this terminology the unbanked, people who don't have any banking relationships whatsoever. Now the under-banked aren't who most people think of when they hear that term. We're not just recent emigrant that have no work or no income.

The underbanked really are a group in the U.S. of 80 million people that have income of $800 billion. They are underbanked, not because they don't have a bank account in fact about 60 to 70%, might actually have a bank account or have had a bank account. That banking service though just does not fit their lifestyle, they do not use that bank account even though they've got it. Does that mean they don't need our products? No, they absolutely need our products for control, for online payments and all of those things. They just don't want to get them from the traditional outlet because again they don't fit this – their lifestyle.

So that's what we're doing is looking at those key categories and specifically add that underbanked consumer to bring them in because today they're outside. I think earlier this morning we've looked at how much cash and check is still outside of what we're capturing on card. Prepaid is a key way to go and capture that cash, because these 80 million people are all dealing in cash today. Our focus then began in the U.S., 80% of our prepaid volume is based here domestically. Why? Because we -- this is where we started the business, we got a lot of learnings around here and we continue to grow very rapidly and we'll talk about that.

So we're not taking our eye off the ball in terms of where this core business is and expanding it? But we also see that outside the U.S. internationally is at least as big -- it's not bigger long-term for prepaid.

Especially when you think about government disbursement about the under-banked, how many people are out there, that this is going to be their entry point, lived apart a little bit about it and how that links into our innovation programs, absolutely key that we're starting to get that infrastructure in those key markets.

And lastly prepaid is not a standalone product, it's not something that we're doing off on the side that doesn't touch everything else that we're doing. It brings new revenue streams, ways to drive process and ways to drive mobile, e-commerce, money transfer. All those things make this a core part of our products set. We'll talk about how that really fits in through this presentation.

In fact, at the lunch time we had some great conservation about who actually plays in prepaid. We talked about our strategic framework earlier today. Number one, we need to get new customers to participate in our network. And number two, we need to take our capabilities or new capabilities to our existing customers. Prepaid is a prime example of how we're executing on that strategy to drive growth. Might be a little bit of any eye chart but let's just spend a couple of minutes here.

First and foremost we are reaching all new customer segments here, consumers who don't have banks, who don't have cards today. Corporations is our all new distribution payment, corporations are making, but they are not making on our commercial payment, on a purchase card, on a traveler card, on any of that, so this is a whole new category payments we're in with them as well as the government, right? So this is all new volume being brought under the network.

Now who is bringing it? And I think is one of the most exciting points that about prepaid. It's people like Program Managers and people on the distribution channels. Names, I am sure you've heard of, people like Green Dot, Netspan who have a bank sponsor them, but these are the entities who are actually developing the products, taking these products to market distributing them to the retail channel and providing customer service.

These are the folks who in factored gaining most of the revenant. But it's just not a Green Dot. It's just not what you're seeing on the Jay Hook. So, lot of these players also in these other channels for cooperation and for government that you might not know about or think about it everyday.

Players like ADP and Payroll, players like evolution benefits and wage works who are doing health care cards or payroll cards and have extremely fast growing. So it's the idea that we got is new participation through prepaid that we never would have had in any other way we're seeing that growth.

Number two then of course is, this is a new capability and new volume that we are driving to our existing customers. Our biggest customers like Chase in U.S. Bank obviously are playing in this space and they are doing very well in the government and corporate space.

But we also have some of the smaller players in our chain. People like MetaBank and Bank Core, who did not drive huge debit or credit business. But in fact they are key drivers in prepaid. So again existing customers, new functionality, new volume brought to us.

Then lastly, which I think is very, very important as we touched on this earlier today and that is on the Merchant side. This gives us a whole new value story with our key merchants. Think about Wal-Mart. We have a great relationship with Wal-Mart.

As we have talked about earlier it's all about pricing and point sales services. With Wal-Mart now they sell exclusively a Visa MoneyCard. They have the single largest retail general purpose program in the U.S. They make money when they sell their product.

They make money when the customer comes back and reloads their products. They make money when they -- their customer uses their product in their store. They make money when their customer uses their product in other stores.

Likelihood of their customers is going to come in also buy the Visa gift products that stood on that Jay Hook as well. But it's just not the front end of that business, and in fact I should add that we are seeing a companies that are doing this well and merchants that are doing this well, in fact see much larger traffic coming back into the store and spend in their stores. All right, these are helping them to achieve.

But not just on that front end its payroll cards, incentive cards, rebate cards that again give them new marketing opportunities, more cost savings opportunities in ways that we could never have done with any of our other products.

And what does all that mean when we drive these participants into the network and expanding their participation, it means growth. Currently globally we have more than 10,000 programs. 135 million Active Cards, Active Cards mean that they have been used in the last three months across the 110 countries. So prepaid continues to be the fasted growing form of payment in Visa over the last six years, very exciting.

I will note as a disclaimer with the 135 million cards that number was of October 2009. So it didn't even touch the peak season of the holiday season that we'll see here in just a moment. I will also note that -- well, let's move to the next one.

So let's look at the U.S. Our core business, I love this chart and I know this chart warms Byron's heart. We look at over the last five years our total growth in the segment. Year-over-year last year we matched on a much lower base was doe '05 within 84% year-over-year growth.

Now that base continues to increase we are still currently talking about that base in terms of payment volume not total load volume but payment volume in the low 10 billion. Over the growth curve like that were absolutely on where trajectory to be next level up soon and will be hopefully release those numbers in amount too distant future.

Why is this? Why are we seeing this growth? We talked about the particular growth that we've seen in payments of loan. Same thing is true here the under-banked coming into services through distribution channels that sense for them. Corporations looking at way to mitigate their cost and reach up to the customers in new ways; governments and we will talk about this.

Looking to ways to get their disbursement into the hands of the recipient faster and guarantee those dollars get there and do so on in such a way they are selling millions and tens of millions of dollars a year.

And in fact just about every couple of weeks or in fact almost everyday. There is a new product concept coming to our attention to say, hey prepaid fits year. Not just because of going to replace a paper certificate but because papers certificate would now even working that this is a new opportunity to only prepaid conserved and its creating.

I would like to make a quick note because did raise some questions before. Is there seasonality in prepaid? Why do we see the sharp step up every at the end of every year it's because of get card. The answer is no. What we see though is a regular deployment of new program in those, Health Savings Account. They get loaded towards the end of every year or Payroll programs that put up there. We will see some of that be driven by gift. The gift is not large enough to cause that and then you see that leveling out over the full year. So it's not seasonal. It's not gift related.

This is not where we are today in that growth chart. It's really what is the opportunity and were can we get to. That was a question we asked last year and so we went segment-by-segment like we did in the PCE category, charts that you've seen and heard us talk about before.

Segment-by-segment looking at where dollars can be loaded to prepaid. And for the U.S., we came up with a total of $2 trillion, it is a potential. As we comb through that and conservatively said what really is a number that we think is cardable in the U.S. What should we be looking to penetrate again and that number is about 1.1 trillion in '09 growing at about 4.7 annually. That makes up the largest pieces of that cardable opportunity.

General purpose, general purpose of that card to people, consumers buy at retail, load with their own funds and use online or just like a daily use debit card. Payroll: that -- again that under-banked consumer who is getting that card through their employer just a different channel but same type of consumer by getting direct deposits onto them. Government disbursement and gift then make at the top.

We believe that we are leading the way in driving penetrations into all of those key segments. And why is that? It seems to be some question out there. I try not to put down the other brands at all, but just to clear the air a little bit.

We believe that we are the leader in prepaid. Why do we and how do we measure that? It's not about winning and deal here or deal there. It's about our total breadth of reach across the industry and the depth of the relationships that we have.

So let's just start with Gift. Gift an early product we were leading the way on. If you take IRI Data, which looks at sales at the point of sale, through all of 2009 Visa comes up clearly with a 57% share compared to Amex 28%, MasterCard 15%. Really, if we think about that what does that mean? I am a consumer. I walk up to gift card mall in a safe way. Here are at least 30 cards sitting in front of me. I can pick any of them, Visa, MasterCard, American Express. Two to one of the next closest competitor, they very prefer Visa. They want our Visa brand and Visa brand means something to them. Thank you very much Antonio.

Right, all of being equal, consumers prefer Visa. That's great in Gift, but Gift currently only makes up about 8% of our total volume. So relatively small even though it was our starting point. But. Again, I think we are the leader in Gift. As we've done other research and we look at that under banked population, that under-banked population prefers our Visa branded cards to the next competitor 65% to 25%, because we were out there reaching them. So number one gift is just an example of how Visa branded products are preferred.

The next segment, Government Disbursements, and again Government Disbursements for the most part today are unemployment insurance, childcare, aid for needy families. Visa has 71 of these programs across 39 states, well that's about 75% of all states at least -- are running at least one Visa program.

Our next closest competitor has 20 programs, 71 versus 20. All right? Clearly, we've built the model and the products with our partners to take on that category, and we continue to drive. Because it's not only about states now, it's about local governments. And one of the things that you might have heard about here in San Francisco is José Cisneros, who is the Treasurer of San Francisco, he is running a program of Bank on San Francisco, there is Bank on California, and bank on other cities. Government is trying to give their constituents into the banking environment, not just the traditional bank, but also driving them into prepaid products.

The next two categories really go after the under-banked consumers, two different ways, two different channels, general purpose and payroll. General purpose is where they are picking up that card for themselves in a retail environment. Payroll is where the employer is giving them that card. Key for both of them is, are you in distribution and are you with the key players?

General purpose we have national distribution of 90,000 locations. I mentioned, Wal-Mart, the single largest retailer. We are the exclusive general purpose card in that outlet. We are on the top five grocery stores, top five drugs stores, top five check cashing outlets. We are on the top five online outlets and the leading brand is all of those. Right, across the board for general purpose we are the lead brand for consumers to go out and choose.

Payroll, we in fact created the payroll segment in 2001, it was recognized by Business Week as a best product of that year. We have over 20 partners, actively driving Visa Payroll programs in to market. So we have over 10,000 companies today running with our payroll programs.

Same is true for Healthcare. Healthcare being FSA, the Flexible Spending Accounts, HSAs, Health Savings Accounts. We are with the major providers in those areas to get those cards to consumers and same thing for the incentive space; dominance in that space – I can't say dominance – leadership in that space as well. But it's just not us talking about that, you see that recognized in the industry as well.

PayBefore is the leading publication in the prepaid industry. Every year they gave out annual awards, happened just about a month ago in Las Vegas. We were recognized in a number of categories. This is just a small sample of those. I won't go through this list, although I'd like to, Byron told me I couldn't.

Just touching on a couple of them, number one, the best government program, partnering with U.S. banks, part of the 71 total programs that we've been able to develop and sell in. This is a program that by far has the government benefit and consumer benefit, but then we can use to bring the government on our side through regulation. When we have that benefit -- that program that's really paying out and demonstrate to the even in DC, the federal regulators, that we bring that panel value they come on to our side, great program there.

I mentioned already the Wal-Mart program, the number one retail program in the country, but it continues to make advancements. One of the thing that we see in general purpose is the ability to get scale and drive simplicity which then will add on to the scale. So their new pricing that they went with and their new promotions in their money centers of this program really is driving all of general purpose ahead.

So, what creates this differentiation for us? Why is Visa better? Elizabeth talked about -- because we are comprehensive. First and foremost, you have to have the products. The products that are built individually for each segment with the feature functionality and in fact the education that those consumers or those users are going to need.

Just a starting point, but more important than that and one reason why we've done this segmentation is because we've built teams of people, of experts from product, from marketing, from sales that are keyed-off to each one of those segments. And they focus on those segments, the customers, the partners on those segments to drive those forward. So, with that expertise to take those products is what drive the execution, and it's that execution that drives performance and drives preference with our partners.

Elizabeth talked about the platform services. Many of these are prepaid specific, and I'll talk about a couple of them in little bit more detail in just a moment. But there are also important to note things like advanced authorization in the network services. Advanced authorization is the risk platform where every transaction goes through and gets scored for, what is the risk of that transaction. Why is that important? It's important because prepaid then is participating in all the best network services that we have for debit, for credit, for our commercial platforms. It's again not out on its own. And through these other platforms in fact or other services, we are providing value back to those other products and I'll talk about that in just a moment.

Let me take you into the weeds for just a second, stuff that really isn't very exciting, but makes all the difference in the world. The infrastructure, stuff that you never see and probably never care about. In fact, many of our partners don't care that much about, but it makes a difference.

We just completed developing rules and guidelines for each product category globally. Something that we've been pretty strict on, in fact I was in Arizona couple of weeks ago with 300 of my closest friends and most important partners. And I kind of joked about that, because in some ways we are not as flexible as some of the other players out there with our rules and our guidelines, and we're that way and they kind of chuckle about that -- but we're that way for good reason. When we sit down with the regulators, we walk them through our re-loadable products and our re-loadable rules, they says anything over $1,000 has to have a amount KYC done.

Right? Any way these cards are used, they have limitations. So that when we sit down with the regulators, they can see that we are controlling this segment and they don't have to come in with overwhelming regulations to try and shut that down or to try and limit in any certain way. So that ability for us to identify and track those sort of programs and have the right rules in place is key, but also then talking them to the next layers of analytics.

Driving performance we've got to be able to know, each category, how those cards are being used and measure those against the peer group. So with over 10,000 programs we're able to break that down say for a payroll program in a company of mid size in the U.S. Who are the peers were doing that? Who are the top? And what they are doing? How do you compare as a provider? And what can you do to improve yourself? At the end of day it's all about performance, return on your investment and we as Visa because of the infrastructure we had in place, allow them to maximize that return.

So just a couple minutes on some of the infrastructure plays. ReadyLink, I think the name says it all. No chuckles on that one. ReadyLink is our load network, our retail load network. So when you think about general purpose card or reloadable card, how do I get money on that card? I went and just cashed my check, I've got $1,000, I am going to pay my rent with 500 and I want to put the other 500 on my card, because I need to have that security, I need to have that control. How do I do that? There are number of other load network they were out there, but took 24 hours to 48 hours to actually get that money on a card. So Visa developed a load network that allows you at point of sell, provide that clerk that $500 in cash. They swipe that card, it goes through the Visa network with all the security implications that we have built in and now those funds become immediately available.

So just think about that as reverse transaction that you do instead of giving money on the transaction, you're putting money onto your card, very easy, but what's great about that, is we built that into the network, so there are now all sorts of things that we can do with that transactions set, which you couldn't have done before. We can apply to other programs like being able to go to an ATM to pay bills.

That's really very exciting pieces about ReadyLink, will soon, we built this capability into our network, it soon will be at the ATM levels, so you can go instead of going to a retailer PLS you can go to an ATM, load money in there, put your card in and put money on your card. Make it very simple, we know that is the number two issue for driving longevity of general purpose cards, right behind pricing.

The next platform is partial authorization, and Elizabeth bit mentioned this earlier today. Partial authorization can also be called split tender. It has been an issue for prepaid cards for a long time, especially when you think about gift. I was good this Christmas so somebody gave me a gift card with a $100 on it. I spent 75, had 25 bucks left. How do I get that 25 off? I go to a store and need to buy a new pair of golf shoes for Byron. Golf shoes are 50 bucks, I'm cheap, I'll not buy the expensive one. They're 50 bucks I've got 25 bucks on the card. If I were to swipe that card before partial authorization, I would have gotten a decline. Would have been made me mad as a consumer would have made the merchant angry, because I am slowing down that process.

Partial authorization brings that transaction back and say yes this card is authorized for $25. I didn't get the last $25 off my card without any effort, and pay for that remaining $25 for the shoes, with cash or with another card. Very simple, very fast, good for the customer, good for the merchant and frankly very good for Visa, because we're driving those transaction volume now over our network that we didn't see before.

I had all of that written very good, and this is a functionality that make a lot of sense not just for prepaid, but together. We think about the new rates going in about overdraft. Wherever those partial authorization in place, a debit card can come back with a partial authorization. There is only $100 left on that card and golf shoes bill for 125 bucks. They can – they were no longer over drafted, but they will pay split tender of that remainder, all right. So, great things that apply for another programs as well. I didn't want just to emphasize the point. The prepaid is not just a standalone product. It is not some things that we are doing on the side, Elizabeth talk about how prepaid is a core part of our global growth strategy.

In mobile, prepaid will be the core account in those mobile phones around the world. We'll look at eCommerce, when it driving that is behind a prepaid in the U.S. is in fact bill pay online or the on bank. It was one of things that really help get this program started.

Also in money transfer, we have programs with both, the leading providers, Western Union and MoneyGram. They see this as a key extension of what they do today to keep their longevity and extended relationships with the customers, as that drives into Visa as well. That becomes an end point for value-in and value-out that makes them very simple.

And as we grow acceptance around the world, it is going to be dependent on what is your card penetration, what is your account penetration. When you think about the Indias and Mexicos of the world and other places.

The card they are going to have in their hand is going to be prepaid card, so as we are out selling acceptance either on mobile device or PLS device, they are going to have how many cards, how many people are going to come in their store. We can now drive that out to millions of people because we no longer to take the credit check.

A bank doesn't have worry about on boarding then and the risk and the cost, try new acceptance is a key part of the prepaid strategy. And last thing, Marc always going to talk about this then with that penetration of these cards in market. And the benefit they can then drive going over our network and our processing services, not only drive more revenue to us, but then help deliver that overall benefit of the network and of our services to customers and to bank across that whole environment and driving that forward.

So with all this excitement, I mean how can we focus, how do we know where we're going to go? First and foremost, we are going to continue to drive growth. We're going to continue to drive growth focused on the under-banked individuals. And we will continue to laid our infrastructure as we already have started to do by putting resources in countries like Mexico, Brazil, India to make sure that infrastructures place – is in place, that foundation is in place, so that same growth curve started to happen for them over the next couple of years.

Innovation is also extremely critical. It's not just the innovation from the mobile standpoint and money transfer. It's also innovation specific to prepaid. The ability to open up new channels of distribution and as I said earlier we are funding new channels and new opportunities almost on a daily basis with the government – with governments at all levels and with corporations. We're placing payable practices or in fact processes that don't exist today.

So we're bringing new people into the network. How do we keep them and not worry about all that pricing difference? Things that really differentiate us, number one is that value-add by reaching to that customer with the marketing programs that really strike at their heart. Antonio talked about who this customer is a little bit and how we have to go after them in a new way. You can't do the same old marketing from a data put side. It takes expertise, takes research and we've been doing that and can execute on that very effectively. Also those analytics, how can we help that customer, that partner, that program manager maximize their return because we see programs globally. We can major them and help those customers execute better and build new product categories overall. So as I look at it I could not be more excited about where prepaid has come from, but more importantly where it is going. And when I think about our conversations there about growth and innovation I look at this and I think prepaid is a great example of innovation done right. Thank you.

I would like to welcome up Darren Parslow to talk about next most exciting category commercial.

  

**Darren Parslow, Global Head of Commercial Solutions, Visa Inc**

So, how many times can Brian Triplett say the word Company, Corporation or Government? Let me tell you. 31 company corporation, 27 government. What's my point? The reason Brian so excited is because we in Commercial led all the groundwork. Let's just be clear. For the last 20 years we've had a very exciting business in Commercial at Visa and in fact are the market leader. I recognize that it's not some thing that we often talk to you as the community about and we are here to remedy that fact today. I've got 30 minutes to explain what we do for living, how many products we have and also to leave you with the notion that Commercial is in fact one of the busiest products groups at Visa and frankly one of the most innovation? So here we go.

Some of our goals in Commercial are we can really segment our goals I should say in two areas.

Even though we are pretty large product category and I am going to share with you the size of our product in a second. We in fact are very nascent product group around the world. So most of our growth goals will and tell what I already said this morning tripling down on the core driving existing products into geographies where we are not today. And then very importantly the next two boards that you see penetrating new spin categories and unlocking new products new electronic non-card products to get into new spin categories is something that commercial is all about I am going to explain how we do some of that in the coming minutes.

So first, CCE, Commercial Consumption Expenditure. CCE is a metric that Visa developed about five years ago and we continue to put a lot of resources and investment behind, and it's the way that we measure our opportunity in the commercial space. On this slide, I would say the only thing that's important about this slide is one number. It's 90 trillion. And in fact, it's one letter. It's the letter T. The fact is we've got upside, white space opportunity, whatever you want to call it, at $90 trillion. We can't get our arms around it, so with an industry in the electronic payment field $90 trillion of opportunity.

Now, what is that 90 trillion, because I can tell you when we present this to clients, we often get very cynical responses, like, yeah, yeah, yeah, but how much of that is really cardable. I'm going to talk about that in a minute. First, let me just give you a little bit of what this 90 trillion is. This is all B2B spend, ex-Department of Defense large contract spending. So it's all intermediary spend along the supply chain from raw materials, manufacturing, distribution, wholesaling, retailing, all those intermediary payments are included in this 90 trillion, which is why when we take this and we drill it down to a country level or to a region level, it often outstrips GDP, and in some cases confuses clients that CCE could be larger than GDP.

The reason is you're counting the sale of a good multiple times throughout the supply chain. The great thing for Visa is that each one of those intermediary points is a revenue opportunity, because that's a payment from one buyer to one supplier. So you can see how the distribution is geographically on the left-hand side in the pie. And then on the right, the segmentation by size of business or size of our end client, there's a little bit of definition as well. The way we at Visa define small business varies by country. You can imagine that a small business definition in Pakistan is somewhat different than a small business definition in the United States.

But in general, where most of our revenue comes from, small business is defined as those companies who turn over $25 million in annual sales, medium-size businesses between 25 and 500, large businesses 500 plus, and governments don't need to be explained very much. I will say the reason that government is so small in this segmentation is because we've taken out some of that large contract spending and really just put in what we call that G to B or B to G spend. So you can how it was segmented both geographically and by industry segment, and here are some of the key takeaways of that slide.

  

Number one, and the question that all clients have, how much do we think is really cardable? We think about 10% of that number is truly cardable. Again 10%, 90 trillion we're talking numbers that are outstanding, $9 trillion in cardable spend. Now, is that all going to happen on a corporate card that you all have in your wallets right now? No. Is it going to happen on the P-card that your CFO and their procurement organizations have right now? No. But are we going to extend those products on our network, on our electronic platforms into spend categories that aren't captured on a card today? Absolutely, and I'm going to tell you how we're doing that.

More importantly, with innovations that we've made in the commercial space, particularly around things -- you may have heard announcement last July a joint venture that we did with US Bank in Syncada, I'm going to talk about that. It is those types of platforms that extend us out of cards into the supply chain, into that core CCE spend capture that allows us really to put a TVD next to the available opportunity. And now as importantly or most importantly than either of the points are that Visa, MasterCard, American Express, JCB, Diners Club, Discover, all combined represent 2% penetration today of this pie.

2%, so how does Visa stack up against that? We're very proud to say we're the market leader in commercial card payments today at 43% share. I think this is somewhat surprising when people see this for the first time. It's somewhat surprising because commercial Visa's in higher business and so we don't talk about it as much as some of our brand competitors talk about the business shouldn't be surprising when you think about our leadership position in the consumer space and our distribution around the world. You can see we call out Visa Europe -- I'm going to mentioned that for one second -- in the commercial space Visa is a single commercial payment platform and Visa Europe is very much core to what we do. Let me make that real for an example. If Boeing's, global multinational program, which covers 85 countries around the world, needs a provider. We have to compete in all of those countries. We have that a single program and a single value proposition globally to compete against our brand and competitors with that solution. So Visa Europe is not excluded in anyways they performed in our commercial state. It is a single value proposition and it's -- very key to remember, especially in our large corporate and government basis.

So how did we get the 43? This slide shows you that over the last 10 years while all of my colleagues who have been up here before one even spelling the word innovation. We have been innovating and being growing for 20 -- at 20% growth rates for over a decade. And in fact I am going to show you shortly, we're innovated and developing new products as long as 20, 25 years ago to develop this type of growth rates. So we are now about 380 and little higher than and then obviously now this is in the fiscal year in total volume.

You can see the blue bar represent small business as defined before. The yellow bars that the gold bars are large in middle combined. That's about of 4060 split today. We expect that split remain somewhat constant and I'll talk about that. If you look at the CAGAR is then, small business CAGAR is at close to 30% over the last ten years, pretty astounding growth rates for product category that's already 320 billion in volume.

Clearly small business gathered in the mid to late 90s really kicked up that growth rate and you can see where the trajectory of the blue bars can not goes up in the early 2000 that's when debit really start to being used in small business. But it's not to say that under 17% 10 year CAGR in large markets is something to see that, certainly it's not our competitors who yearned for those numbers. I am not going to take you through all of this slide but the main take away of this slide and I tell my colleagues around this all the time where the busiest shop of Visa. We've been doing just a ton of work and product innovation and product rollout and product launches going back 20 years.

So 1989, 20 years ago we developed the first procurement of purchasing cards. 10 years ago the first middle market cards. Five years ago, the first small business premium card. You can see in here developments, especially in the last two to three years that extend those core products into new product extensions that I'm going to talk about in the coming pages. And then importantly, you can see on here some of the information management and platform investments that we've made that are so critical to our commercial marketplace, and I'm going to mention that coming on.

So all of that development has led us to our version of the placemat slide and I know that Elizabeth mentioned that all of our competitors can put up a placemat slide saying we've got all sorts of different card products in this category, Bryan has his, safety has it, his and consumer . I have my new commercial. The fact is what's important on this slide is not the card product have top, it's the least iconic part of the slide they part of the extensions and in perform source payables automation our multi-national program, commercial prepaid and certain governments around, particularly outside the U.S. I am going to go through some examples of each of these and most fundamentally, what I told people both internally and our clients, it is unlikely that you will see a new piece of plastic in commercial in the future period.

The future of commercial is about that bottom foundation layer, we call it Visa entirely. Our competitors have other names. The point is information is our business in commercial. Why is that? If I am the CFO of $100 million company, every month I get accounts payable files probably got 1,000 invoices that I need to pay that month. Payment has three – as a CFO I have choices. If I'm that large of a company most of those payments are going to go by electronic funds transfer or in the U.S. ACH.

But to be honest, it's a pretty efficient, low cost payment form. So how is Visa going to get into CCE Spin capture competing against a really competitive product? The answer is information. So, if I am that CFO payment of those invoices almost tertiary what's fundamental and primary to me is that I bring that information from those payments, all of that remittance data, take your phone bill, those of you have seen your corporate phone bill, it's probably six inches fixed in paper. Put all of that into an information pipe and feed my ERP system, feed my expense management system, feed my GL automatically, now you've given me real value. I'll pay the thing on whatever payment method you put in front of me, but if you, Visa, can build me a network to make my life easier and take that pain away, to automate all the paper, that's when I'm going to give you my business and that's what we're doing in commercial.

So I'm going to start at the left hand side of that placement slide and I'm going to talk about small business very quickly. On the left, the payment points that we take away, the value propositions that we focus on in small business, cash flow, convenience and control, I am going to talk about cash flow exclusively for one minute.

The government in the U.K. initiated a study last year asking its agencies and its populace, what is the best way for us to help small businesses because we are in a recession, we are in a downturn, we need to help our SMEs or small businesses, right? Every government around the world is in the process of asking that same question. The answer came back, increase their cash flow.

So the government said, okay, how do we increase their cash flow? You know what, I'm going to mandate that all government agencies pay their small business suppliers within two days. Every agency laughed. They said, okay, maybe two months. We are the government, we don't do that. We don't pay within a month. There is just not a – it's not in our DNA. So the Ministry of Finance came back and said well, how then can we help cash flow? The answer was, make those small business owners acceptors of commercial cards.

We did – by the way, we did not engage this study, we did not pay for it, we did not sponsor it, but it was a great validation of our commercial strategy. The fact is a small business owner gets cash flow in two to four days, get settlement of their accounts receivable in two to four days depending on the country through a commercial card.

Think about the non-card scenario. In the U.S. it's two 10, net 30, right? 30 days the invoice is due, I will give you 2% discount if you pay me within 10 days. How many small businesses actually get that? Probably less than 5%. Most are sitting with 60, 90 and some cases 120 day receivables.

The Obama administration is unbelievably concerned about the number of small businesses that are about to go out of business because they have 120-day receivables. You can't operate many small businesses with that. If you use a commercial card, if you are an acceptor, you reduce that accounts receivable down to two to fours days.

So we've got a real great value proposition that I think is not as forefront in some of our clients around the world as we are about to make it, because honestly we couldn't ask for, like I said, a better value proposition. And I'm going to talk about how that plays forth in these three products – business debit, I don't need to really explain what that is; business credit, you all understand; premium small business, what is premium small business?

And I bring this up because I think that this unique to Visa and unique from our branded competitors. Premium small business, if you look at that – at that arrow on the top, cost of goods sold, it's inventory, it's raw materials, it's work-in-progress, right? That's a B2B spend. And let me tell you, premium to me means that a small business owner is using that card for all of that inventory spend, unlike some players who think premium small business is a small business owner's affluent spend.

Certainly, small business owners are affluent and they had great spend, that's fine. What I'd like to tell clients is, frankly, we've built great consumer products to attract that affluent spend, whether they are a small business owner or they are just a very wealthy person. What premium in this space should mean is that inventory or invoice-based spend.

So what are we doing in small business that is innovative in recent moves? The first here is that's lucid is the Visa business network. We are very proud of this. About a year and a half ago, we launched the first business B2B network on Facebook. We worked with Facebook. There was no such thing as a B2B network back then. We've grown that network up to 120,000 users. We add the equivalent of an American Express open to the network every month.

We've now taken that network off of Facebook we've added, it's still on Facebook. We've also allowed our banks to co-op that network, so that you can enter into the network in social media as a small business owner through your bank, through Facebook, and through other electronic channels where it's – I think Elizabeth said this morning, it's somewhat generational because the small business owners that are and they are in fact the younger small businesses and those that have just started in the last two years. But the amount of engagement on the network is pretty astounding.

The second is Visa SavingsEdge. You heard Elizabeth this morning talk about taxis. I'm not even going to try to say what taxi means, I always mess it up. But the point is Visa SavingsEdge allows a small business owner to enroll in a rewards – sorry, in a discount program with key merchants like Chevron for fuel, like Staples for office furniture or for office supplies. And what we can do with our taxi platform is automate that discount on a statement credit to the small business owner.

There is no coupon, there is no anything at the point of sale, but every month both Visa and our clients have billboard marketing in that small business owner's invoice – sorry, in that small business owner's statement. Because, as you know, if you know small business owners, they analyze that statement every month. It is a key tool for the cash flow management and every month they get all of the discounts that we provide and the value we provide by having a Visa card.

The third, and I think the most talked about so far innovation this morning, I know Byron mentioned it in his discussion and when Oliver talked about our premise of adding more participants to the network, we mentioned convenience acceptance. So I'm going to give you some statistics. In the U.S., there are 23-ish – 23 million small business owners. By the way, Visa has 26 million small business accounts. Visa does not have a problem of getting more cards than wallet.

What we want to become is more useful to those owners who already have our cards and importantly to extend our value proposition, not only as a best way to pay but as you heard this morning, the best way to be paid. So, of those 23 million small businesses, 4 million accept cards. 4 million, so how do we take those 90 million small business owners that don't accept cards today, turn them into acceptors, increase the number of participants on our network and dramatically grow our transactions in the space.

And what we're going to be doing is taking a lot of their assets that we're working on in our mobiles initiative and money transfer initiative to turn small business owners through their mobile phone into acceptors, so they can accept payments by their customers. We call it convenience acceptance, because most of the small businesses that we think are the low hanging fruit are those that either are part-time or very small, don't have either face-to-face retail joints or don't have the ability or the infrastructure to set up POS devices. But to turn every small business owner into acceptance we think is groundbreaking and we're looking forward to working on that in the next year.

Now let's go in the middle to – middle of the place now to our large middle market categories. If you look at the left, again, what are we taking out of the system, what pain points are we addressing? I mentioned already, automating paper, giving businesses thin visibility and control, increasing cash flow, taking out process costs and providing cost savings and then importantly, integrating all of our card platforms and payments into existing systems at a company. You can see on the right hand side how that manifest itself in our product platform.

I'm going to mention the bottom, our public sector, for one second. What most people don't know is Visa is the number one provider – payment provider to governments around the world. We have programs in over 20 different countries with – for purchasing, procurement and T&E programs as well as non-card payment platforms are in these countries. In the U.S. alone we just re-upped the contract and Bill mentioned it this morning, with the U.S. government, that's over $25 billion in revenue. It's a 10-year contract. It's 90% of the U.S. government spend on electronic payments now comes through our network and we are looking forward to growing that with some of our leading issuers.

And what are we doing to innovate in larger middle markets? Ruben this morning mentioned briefly the agro products in Brazil, and agro has been a runaway success for us in the last year. So just to give you a little flavor what that is, subsidized loan program from governments to farmers. I don't know of any developed, emerging, or developing country that doesn't have a subsidized loan program for farmers. We can tap into that. So in Brazil we can control where those farmers spend those loan proceeds from the government through our networks to make sure that they are buying seed and fertilizer and tractors and that they are not taking those funds and doing something other than growing their farming business.

We grew the program over $1.6 billion within 12 months. We are seeing transaction sizes of 1 million and the largest transaction size of $5 million on the system. That's one transaction, guys, $5 million. It's pretty groundbreaking when we think about how we're changing Visa's business model through the commercial space. And we think that these opportunities are all over the world. Like I mentioned, there is no country without a subsidize farm program. We have another similar program for truck drivers both in Brazil and in South Korea. We're working in the U.S. on the small business side to capture some of the Obama administrations $30 billion that they're setting aside for small business loan subsidies. So great product and great opportunity in the vertical segment and commercial.

  

The second is one of those innovations that doesn't – it's not a bright shiny object, but it is core to the growth of our segments. It's called Visa perform source. So remember the analysis and all the investment we put in CCE. We've done the same, benchmarking companies spend both on electronic and card platform as well as all.

And we can now tell you, if you are $100 million construction company in Chicago, how you fare against your competitors by spend per employee, by spend of companies in your size, in your geography, in your industry. So we can cut it four different ways and tell you exactly where you stand. And then importantly, a number three follows, we now have a tool to help you increase your performance against your peers and against the industry. Visa payables is one of those ways I talked about earlier that we're going to take spend, offer cards and put it on to non-card platforms.

So how does that work? Again, $100 million company, 1000 invoices per month from me to spend from my accounts payable file. I assume that filed to my bank or to Visa or both. Visa scrubs that files as here of the 1000 suppliers you have 700 of them are already card acceptors today.

We are going to sign a number of recyclable – a recyclable single used card number to those invoices and we are going to push that through the system and we are going to pay all those invoices on card. We are going to give you back your accounts payable file, 70% of it has been paid on our system. Thank you very much.

We have sold a real pinpoint for that company, for that CFO, for that procurement department by enabling or automating the payment of those fees payables. Very exciting product receiving growth up to 30% for existing programs in large market, some of our banks that are running away with this product are same portfolio.

Portfolios grow by 35 to 50% on a 12 months basis. So we couldn't be happier about this product. And our next job is to take what is today a very U.S. centric product and payables where we developed it over the last year and globalized that. And so you'll see expansion plans for this product into the United Kingdom, into Australia, into Brazil.

Memorize that fundamental to all of these products as the information platform. In September, you've probably read an announcement that we've partnered with the company called Spin Vision and developed a product called IntelliLink Spend Management. We are incredibly excited about this platform.

This platform lead for us we think all branded competitors in the space. It has increased our ability to help companies both from card and non-card spend. So let that think in for a minute. We can now take any of your cash payables, any of your wire transferred, any of your check payables, add them to our card payables and feed that in through our reporting system back to you and in expense management system that competes with the likes of Concare and others in the marketplace. So we are very, very excited about this platform and in fact we are in the middle of a very aggressive sales and migration queue for this application.

IntelliLink Compliance Management, another application on our platform is something that is very specific right now to government. So every year the government, I told you, is $25 billion program in the U.S. You can imagine that the GAO is very concerned about $25 million spend program and every year they come out with a nice report they talked about all of the spend on our card programs.

The compliance management application on IntelliLink helped government agencies from keeping themselves out of that GAO report. For making sure that when servicemen use their P-card in Iraq that they are using it for B2B for Department of Defense purposes, that they are not using it for non-Department of Defense purposes and you can imagine what those non-purposes might be.

  

So, this compliance management saw very, very instrumental and wining us the 90% of the government business that we want in the U.S. We're expanding that to Europe and to Australia this year. We're also expanding it for the public sector, because part of this application allows a company, let's say Marriott across its franchises to do strategic sourcing.

So, if I have the franchise group in the Southeast and a franchise group in the Northwest. One buy pencils for $0.02, one buy pencils for $0.04. I can combine those programs and buy pencils for $0.01, right. Imagine that applicability across agencies within the government or across subsidiaries in a large company or large corporation.

So very excited about IntelliLink overall as a platform, and that leads me now into our final topic, which is Syncada. So, what is Syncada? It's been somewhat complicated. Because it's not core to our consumer card marketing proposition, right. What does Syncada do? Syncada automates trade finance, invoicing and payment.

Said differently, we're automating the financial supply chain. So, those of you who follow this industry understand that there are companies that are for 10 years who have been automating the physical supply chain, logistics companies, you've got case studies like FedEx, done a great job at automating the physical supply chain. No one has touched the financial supply chain that's what we intend to do with Syncada.

So what is it practically? It is three components, it facilitates payments, it provide invoice processing, so we take invoices on electronic payment and get the paper out of your system and then most importantly for our clients, it provides an open platform with those invoices, with those payables. So allow them to do real time invoice specific finance. Why is that important?

Let's take a company today Wal-Mart. Wal-Mart has suppliers all over the world. If I am going to – if I am a small supplier to Wal-Mart in Hong Kong, my local bank in Hong Kong likely will give me a letter of credit for another trade financing vehicle that is very paper and document intensive.

They will like me exchange the credit as a supplier base on my credit history or based on Wal-Mart's credit history, frankly. What we can do with this platform is allow that bank to exchange credit to their supplier based on the actual invoice, where the invoice is in the supply chain, where the goods are in the supply chain, how many days the good are from natural shipment.

As a banker, I can make a much more informed, lower risk, higher margin risk decision and increase my trade finance capabilities globally. Globally is a key word for Syncada, it will be the first network. It is the first network that has banks all around the world who participate in its buying and selling in the supply chain management.

So we could not be more excited about this and in fact, I am very happy to report that as of last night, we have our first two banks that have signed LOIs, one in Asia-Pacific and one in Latin America. Why Asia-Pacific? Why Latin America? It makes perfect sense of here in treasury management or if you are big buyer, you understand that most of your suppliers are in those two regions.

So like I said, couldn't be more happy about it. I understand it a little different than our messaging in the consumer marketing or consumer card marketing in those company, but I am happy to talk to any of you about it after this session and that is commercial.

I now I'll introduce Marc Luet for processing.

**Marc Luet, Global Head of Processing, Acceptance and Advisory Services**

Hello, so Ellen and I are the last one standing between you and the end of the PowerPoint marathon, so if I can ask for your forbearance and give us a few more minutes. So I've taken about three months ago the responsibility for Processing and Acceptance and yes, I have had an epiphany I have found out that processing is actually exciting.

I know it comes as a surprise to many of you, but it actually is. Jokes aside, I think processing is critical to many of – you've heard many presenters talk about the value we deliver to our financial institution partners and the merchants and if wires alike. Many of that – much of that is empowered by the fact that we process transactions. That's why it's critical to understand what we are doing in this space.

So first and foremost I think, we are focused on growing and protecting our core business and that's the network switching capability that we provide, that connects the retailers – the retail customers we have and the financial institutions.

Now, to defend that position we also need to we believe, expand aggressively to the value chain and we'll talk a little about that in the presentation. And by serving as a processor, I indicated to you earlier that how we deliver a lot of the value added services that Elizabeth has talked and that many others have mentioned.

So I'm going -- this is a little bit to tutorial and I apologize for those of you who know the industry very well. But I think it's very useful to understand what we mean by processing and describing a little bit what the value chain looks like. So, on this chart you have something that's very similar to what Oliver used, that describes the value chain that links basically the merchant -- the consumer to the merchant through the transaction.

So historically, I think what we've known for and what Visa has concentrated upon is the network processing aspect of the business, and that's the middle box that you see here. And basically its -- at its core is the authorization, clearing and settlement capabilities that we provide through the network. But it's – I'll show you a little later, it's more an moving transaction from A to B and they are fraud services, exception item management, and standard operating practices that constitute that middle box.

And there is issuer processing and acquirer processing. I just want to make sure we make the – get the differentiation right. So issuer processing stands between, if you will, the consumer and the confident issuer and the network switch. And then, there is acquirer processing which stands on the side of the merchant, think about it as basically the ability for Visa to substitute to functions and processes that could traditionally be actually done in-house in the financial institution on the issuer processing side and similarly on the acquiring bank.

So, may be a word on why we think it's actually important for us to operate in a more broader fashion in this value chain above and beyond the network switch. What we believe, we can do if we are operating on the issuer processing side, if we can influence brand preference. Certainly, we're interested in the margins that the issuer processing business can bring. But above and beyond that, it's our ability to offer a bundled one-stop shop offering to many of our issuers and influence the brand decision that they're going to make. It strengthens our relationship with those issuers and it supports also product differentiation and we offer our issuers basically the ability to rollout Visa products and services faster if we're operating on the issuer processing side.

On the acquired processing piece, it's also important to us because it brings us much closer to the origination of the transaction. And that's where we can influence the routing of the transaction and reinforce our core business. It allows us to influence the expansion of terminalization in some of the markets, where that needed and many of the emerging markets are actually in the situation where that's – where we need to play because terminalization is not sufficient. And again, it supports the rollout of products and services too much and so let me talk a little bit about the assets that we Visa has in that space.

So in the network switch you've heard us mentioned VisaNet, so that's the core you're very familiar with that I presume. That's the core asset that we have in the network piece. But we also have DPS and VPS. You've heard these acronyms mentioned in the past presentations. They are in the issuer processing space. DPS I'll talk about it, it's focused on the U.S. And the VPS is our platform for the rest of the world. And I'll describe those assets to you starting with the VisaNet, but before I – we don't currently have asset management here around the acquiring – acquirer processing space.

And we're currently evaluating how we intervene in that space. However, it has been mentioned to you by I think Byron and others that we are competing for a potential JV opportunity in India, which we definitely be in the space. You've heard also the example of VisaNet in Brazil that Ruben explained to us this morning. And that was also partly in that space. So we've got some track record and projects underway.

Now, VisaNet overview and traditionally people think about VisaNet as the network that authorizes, clears and settles transactions. And it's a very robust system. Some of the numbers here indicate that that's 130 million transactions 165 currencies, 195 countries. And basically, we connect more people, in more currencies, with more banks than any other payment network in the world. Its so a very robust network, so we – some of the data here on the peak capacity where we say we are capable of handling about 20,000 messages – transaction messages per second.

As you talk to Mick Dreyer who handles, manages technology for Visa. He would say that's how we've tested it and we've – it's not a software issue to stop at 20,000, because we were just tried of throwing hardware and server at it. But we basically, we can scale up tremendously our capabilities in that regard.

And I think our last I don't know whether we can disclose the last peak transaction number, but it's about 9000. 9,400 I think was usually at Christmas that's when we see the peak. So we've got ways to go. So very robust system, but there is more to VisaNet and it's important to understand the lot of the value we deliver with VisaNet is not the authorization clear settlement piece of it. It is around risk management. We invest a lot in dynamic for detection and you've heard mentioned the real time scoring of transaction advance authorization.

There is a lot of intelligence around risk management that's built into VisaNet and that's part of its value to the participants. And there's also a lot of information services, they have been mentioned by Vertex and so on and so forth. The reason it's important to talk about it in the context of processing is we don't process a transaction and those – if transaction aren't processed on our system then the value that these information services have can not be delivered.

So that was VisaNet, now let's switch to DPS. So again we've moved from network processing which is the core to issuer processing where we substitute to banks for a lot of the card management, back office statmenting, billing activities when they are issuing plastic to their cardholders. It's a clear leader in the U.S., again that's the focus of DPS is the U.S. and it's the undisputed leader in debit processing, issuer processing. It was create in 1996 and has had a very rapid growth as you can see on that chart. It processes about 45% of the Visa transactions in the U.S. – debit transactions in the U.S. – volumes I should say 45% of the volumes, so clearly a leader in the U.S.

So we've talked about the value of issuer processing to us, to Visa, but why is it that the DPS has been successful and I think the reason it's been so successful is that it delivers a one-stop shop for many of the issuers basically and provides economies of scale that they wouldn't be able to achieve on their own, frankly and reducing cost complexity and allows them to get the benefit of fast rollout of all the Visa services that are becoming – made available to the issuers. So, again a very strong asset in the U.S.

So what are we're doing about basically is the rest of the world. And our platform outside of the U.S. is called VPS, now we're not very imaginative as far as acronyms and names are concerned, VPS is not very exciting, but this one is actually a very exciting business. So it's very recently formed, it's a JV, majority owned JV, that was formed in 2008. There are very wide range of products, so it handles basically debit, prepaid, credit, money transfer and so on and so forth and private label. So it can tailor solutions, it's multi-currency, we have prepaid multiple – multi currency products and this is one of the very few issuer processing that can actually deliver that sort of product.

So it's been created a bit more than a year ago, but it's already active in India, Australia, New Zealand, Singapore, the UAE, Kenya and Qatar. So we have programs live already in all of these markets, so very bullish on the opportunity. I think we've just scratched the surface frankly.

So the end result of all of this and having these assets and having invested in our network over the past few years, is that we've been I think fairly successful. We've talked about the growth in process transactions and these are some of the numbers, so the number here in details is about – but the growth is about 8 to 10%, but I think if we look at more recent, this was a yearly number, if we look at more recent, I think with the negative 11 or 12% growth in process transaction in Byron slides, that's the number you should keep in mind.

Now as you can see from this map we've indicated the level of penetration in terms of how much of our transactions – Visa transactions were actually processing. And it's 100% in the U.S., it's been said many times. Actually that number varies greatly from one geography to another. So I think Russia for instance were about north of 30% between 30 and 50%. So you can see there is a wide variety of situations country to country. And there are number of reasons for that. The challenge that disposes despite our success still have that challenge to face. And there are three reasons I've indicated on that in that box.

Obviously, there is a number of transactions we're not saying because they are just on those transaction, when the issuer and acquiring bank are actually the same institution. And we're not seeing those transactions. There are also bilateral arrangements between two banks where they are going to process each others transaction and again that's going to process on VisaNet.

And the third one which is the – the one we're going to talk about a little bit more is domestic third-party networks, where basically for domestic transactions this energy is now chosen as a network of choice. In a lot of cases, you have governments or government agencies looking at developing, setting up, growing national payment systems that's one of the reasons why you have the emergence of more third-party domestic networks.

In some cases actually it's an opportunity for us as well because we welcome the intervention of government and we work with governments in many cases because it drive that developing, the infrastructure in the market, the penetration of electronic payments into personal consumption expenditure. That's where it starts from, usually there is an agenda around financial inclusion and making sure that all consumers have access to electronic payment means, and that's why governments think about investing in national payment systems and we work and collaborate with them.

And the reason it's important, because that has been mentioned in few of the presentations you've heard. The reason its important is, in a lot of countries the penetration of electronic payment is still fairly low. I think Bill Sheedy was showing a curve of how basically you get a maturity – countries are on the maturity curve as far as penetration of PCE.

Take Russia as an example, you may have heard the government is thinking about national payment system. The PCE penetration for Visa is about 3%. So really having – working with governments and developing that. For us is a much bigger challenge then judging the exact percentage of transaction we process. Although we believe that to deliver value to all the participants in the networks, we need to process the transaction.

So talking about – well, I'll switch gear a little bit and bring back the two topics together at the end. But I am going to switch a little bit to acceptance. Because obviously, talking about the penetration into PCE operator and payments, acceptance is a – is also the other side of the coin and it's your challenge.

So we believe acceptance is a key engine for our growth and its true in developed market and it's true in emerging markets alike. We often talk about acceptance in emerging markets and I'll give you a few examples. Bit its also important for developed markets. And obviously, the goal we have at the end is increase the penetration of personal consumption expenditure. Usually depending – our strategies are different market-to-market because they follow a maturity, again a life cycle curve that I am going to walk for you through you on this slide.

So as a general rule you start on the acceptance curve with the large, for the T&E sector hotels, airlines allow to ticket purchases in department store. The key for us is when you reach the tipping point and you address basically everyday spend, and that's grocery and that's petrol are the two main examples. And now strategies are tuned towards addressing where the markets are on that curve and focusing on various segments that are indicated here. So I'll talk about the U.S. first and you – this will deepen a little bit what I think Bill has mentioned this morning in his slides.

So the U.S. is sophisticated, I think the number is about 8 million merchants in accepting cards in the U.S. So you would say on any – from our standpoint its actually highly penetrated, highly matured but we believe that there are number of categories and they are indicated on those slide that provide an excellent opportunity for us. Some of these are in the trillion range and if you take the first two debt repayment these are in the trillion range. The penetration we have in those categories its 1% – below 1% in the first, it's below 5% for bill payment and charities I believe. So there is vast, basically a vast opportunity for us.

And if I take examples on vending and taxis and – it is not the biggest category, but it's – I didn't know when I took this job that there were 7 million vending machines in U.S., 200,000 of which we're going to look after and we're adding many of these vending machine on to accept card, same thing with taxis, back seat acceptance is important for us and we're equipping 25,000 taxis actually this year. These are they are not going to move or either neither entirely for Visa, but they are an interesting statistics we have learned to have in mind.

Now there is a reason why we believe, we're actually going to be successful at developing those category. And if you move back in time, some of you may have heard that already, but QSR and the penetration we had in quick service restaurants in the QSR category may – some years back was also very open, within the same ranges I have indicated for some of these segments here.

Today it's the third largest segment for Visa. It's a little different from what you mentioned Byron earlier, but it' really up there in terms of an important category for us. And the CAGR over the last, six, seven years about 48%, growth in volume. So this track record we have in penetrating new segments is actually quite good. And we believe we can repeat it that with the other segments that I have indicated on this page.

Now that was the U.S. but essentially interesting to understand what we're doing outside of the U.S. and there are number of leavers, we are using outside of the U.S. to achieve our goal in, furthering the acceptance agenda.

Acquire Processor Infrastructure, that's where we play into the acquire and processor -- acquire processor space. Economic incentives, we're addressing the some of the pricing issues, operational support, targeting much in promotions and so on and so forth.

You've heard about the pass-first example in Brazil this morning, you remember with the football stadium, and where you deliver in collaboration with merchant, a very specific offer and customer experience in this case. That's quite unique, but some other maybe examples.

In Russia the grocery sector is about – the food retail sector by $250 billion opportunity. And basically I think our penetration is about 1.8 billion, so it's very, very small, less than 1%. Actually if you look at the top four distributors of groceries in Russia, they don't accept card at all. So they are very simple.

Now we are developing strategies, business cases and strategies with the top three at the moment, trying to get them to move and start accepting cards and moving the needle in our penetration of that segment. That's for Russia.

India on bill pay, about 56 billion-opportunity and our penetration is less than 5%, so again working with key partners to make that happen. That's the focus or strategy in India right at the moment.

So there is a vast opportunity so we have a challenge in the sense that we've got a lot of space to cover. But it means that the value that will be accretive to Visa over the next few years, if we make some of these acceptance phases work will be tremendous. But it will be probably one of the single most effective way to advance our agenda in those emerging markets.

So I want to sort of bring it back together, show you how these processing acceptance are in support of the strategy that Oliver I think explained to you this morning, and I want to use one these slides and say how we are contributing to some of these objectives.

Obviously, its the first two we are focusing on to grow participants in the network, issuers, acceptors in this case, and grow usage of the network, drive brand preference and we have touched upon that and increasing our processing penetration.

So some examples were. We're – so currently at the moment what we are doing is for eight key countries, we are putting together very holistic domestic processing strategies. And they are – part of these countries are the one we are also focusing for holistic breakthrough strategy approach that Oliver was explaining this morning and processing is a big part of our agenda. And we spend a lot of time in deciding on which steps we are going to take in the space of acquire processing, network processing and issuer processing.

We are rolling out value-added services, so many people have mentioned advanced off so we are rolling it out in India, Japan, South Africa, UAE, Brazil. In Japan we've got four banks that have signed up. In South Africa, we have talked to the top four banks and you know that in South Africa they make up about 80% of the market.

And the test drives that have run actually very – proved to be very good and so therefore they are interest in getting advanced off which would mean they would need to process their transactions with us. Those results are really good.

We've mentioned competing for the SBI JV partnership in India. Again State Bank of India is about 18,000 branches, going to – if you listen to SBI going to about 50,000 branches over the next few years. Well, it's a -- so it's a very big partner for us and the potential of that JVs in almost deploying about – with the goal of deploying about 100s of 1000s of new merchants in India which one is – one of the toughest market from an acceptance development standpoint.

So this is very key, but even if we don't – work been short-listed, we have high hopes to the retain partners, but even if we were not retained partner, this is a sort of space you would see us operate into over the next couple of years and two or three years. There will be other opportunities for us to play that role.

We are expanding VPS, you remember our issuer processing platform outside of the U.S. we're expanding into new countries Japan, South Africa, Vietnam, the Philippines, Brazil where we have a good take up. I think our latest efforts are proving very fruitful. So we're expanding that platform in to a number of new markets. So couple of years after inception – if we – all of that turns out we'll be operating already in about now 10 to 15 markets which is a very good result.

We are rolling out in the U.S. with VPS. We are rolling out in mobile banking application as a bundled offering to our customers. You've heard us mention monetized a couple of times so, it's through that collaboration with monetize and we're delivering this platform into – full VPS into the U.S., and obviously executing on acceptance initiatives.

So these strategies build upon each other. Obviously, if you operate in the acquire, processing space you have the acceptance agenda and so on and so forth. And if you give it up acceptance then you create a high number of transaction that can be processed on to our network and then deliver more value to Visa. So these two pieces of the business, acceptance and processing – although our face value might be seen as totally different, it actually is quite interconnected. Because if you have remember one thing about my presentation is that.

So I hope I've conveyed some of my enthusiasm. I realize this is the end of the day, so it's difficult to get enthusiastic about processing. But the – again, remember it's critical to delivery of many of the value-added services we're currently building based on the information we control. It's important to remember that's a piece of our puzzle.

And I will now introduce Ellen Richey, who is going to tell you on – about how we make our network and our business more secure for ourselves, our partners as well. Ellen?

**Ellen Richey, Chief Enterprise Risk Officer**

Thank you, Marc. Well, since Marc has already declared three times that the day is over, I am little concerned, but I do see some of you are still here. I'd like to return to a scene that Joe introduce at the beginning of the day, but hasn't been – well, let me say, it's been more implicit than explicit than the rest of the presentation.

And that is, that there are things that can go on in this business and we actually spend a great deal of time and energy at the company worrying about those things and building our risk management systems to make sure we stay ahead of those threats for the growth of the business.

So I'll just touch on it. We have an enterprise risk program with a framework. The challenges that Joe mentioned this morning fit into some of these categories that you see listed here, strategic risk, legal and regulatory, a big category, financial – Byron touched on some of those. The ones I am going to talk about today operational in nature have to do with security.

So we talked about, everybody talked about growing acceptance, growing the number of transactions, building out new channels and products, all of these things in order to be effective, in order to be successful, require effective security.

Now we have a department that's charged with maintaining that and building on it and keeping one step ahead of those people that would like to threaten it. That department is called Payment

System Risk and their mission is to sustain stakeholder trust and business growth by promoting the integrity and security of the system.

Security is actually one of the three principle prongs of our brand promise as Antonio mentioned, acceptance or ubiquity, convenience and security. Without security, without trust you can't grow the business. The essential premise behind the electronification of commerce could be destroyed.

Unfortunately, some of those premises, acceptance and convenience can come in to conflict with the third one, security. So we could make an infinitely secure payment device, which would be so complicated or so time consuming that no one would be willing to use it, obviously, not the solution.

On the other hand, you've seen this multiple times, the growth of acceptance in a number of participants that now participate in the systems, actually poses quite a challenge from a security standpoint. We look at this and you've seen it at least twice now. We look at this. This is our payment system. And the more people that participate in it, the better off we are. Look at it now with a different pair of eyes, think of it as if you were a criminal. So your goal is to steal from this system, to steal cards or to steal data in order to create counterfeit card, so that you can commit fraud.

Now look at this chart again. This chart is a menu. Each one of the players in this system is in position of something that you could steal in order to create a counterfeit card or to commit fraud over the internet and obtain cash or goods that you can turn into cash. So what you are looking at here is a target menu for criminal. So we've got 16,000 issuers, we have got 1.8 billion cards out there, we have got over 29 million merchant locations. Every single one of those institutions or people could find themselves targeted by criminals for the purpose of commenting fraud. So that's the challenges that's in front of us and that's why we always say that protecting the payment system is a shared responsibility among all the participants in the system.

Fortunately, we have not just sat here and watched this happen, instead, we -- our system as well as the others, our competitors as well have been very active in creating security, safeguards to make sure that those people are not targeted and at the level of fraud within the system is minimized. So at this chart what you're looking at here is a chart of fraud to sales volume, how much fraud is committed within the system, total growth fraud as a percentage of the sales volume starting almost 20 years ago in 1992 and running through the previous year 2009, although 2009 data has been complete.

And then, if you're seeing that going back in 1992, we had fraud levels almost three times the levels that we have today. Running all the way through and you see the bar there across from 2001 to 2009 that represents the year when we started seeing these mass data compromises which I will come to in a minute. But you must have read in the paper about criminals that go onto the internet. They hack into people's systems and they jammed. Certainly, you read a headline TJX Company is victimized by criminals and tens of millions or even 100 million card accounts have been stolen -- card numbers have been stolen. But that started in about 2001. But interestingly despite the headlines you'll see that the fraud rates maintained it so constant throughout that period.

Now what we wanted to say on this slide is that it doesn't just happen by accident because we do have all these predators out there trying to steal from the system. How do we keep it under control? Visa as in so many other areas has led the industry and developing innovative solutions that our clients and stakeholders can use to protect themselves from this threat and keep the industry level a fraud at a minimum. And by the way the number there that you're seeing fairly constant since about the turn of the century, so its about 2002 is about $0.06 per $100 its about six basis points of fraud.

You will notice that going back to 1992 before we have all these mass compromises the rate was about three times as high, about three times as high. At the time, the main victim of fraud would be the cardholder whose card was stolen. You may recall that going back to 1992 when you went to present your card to pay at a merchant location typically what they did was they took the card out of your hand and they ran it through a machine where the people receipt underneath that. And then they took the receipt and send – they batched it and send it through to us on paper.

What happen when we -- Visa was the first payment system to actually introduce online terminalization, electronic terminalization back in early 1990. So one of the first Visa first, at the same time we were the first network to introduce a method of monitoring settlements so that we could look for fraud patterns, identify where the fraud was occurring and help our stakeholder shut it down. So those were the early days of improving fraud and you can see the impact was dramatic to reduce the fraud during the 1990s way down almost to the level that it is today.

If you look at the lighter blue bars there, you will see the introduction it says EMV call, EMV stands for European MasterCard Visa, some problems they were having in Europe led them to adopt something call the SmartCard currently known as the chip card have a little computer in the cards makes it very, very difficult to counterfeit. Visa wasn't the first to come up with that but we were the first to commercialize security testing against those cards, so that they could be uniformly used and relied upon in the markets where they adopted them.

Coming, the next shade of blue there is the internet area the birth of e-commerce, new form of payments, new opportunities for fraudsters. All the brands introduced something called CVV2, that's a three-digit thing on the back of the card. You know they ask you to read off what is your security code. All the brands introduced that. But Visa over there where you see the bar that says DBD in 2000. The first brand to introduce something called the 3D secure platform that allows you to use a separate password for your internet transaction, so that the merchant and issuer knows that it's you.

So, again the first for Visa, as we move into the darker blue bars, long period here that we label the same as being that account data compromise period and all that alphabet soup there you see around the bottom, those are security standards. Data Security Standards introduced to try to help merchants and processors protect themselves by adopting better security, things like firewalls, access controls. Over 200 separate standards adopted by the industry, but originated by Visa. These were originally Visa Standards that we put out there to help our stakeholders protect themselves against this threat.

So all that been done then we had – we were the first to issue the similar standards for payment applications, and the first to actually have an incentives program, and a compliance program to ensure that our constituents actually adopted the security. So all these things over a period of time to improve the industry security, basically in many instances Visa was the first mover and the one that made it happen. Now we do – I think the word of the day here might be comprehensive strategy, so of course we have a comprehensive strategy too and it looks like this.

First off, over on the left, we want to protect the system by stopping the thieves from stealing that data. The big threat now is stealing data, not stealing cards. Very small percentage of fraud today results from stolen cards. Most of it is stealing data. So this has to do with all the data security standards that I mentioned, protect the system, stop the theft in the first place, but remember that circle of all those people. It is impossible to stop these thefts from occurring across that many stakeholders.

So, therefore, we have a very elaborate system of response mechanisms to mitigate the impact of threats and attacks when they occur. And we have a series of things that we do to stop thieves from using the stolen data and this one I'm going to pause on for a minute it's called authentication.

So if you have a counterfeit card, how can we determine as a network whether the card is the real card or a fake? That's what we mean by authentication. You can authenticate the card or you can authenticate the cardholder, meaning you may have a fake card, we can't tell it's a fake card, but we want to know is it you. So a means authenticating the cardholder would be say a password something that you know.

So various ways of preventing the fraud by stopping the thieves from using the data. Now the interesting piece about this part of the strategy is, if you could figure out how in all cases to stop the thieves from using the data, they wouldn't have any incentive to steal it anymore. So the second part of the prevent strategy is to eliminate all reusable data from the system. Now how we could do that?

The way you go about doing that is by having data that can only be used once, and we call that dynamic data. So instead of a card number, if you steal the card number, right, you can go reuse that card number, you can put it and you can enter it on the internet, you can purchase goods with that card number. Once you have the card number the only way to stop the fraud is to shut down the card.

On the other hand, if you had a one-time use token, a one-time use item that the cardholder gave to the merchant and would never be used again, if the thief steals that he can't use it again, there is no purpose to it. And so there would be no incentive for the thieves to continue to target merchants. So that's the principle of dynamic data. I'll come back to it in a minute, when I get into slightly more detail.

Right now, we are stuck in a static data world. We have card numbers. We have static passwords. Your PIN on your debit card is probably a static PIN. If someone steals it, they can use it. What we want to do is transform that into a different world. And why are we worried about, why are we satisfied?

If we got six basis points or so of fraud and it's constant over the last six or eight years, why do we care about this? Couple of reasons. Number one the fraudsters are continuously evolving their business model. They're very well financed, and they have expertise in both technology and increasingly in business method.

So what we're seeing now is we're seeing actually integrated business operations where you have a master mind. You have the technologically inclined hackers. You have distribution channels. You have people that go in, are hired at a low level, the kind of worker bees, so the operation, who use the card to obtain goods or to sell it. The whole thing organized in a very sophisticated manner.

And they are using actual business techniques to target industries, once they see a security weakness, they'll target them. They will also take the card numbers and dribble them out into the market slowly, so as to prevent detection of their theft. So we're seeing increasingly that the criminals are evolving and we have to evolve with them.

And the second reason is that with the number of compromise incidents continuing to grow and expand globally the cost of securing this data of our prevent and response strategies are increasing. And this isn't healthy for the system and it's another thing that our merchant stakeholders are not crazy about. They have done a lot to secure the system. They are increasing, they're incurring costs and yet they still feel that they could be victimized by thieves. So we feel we really need to do something about the increasing costs to our stakeholders.

Finally, consumers who read these headlines are increasingly saying in response to surveys. What is your main issue about your credit or debit card? Usually the top two or three have something to do with security. It could be they are afraid their card will be stolen; it could be they are afraid their data will be stolen; it could be they are afraid of identity theft, and so on. And we think that although it's not a concern now, trust in the brand and Visa brand is remains very high and has not going down, that it could become a concern and a barrier to growth in the future.

And finally, last but not by -- no means least, regulators are interested in this space. They talk about it all the time and some overseas markets they've actually taken action to mandate data security standards, and they talk to each other. So this is another area where we think there could be action if the industry doesn't take action itself.

So, just quickly, a couple of headlines about our protect, prevent, respond strategy. Protect the system. Visa's goal is to lead the industry as we have for the last 20 years in protecting this vulnerable payment data. What we have here, across here and with the gold bars and the categories of activity within them is a complete -- a pretty sophisticated and elaborate industry self regulatory scheme.

So we, it's not just Visa, in this one we've partnered, after originating these data security standards ourselves, we partnered with the other brands. We have something called the payment card industry Security Standards Council that administers standards, it updates them periodically. We and the other brands engage in education. We offer pools, we actually have oversight programs. It's a very elaborate system of data security that has so far been able to withstand the questions that regulators ask, and in fact it's probably the one industry that has done the most to protect data of any industry in the country and probably including the government. However, there is an opportunity.

As I mentioned, the stakeholders are not happy about the cost and the opportunity is to shrink what they call the card data environment, the environment that contains data that they need to secure. So that would then reduce their cost and their risk, and the way to accomplish that is through supporting certain technologies that are recently coming on the market, specifically encryption, more encryption of the data, and something we call tokenization, mentioned that earlier, if instead of the whole card number you had randomized token that could be used on need to retrieve the card number, you wouldn't have that dangerous vulnerable data in your possession, so there's the opportunity there.

In the response system, this is a place where Visa actually can differentiate itself, we have a lot of things on offer that will help our stakeholders minimize the threat of these attacks by identifying them early and then by responding very quickly. I am not going to go through all these details except to mention one that's been mentioned a few times already, authorization solutions.

The one that we have advanced authorization, a very good system that issuers use to identify suspicious transactions, and it's one of the tools that they can use that causes them to call you as the card holder and say is this your transaction. Some of you may find that an annoyance. Others find it to be a very useful tool and they are happy that their issuer is looking after them. But issuers are very happy with that tool, it's something that they can get from Visa and not from others and we're currently rolling it out outside of the U.S. in some of our markets in Asia and Latin America where it's meeting a very good reception.

Another thing we do, incident response, probably the leading brand in going after the incidents when they occur and getting the data out early to issuers. There is a demand among issuers to have that information even earlier so they can minimize fraud, because by the way, if there were any doubt about it, it's the issuers who are bearing this expense and not the consumers because of the zero liability programs that we have for both credit and debit.

So we have an opportunity there to identify using advanced technology to find those points of compromise earlier and let the issuers know about them fasters. So that's something we already do and that we can do better.

And finally empowering consumers to protect themselves from fraud. Up there on the top right under mitigate. We have something called proactive alerts and this is something we are just rolling out in the U.S. and also overseas, where you could actually sign-up as a consumer, some issuers have had this already, but the difference is that Visa's has been real-time and I believe, Elizabeth mentioned it earlier. But the way it work is you can sign-up as a consumer and to get notice of all transactions on your card, or any type of transaction that you might specify like say transactions outside the U.S. or transactions more than $5,000, or transactions on the internet, something that you feel you would never do.

And then you can get these notices immediately if such a transaction occurs, we could even equipped the merchant, says its an eCommerce merchant, not to fulfill the transaction for a period until the consumer -- to give the consumer time to tell the merchant it really wasn't him. So these are the kinds of creative solutions that we're putting out in the market that we think could differentiate Visa and add to the value of our proposition for our stakeholders.

And finally, and this is the biggest opportunity, is to reduce the incentives for criminals to steal the data in the first place. This is what I mentioned before in our Prevent strategy by eliminating reusable data from the system. Now this is what I was talking about earlier, authenticating the participants using either static data or dynamic data. So on the static side, as I mentioned a PIN; on the dynamic side, challenge response, these are things like security questions, so depending on the number of questions you have, the thief won't know, are they going to ask you what's your first pet, or what street did you live on as a child, right or what's your father's middle name. So this makes it harder to commit fraud, if you use challenge response question, and on the very far side of the dynamic spectrum, one time pass codes that could be sent to you for example on your SMS, on your as a text message or by email depending if your shopping online or in store. Again, things you could steal, but would be of no benefit. So that the result – end result is that only the legitimate customer can initiate a transaction.

And then on authenticating devices, the real action here, I'm not going to through all of it, the real action here is in smart cards, because a smart card has a little computer, an actual mini-computer embedded in the card, which generates a one-time message to the terminal. So the computer and the card actually talk to each other in every transaction, and that message that is received by the terminal in that transaction is no good for any future transaction.

So the ENV chip or smart card is the ultimate current technology for dynamic data in the physical point of sale. Now these smart cards have been rolled out in a good part of the world, about half the cards in circulation outside the U.S. are smart cards, and about half the terminals are equipped to receive them. So the price of these things has come down dramatically, and the point of sale environment is slowly transforming towards the use of dynamic data. And again, the opportunity making the data useless, so that criminals wouldn't have any incentive to steal it, and in the endgame merchants wouldn't have anything of value for criminals to steal, as a result of which they would no longer have to spend millions of the dollars securing their system to keep out these criminals whose incentive is to commit fraud.

So coming to the endgame of ours, we call it 20/20 vision. In security, you have to take the long view. So we're talking about the year 2020, a decade away. As we envision it, we would be in a world of dynamic authentication or at least a critical mass of dynamic authentication that would allow merchants to focus less on security and more on commerce. They are not in the security business. They don't want to be in the security business, and they object to the costs that they have to incur because they have become targets of thieves.

The second – and so thinking about that, that's the 20/20 vision. But what could you might expect to see coming out from Visa in the next few years to drive us down this road. What we expect to do is within the next year or so, we will be coming out with a roadmap that will help to define the technologies that we would like to support and lead our stakeholders and all the vendor community towards, that would be one common standard. So for example, in contact with cards, a common security standard for contact with cards that would also use the EMV methodology and that would be universally adopted across the world to ensure interoperability.

  

Also in this space, we intend to come with more dynamic solutions in the e-Commerce world. So that Visa will become unquestionably the safest way to pay over the internet using dynamic authentication technologies.

Second; powerful security among those stakeholders who retain vulnerable data. If we take merchants out of the equation by going dynamic there will still be processors, there will still be card manufacturers, there will still be card personalizers, there will still be places where there is data. So even in 2020, you can expect that there will be the need to protect data. But what we would say here is there will be fewer, so it will be much -- and these people will be in the business, the card business, not the shoe selling business. They're in the card business and therefore, it's their job to know security and their security will be powerful.

So what are we doing? What can we expect in the next couple of years for improving security? Here, we would like to promote standards for encryption and also tokenization. These are security measures we are driving towards common standards for data encryption, and trying to also promote our own tokenization system, something called Tran ID. This allows you to retrieve a card number without having to retain that card number in your own records, eliminating any need for merchants to secure data. So, increasing -- during the short run, these security solutions have to encompass the merchants, as well as the processors and card business people.

Third, intelligent response, this is our response strategy to shutdown the fraud and put criminals behind bars, simple enough. In the short-term what we'd like to do there, as I mentioned, is come with better solutions using technological -- using artificial intelligence technologies to identify those points of compromise earlier and get the information out to the issuers faster. In the same vein, identify bad merchants, actual corrupt and fraudulent merchants who sometimes come into the system and get that information to the acquirers faster.

Fourth, solutions that engage consumers to protect themselves from fraud. We think consumers want to be empowered in that respect, even if they don't use, the consumers, they like to know they have that -- they don't use the solutions -- they like to know they have that ability to protect themselves. They feel more in control. They'll have more trust and confidence in the systems. In the short run look for that consumer alert systems to be rolled out, more broadly, and also we are investigating whether there are other ways that would interest consumers to take more control over their accounts by setting parameters, actual limits on how the account could be used.

And finally, continue the traditions that I showed on the earlier slide of innovation, leadership and importantly, collaboration that makes clients prefer Visa, and also something that I didn't really mention, make governments look to Visa as an expert and a collaborative partner in this space. Because this is one place, people have talked a lot about regulation and governmental action as a threat, this is one place where we actually historically have been active and respected partners of government actors in our mutual efforts to protect various countries and the critical infrastructure within those countries from the attacks of thieves.

So this you might say as the one area or at least an area of government regulations where Visa is generally seen as wearing a white hat, and someone that -- where we can build relationships with someone that where we can build relationships with legislators and regulators that are very positive and strong. So with that, that concludes my remarks on security and I think we are into questions-and-answers Jack?

**Jack Carsky, Head of Global Investor Relations**

Thank you, Ellen. So we have a few minutes to engage these folks with whatever questions you might have. And so I think you got dusted last time, Tenjin, why don't we start with you.

## QUESTION AND ANSWER SECTION

**<Q>:** Thanks, Jack. I got a question for Marc. Actually, I was thinking about the processing side of a few questions, Visa DPS, I think you said 45% of the debit transactions are on DPS today. I was curious that 55% is not on DPS. How is that breakout swing in-house verses third party, processors? And also I am curious for those customers that are actually on DPS, what is your retention rate for branded business when the bank is actually utilizing Visa's DPS?

**<Q – Byron Pollitt>:** Let me address the last part of the question first. I don't have the breakdown, concerning for the first part of your question, we can get it to you, but I don't have it. In terms of retention rate, the history and its exemplifieds by the gross you've seen in a number of transactions. The retention rates that we have in DPS is – I can qualify as very good. I mean, we've got longstanding relationships with a lot of – frankly, a lot of the largest issuers in the U.S.

And although I don't have a precise history of deals won or lost and so and so forth. I guess, really the history has been very, very good in terms of the ability to repaying customers over a longer period of time. And we've got some history on that, because it was founded in '96, so we've got quite a bit of history. That's been very good.

**<Q>:** Great. And then on Visa Europe, I think Visa Europe is on the processing side. Is about to go live sometimes this fiscal year. Can you help us understand sort of the economic impact of that transition and how exactly that's going to work?

**<A>:** Well, I think you should – in terms of the technology behind it and that on the transition issue that's a question to somebody else than me. I'm not aware of the significant financial impact certainly on us. I mean, I don't believe there isn't – one I wan to address that, but...

**<A>:** I think if you referring to their authorization and clearing settlement system, yeah, that's actually started already, I believe in the U.K., and the impact thus is nominal. We actually break that out in our K yearly and 40, $50 million.

**<A>:** But I think there were – the implementation was in waves and we probably are wave free now, so it's started to be live months ago, actually.

**<A>:** Yeah, it could be lengthy process.

**<Q – David Long>:** Hi, it's Dave Long from William Blair. Byron, in regarding to the functionality of prepaid cards today, the Visa General Purpose Reloadable cards that maybe issued by Green Dot and that NetSpend.

So there has to be cash that is lowered on those cards. In other words, can you have your employer directly deposit your pay check on there or can you – is there – are there any locations were you can have your check debited onto the account?

And then my second question is regarding the strong growth in debit, obviously, debit volume growth continues to be very good. What part of that is coming from prepaid? Is prepaid volume really moving the needle for debit overall right now?

**<A – Byron Pollitt>:** On the first question, it's a great question. In fact, we are – there are many programs and in fact promotions to get individuals to load or direct deposit their paycheck directly on to their prepaid card, on to their General Purpose card, big push.

And so, as we talked about, we're really going after that under bank, few products with that under bank payroll or General Purpose. Both of them should be moving toward a direct deposit, because that's how they're using that card anyway.

And the second question was, how much does prepaid contribute to debit? I can't break that out. I would love to say its most of it. But, say, if you won't let me get away with it, but it is moving the needle and I look forward to the day when we can actually break that detail out for you.

**<Q – David Long>:** All right. Another question for Marc, Marc you mentioned there is a – you have a JV partner on VPS, have you disclosed who that is and why do you need a JV partner. I would assume processing is what you know how to do best, so just wondering why you need a partner in that business?

**<A – Marc Luet>:** So I wasn't there, but I don't the history on this, sorry, but the reason for the partnership is because there was an excellent – I mean the platform that we have in VPS is extraordinarily flexible. And there was a lot of business that – and Byron comments on that. There are lot of – there is a lot of – a lot of the business we're winning is on the prepaid side. Where you need that flexibility?

As Byron explained that the form that the prepaid price, I think, may vary from one program to another. You might have actually multiple programs run by one single issuer. So the flexibility of that platform is important. And we found a great partner on a great platform there.

**<Q – David Long>:** [inaudible]?

**<A – Marc Luet>:** Yeah, correct. I mean, Byron is right to say that the reason I was indicating that partnership was important for the flexibility and definitely the partner we picked had developed that platform. And basically that was part of the assets support into the JV was that platform.

The combination of the two that great platform we found and our ability to give it scale and penetrate that space with our issue client that made the powerful combination.

**<Q – David Long>:** And you own the majority of that JV?

**<A – Marc Luet>:** Yeah. We own the majority.

**<Q>:** Yeah. Hi, I guess for Byron with GPR cards the pricing has been criticized quite a bit the pricing to the consumers, it seems like the pricing starting to come down, but is there anything that Visa can do to really potentially drive the pricing, can you influence that in any way? What the program manager's charge to consumers?

**<A – Byron Pollitt>:** Thank you for asking that. We in fact don't control any retail pricing on any our products whatsoever. We really like to market drive that. What we're saying though, from my standpoint is – as a Wal-Mart or Green Dot or in fact Western Union as they have gotten scale. They really demonstrate. They can drive that retail price down. And they really have gone much more to a simple and more clear pricing structure and that's going to drive the whole industry.

So from Visa standpoint, we don't have to do any thing the market takes care of it and the market takes care of it when it get scale and those players are winning and we're seeing others moved there very rapidly. So it's a great indication because I think that had to happen to help facilitate the growth we're seeing.

**<Q>:** Yes, my question is for Darren, you talked about the premium Signature card, I guess I'm kind of curious with these commercial cards. How is it actually implemented it in the market? So do you hit it to a bank and who ultimately kind of sales it to the consumer? And how do you manage consistency across the product, and do you earn extra fees or additional revenues for it. Can you talk a little bit about...?

**<A – Darren Parslow>:** Sure. So the answer is it depends, sadly. Its not easy. In the U.S., Signature business has been a platform since 2006, and the distribution system in the U.S. is obviously very different than it is outside of the U.S. So much like you would see on consumer cards or normal small business credit cards, you may have some monolines and use the mail channel. You may have the branch channel with the big footprint players, and importantly the smaller community original banks.

Outside the U.S., it's all the wire. It is primarily, I would say 90% – 90 plus percent branch based. So the sales model is branch banker to small business owner. And the dynamic, and particularly in regional banks and particularly outside the U.S., the Dynamic typically is a small business owner, is a very special customer in that branch, though it's a branch manager, and get any premium product that comes our way.

As far as fees and revenue depending on the country, again depending on the value proposition that the issuer makes around that premium card there can't be additional fee opportunities or additional loyalty programs or reward programs embedded into the card, specifically to what I was talking about when I said premium means B2B, it doesn't mean affluent, small business owner.

There are – you can imagine there is not really a rewards program or loyalty program that's going to reward B2B behavior between buyer and supplier. And in that regard one of the things that we're looking at over the next – we have looked at and we're looking at is a way to manage the value exchanged mechanism between buyer and supplier in a different rates that we set for commercial transactions that you can go online and find and those are starting to get differentiated by B2B suppliers or by B2B merchant, so that you can build the product to incent a supplier to accept a card transaction for $10,000 ticket or $50,000 ticket.

**<Q>:** Yeah. I think this is question from Marc maybe Byron as well. This acceptance curve, were you talking about everyday spend and trying to get deeper and deeper into the international market. Just curious in your top sort of eight countries that you've identified, where do you stand on that acceptance curve, is that the issue or is it more of marketing that will sort of further drive usage, and can – if you are – if the answer is acceptance then how are you funding that? Can you give me any sense for where you currently spend because you're not a merchant acquirer? Are you going out dollars to actually put in point-of-sell equipment to drive the acceptance, is that that your job, or how do influence that?

**<A – Marc Luet>:** Okay. The multiple questions here. No, we – the answer to the acceptance, puzzled so, and the development of our business in all the emerging markets, we have multiple levers we can use. So in all other markets we're not acquired processors, we're not literally putting terminals out there.

Although, we are considering in our key strategies, we are considering how we play into that space. So there maybe just like we do in India, there maybe we're trying to do in India, there maybe other countries that we are going to identify where we think we can play in the acquired processing acquiring space or literally we are an actor in putting the terminals out there and getting the merchants signed up and so on and so forth.

But in increasing acceptance, there are a lot of levers. Some times it's pricing mechanisms. It might be marketing head. It might be specific agreements we want to sign with merchants and incentive deal. It's a combination of lot of these elements that will move the needle. And it is in many markets, take Russia is one example. It is – we are at the tip – it's – we are at the tipping point currently.

Literally, you feel, some of those markets are able to penetrate everyday spend with groceries and petrol and give the cardholders the ability to use the card I mean we are making tremendous progress.

We don't give country-by-country – we don't give the number – I don't think we give the numbers in terms of number of merchants. But even if we can't give the data for a country like the size of Russia, the number of merchants we would expect to see in a market like this is a multiple of what exist today. And the issue is not on the card side, because many Russians do have a plastic in their pocket today. And we have tens of millions of consumers in – with Visa products in Russia.

**<Q>:** So to drive-up the data usage, it's not necessarily an issue of point of sale as you see it, it's more of convincing these people that they should go out with Visa cards?

**<A – Byron Pollitt>:** No. It's both. It means both. You've got to address the behavior of the customer and we are investing in that in terms of education programs and working with partner issuers to educate. And we start with the branch teller or the branch staff so that they are able to educate the customer and how to use the card POS. So you have that educational piece.

But you can dense on your head and talk about you should use your card and you go to X5, Magnate and some of the bigger distributors and you can't choose the card in a first place, actually no terminals in the store. So you've got to do both and we've done both in a lot of markets this is not new and actually we're benefiting from the expertise we've gained in markets or we've been successful in developing acceptance.

**<Q>:** And then on a different note, on the processing side trying to move 75% up higher. We've heard about that a couple of times today. I don't know Byron if is there any way put any sense for what the incremental opportunity is. It's really hard to know what actually dollars you can get out of the market from just doing something that you should be able to do. And is there any way to also tell us kind of you list these different categories that you are going to just an immediate third parties or where you focus? Where is the low hanging fruit? Which one of those three opportunities do you see most to move the processing market share out?

**<A – Byron Pollitt>:** Okay. Although we'd like it to be 100% I am not sure our target is 200% because that would be I think an unachievable. But then what we have to do is – what we have to do is to demonstrate the value of VisaNet. And it is fair to say that probably we have not put all the pieces together in a value proposition people could relate to and understand all the value that we can provide and we are, I think, focusing on that now and much better.

There are number of things that VisaNet Desk provide and that value needs to be demonstrated and that's what we are doing now. And its might be value-added services but it also might be things like robustness of the network because we think it for granted it's actually eight selling points in some of the market. In one of the large developed African country which I will not name, but large developed African countries are not – you don't have many so you --. There is actually a very strong local processor of cost transaction and electronic funds transfer of all sorts. There are significant outages issues for people who are processing on that platform versus having transaction with VisaNet.

Now we and Mike Dreyer could give me honest here, we haven't had an outage in the passive to near that I can recall more than one, the second or I don't even know. I am not even sure we had any outage whatsoever. So these pieces of value we need to explain and I think what we are increasingly put it that together in a convincing case and when you put on top of it value-added services like AdvanceSoft which are proving to dollars than cents proving that there is value to process the transaction through us. I think you were billing a very convincing case. So whether that will get us to 100%, I don't think so necessarily, but it will certainly help us to maintain/grow our penetration.

**<Q>:** Hi, just a question for Ellen and maybe Byron. Two questions on EMV chip enabled smart cards. So first, for the countries that have made the convergent smart cards, who typically pays for the re-issuance of all the cards? And then second, given all the stated advantages of the chip cards, what's happening in the U.S., is there any momentum behind converting the stripe cards to EMV here? Thanks.

**<A – Ellen Richey>:** The conversion to EMV chip entails both variations from the cards and also reterminalizing and so in general, the issuers paying to reissue the cards more commonly than not that would be done on a normal re-issuance cycle. So you're not talking about mass reissue.

So it takes period of three, sometimes five years. And most typically the merchants or the acquirers, typically the merchants will pay for the reterminalization and the systems changes that occur in order to support the EMV on the acquiring side.

Now on occasion, you can get some push from governments or Visa or the other brands have on occasion given some incentives into the system and there are other ways of changing the economics of the transaction to instant one side or the other that have been used in some markets. So that's going to have the cost works. Typically it's more expensive to reterminalize than to reissue or to issue the new card.

So the question always becomes, is there a business case, and the issuers and acquires will both say, well, why should I spend this money to invest in this for some future great vision that you have about dynamic data, when my fraud rate maybe isn't high enough to justify the expense certainly in the short-term.

So that's always the issue in each market, which is why some markets they've had a government push them over the edge. In some cases it's a vision where the industry comes together, because they've had certain arena or particular crisis on the fraud side. I think that was what drove the Europe period all those years ago.

In the U.S. we have a very interesting situation, where I mentioned the merchants you have had to bear all these cost of data security. So we have the mass data compromises in the U.S. As Joe mentioned very early on in the day we've now got close to 100% – in fact, the numbers 96% of the largest, very largest U.S. merchants, who have complied with these standards.

So we have the crisis and our response was not EMV response was what we call finally PCI, the data security standards. Now we've got the merchants incurring an expense that another markets they have historically not had to incur all these security costs, which is changing the economic equation now in the U.S. on the merchant side. So we think that there maybe opportunity to bring this forward in the U.S. But, again, it's a question of the business case and when the merchant market will be ready to move.

The other thing that's changed is that, as I mentioned, the EMV is kind of the sweeping the world. We've got now Canada going chip and we have Mexico and Brazil. So eventually, there becomes a point where the fraudsters who migrate from the stronger security places to the weaker security places may find their targets even more in the U.S. whenever before and that also may have some influence on how the market participants see the question.

**<Q>:** I have a question for Brian and then, one for Marc. First Brian, on as prepaid grows, I know right now probably the card base system volume is not impactful in terms of brand switches, but given the various applications and how the cards are distributed which is little bit different in a traditional bank issuing relationship. Do you have any thought as to if switching brands is more painful or less painful then it is for a traditional credit or debit issuer? So as you get to big prepaid distributors you feel like you have a stickier proposition and maybe the debiter credit who give how those products are sold and serviced?

**<A – Brian Triplett>:** I mean we have seen that so far in that our partners – and some of the points I talked about today and put on in terms of other distributors are out there, they are multi brand already. But we see them moving more and more into Visa. Number one, because consumer is prefer Visa base on everything else that we're doing, and also because of all the value-add services that we bring in the network, but also as the products sales in marketing teams. So it's all those things just as we talked about within the product line to bring on those distributors and the program managers to us and making that very sticking and we continue to see share shift from those parties to Visa way from the other brands.

**<Q>:** And then for Marc, you talked about acquiring more about driving emerging market acceptance and adoption. Do you have any thoughts around the U.S. in terms of providing more product and service and control of the value chain from an acquiring perspective or is it not – acquiring makes any sense?

**<A – Marc Luet>:** I do not think for a moment that we will invest in or do anything in acquirer processing in the U.S.

**<Q>:** Thank you.

**<Q>:** I have question on commercial payments. You sort of touched on this, but may be just dig a little bit. Can you give a sense of how the economics look for you for commercial payments vis-à-vis your normal retail payments? I know in Brazil, I mean you mentioned the Agro card and I know the interchange rate will made very, very attractive to enable that to get off – and they were in the low single-digit basis points I think, but just a sense you got big volumes, I mentioned the economic as a percentage of spend must be much lower but just in sort of sense?

**<A>:** So sure, just to remind you the business model. So interchange between issuer and acquirer, we still charge our banks and our clients service fees as we do in other products. So it's not a like-to-like proportion between what one does and what the others. That said, you are absolutely right, the Agro product in Brazil. We will continue to look at the entire eco system around the products. So particularly when government comes in and says we want a product like the Agro card in brazil and government, and acquirer, and issuer, and retail let's work together to figure out what make sense for that eco system and we clearly have strategies by segment to make that work.

**<Q>:** Hi, thanks. I guess question for Marc. I remember years ago VisaNet successfully cautioned for buy FEC to cut VisaNet out of the equation rounding transaction through FEC net. And I just wondered especially after the recent wave of consolidation in the banking industry, I mean is that the long and sort of longer term for rest of the business that down the road some of these large scale banks with especially with in-house processing platforms could on their own or get together try to pick some of that return to sort of owners strategy?

**<A – Marc Luet>:** Are you talking about the U.S. or ...?

**<Q>:** In the U.S. Yeah.

**<A – Marc Luet>:** I'm not speaking of – from the base of stronger base knowledge, but I don't think so. Again the fact that we have continuously invested in our platform makes it – I don't think it makes it economically interesting, for lets stick together and just do it outside where we are providing it. I don't see that, but that's my opinion.

**<Q>:** Two quick questions for Ellen. In terms of the loss from fraud how is the chat between banks and you?

 

**<A – Ellen Richey>:** Which?

**<Q>:** Loss on fraud.

**<A – Ellen Richey>:** The banks – well in general in the point-of-sale environment the banks bear the loss, in e-commerce environment and in many cases the merchants bear the loss but Visa does not bear the loss of fraud at all.

**<Q>:** Zero.

**<A – Ellen Richey>:** Zero.

**<Q>:** And fixed basis points you mentioned is that the system light?

**<A – Ellen Richey>:** System light.

**<Q>:** Yeah. And the second question is in terms of network security. How does that work – is it the responsibility of the backbone providers like horizons of the world or is it function of your own security broadly speaking?

**<A – Ellen Richey>:** Are you talking about the security of VisaNet?

**<Q>:** Yes.

**<A – Elizabeth Buse>:** So VisaNet itself is the security – is the responsibility of Visa. So we have additions in my department, but in IT department and Mike Dreyer's technology group invested many 10s of millions of dollars over the years in ensuring that VisaNet itself is extremely secure and adopting all the latest state-of-the-art technology, as well as staying ahead in terms of cyber intelligence above latest threat. So VisaNet itself, that's our responsibility as Visa and something that we pay a lot of attention to, have a lot of elaborate checks and balances around.

Now the rest of the system, the network obviously involves all those stakeholders and participants that you saw on the diagram, from the financial institutions to the merchants to the cardholders themselves to the processors, telecom providers. It involves every single person in touch with the system, which is what makes the task so complicated. And why we think that in the end of the day it's smart to drive towards a system that makes the data more inherently secure. But, yes, everybody is involved.

**<Q>:** Yes. This question is for Marc. Can you comment on how processing in India is evolving? And is there any chance there that you'd see sort of UnionPay like structure that hindered external entrance from coming into the market? And the second part of the question is, do you have any timing on the selection of the JV that you mentioned in India, in terms of when that might – you might find out the results of that?

**<A – Marc Luet>:** I don't know whether we can be specific on the timing of the JV selection process, but this year – yes, one would hope this year. And I think the earlier part – I may not have heard everything – but the earlier part of your question was, are we going to see the emergence of...

**<Q>:** [inaudible].

**<A – Marc Luet>:** ...China UnionPay out of India and sort of. So there are numbers of markets, India is one, Russia is one, you've got a number of smaller markets in Southeast Asia, you've got a number of markets in CIS, South Eastern Europe where there are discussion – either there are local processing on domestic debit switches in place or discussions around that. In most cases, though, in the largest markets we're looking at even if there are discussions around creating those switches and local systems, it is not excluding competition in local marketplace. I think we're fully prepared to compete with the alternative systems that are there. Again, the driver for many of the institutions is financial inclusion.

So if you look at India, for instance, financial inclusion is definitely part of the agenda of the Indian authorities when they look about – when they talk about setting up an alternative paying system. And so it's focused on certain segments of the population. So, again, it doesn't exclude competition. I do not think in any of the discussions that I think we've had or any of the information that has been shared in India that there was excluding the possibility for Visa to compete. And it's the same thing in Russia, by the way. Nothing in the NPS or NPCS legislation that's currently being discussed and could be presented in – at the Duma for – in the next few months, doesn't exclude competition.

So will it have an impact on our business? Potentially on some market segments. But will it push us to either cooperate or develop better propositions for the local marketplace? Of course, it will. So we're – and again such a bigger opportunity out there and we will see growth in our process transactions. But I think we look at it as a change, but also as an opportunity as long as it structures the electronification of payments in those markets.

**<A – Jack Carsky>:** And today's final question goes to James Kissane [Banc of America Securities – Merrill Lynch].

**<Q – James Kissane>:** Thank you, Jack.

**<A – Jack Carsky>:** You're welcome.

**<Q – James Kissane>:** Just following up on the question on U.S. on-us transactions. I just want to confirm that there are rules in place, Visa rules that you can't do on-us transactions in the U.S., is that...?

**<A – Brian Triplett>:** That's correct.

**<Q – James Kissane>:** Okay and then one...

**<A – Brian Triplett>:** Specific rule but eight digits long.

**<Q – James Kissane>:** Got you. And Marc, you talked about getting into issuer processing, including I guess in United States, would you ever – would Visa ever consider getting into actually core bank processing, particularly the small banks to get more control over, say, the DDA accounts?

**<A – Marc Luet>:** It does not – I think we have many opportunities to grow – to influence brand preference and grow our business. I don't believe that that is on our immediate agenda, no.

**Jack Carsky, Head of Global Investor Relations**

Okay. That wraps it up. On behalf of the entire Visa management team, we want to thank you for coming. We want to thank you for your patience. We know it's a very long day, but we hope it was worth your while and we look forward to any feedback you might want to provide. And for follow-up questions, Victoria will be here all next week to answer them on my scheme.

  