



EUROGIRO

News

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4 / November 2003

Sydbank joins the Eurogiro co-operation

Sydbank's roots date back more than a century. Over the years the bank has been regarded as the leading banker of many Danish towns and local communities.



*Jens F. Andresen,
General Manager, Head of
International Division*

■ The name and legal entity of Sydbank was established in 1970 through a merger of four minor banks in Southern Jutland. In the 1980s the bank began expanding its domestic branch network by establishing branches outside the original area.

Today Sydbank is the fourth largest bank in Denmark. Sydbank's geographical core areas are the southern part of Jutland, the areas of Aarhus and Odense and the South of Funen. Sydbank is moreover represented in major Danish cities in Central and North Jutland, Copenhagen as well as in Northern Germany. Sydbank has 113 branches in Denmark, two branches in Germany and a subsidiary bank in St. Gallen in Switzerland, established in 2003.

Sydbank's organizational philosophy is based on customer needs and requirements, and on broad delegation of professional competence and decision-making to the customer oriented units. At the same time efforts are made to streamline administration. Consequently knowledgeable, committed, flexible and productive employees are the bank's most valuable resource and competitive parameter.

Today 330,000 customers including just over 20,000 corporate clients provide the foundation for a market share of approx 5%. In its activities Sydbank attaches importance to

SYDBANK

providing professional advice, to being a forward-looking sparring partner and to providing smooth and efficient service of retail customers, corporate clients, and investment customers. This is based on the bank's knowledge of customer needs and requirements and on staff specialist knowledge within the different areas of expertise, including finance/mortgage credit and pension savings.

Sydbank combines the qualities of a small bank – closeness, local knowledge, flexibility and involvement in relation to the many customers – with the larger bank's potential for providing specialized and value creating banking services efficiently and profitably to, for example, corporate clients and investment customers.

This method of banking has generated satisfactory profits in recent years. Moody's, the international rating agency, has assigned the following rating to Sydbank: A2 – P-1 – C+.

Using the bank's comprehensive website, www.sydbank.dk, and self-service solutions, Sydbank's Danish customers are able, from home, to obtain valuable, financial information, prepare a financial background for decisions in different areas, as well as carry out ordinary banking transactions including securities trading. Sydbank's NetBank for retail customers has just over 50,000 subscribers. More than 7,000 corporate clients subscribe to Sydbank's Online Banking Systems. Our foreign customers and business partners may find useful information about the bank at www.sydbank.com.

Sydbank offers personal service in a significant branch network and an increasing range of e-banking self-service solutions to both corporate clients and retail customers. The bank's service concept aims to optimize the utility value of the individual customer-bank

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The Eurogiro network is an international electronic payment network and is the only electronic cross-border payment system which covers both postal and bank products.

Eurogiro has 41 member institutions. Although Western Europe is the core area, Eurogiro now spans five continents. The electronic payment system of Eurogiro is administered by Eurogiro Network A/S in Copenhagen which also provides the organisational framework for the further development of the co-operation. The company is owned by 15 European members.

Eurogiro Member institutions:

Austria: PSK/BAWAG • Belgium: Financial Post • Brazil: Empresa Brasileira de Correios e Telégrafos • Canada: National Bank of Canada • Cape Verde: Correios de Cabo Verde • China: China Post • Croatia: Hrvatska Posta • Czech Republic: CSOB a.s. • Denmark: Sydbank A/S and Danske Bank A/S • Finland: Sampo Bank Plc • France: La Poste • Germany: Deutsche Postbank AG • Greece: Hellenic Post • Hungary: Magyar Posta • Iceland: Iceland Post • Ireland: An Post • Israel: Israel Postal Authority • Italy: Poste Italiane • Japan: Japan Post, Postal Savings Business Headquarters • Latvia: Latvia Post • Luxembourg: P & T • Morocco: Barid Al Maghrib • Netherlands: ING Bank N.V./Postbank N.V. • Poland: ING Bank Slaski • Portugal: CTT Correios • Romania: Banc Post and Posta Romana • Senegal: La poste • Slovakia: Postova Banka • Slovenia: Postna banka Slovenije d.d. • Spain: BBVA and Correos y Telégrafos • Sweden: Nordea Bank • Switzerland: Swiss Post Postfinance • Togo: Societe des Postes du Togo • Tunisia: La Poste • Turkey: General Directorate of Post • United Kingdom: Alliance & Leicester Commercial Bank Plc. • USA: Deutsche Bank • Serbia & Montenegro: Postal Savings Bank.

Welcoming new members in the co-operation

As the November issue of the Eurogiro newsletter is this year's last issue I take the opportunity to wish you all a happy and prosperous year 2004

■ This issue of the Eurogiro News brings articles from two new members of the co-operation: Sydbank A/S in Denmark and Société des Postes du Togo, and I take this opportunity once again to welcome both members to Eurogiro. We are very happy to see that both banks and posts are joining Eurogiro bringing new business opportunities to all members and proving the ability of Eurogiro to link the banking and the postal world.

You will also find a variety of articles from other members and partners of Eurogiro confirming a continued high level of activity within the co-operation.

The Hungarian Post presents its actions to meet its customers' expectations and recent steps towards modernisation of the financial services offered; Israel Postal Authority shares its ideas on marketing the Eurogiro services, and Western Union elaborates on its successful collaboration with French La Poste.

In addition we have reports from the Eurogiro Pension Seminar held in Frankfurt and the recent Eurogiro Board Meeting held in Paris.

I hope you will find the topics dealt with in this issue interesting, and I wish you an enjoyable read.



*Søren Rose,
Editor-in-Chief and
Deputy Managing
Director*

C O M M E N T A R Y

The successful Western Union / Eurogiro co-operation continues

On 17 November 2003 Western Union Financial Services, Inc. and Eurogiro Network A/S signed a new co-operation agreement and thereby secured the continued fruitful co-operation between the parties.

"We are very happy having concluded our negotiations with Western Union and thereby securing the benefits for the Eurogiro Members – and at the same time being certain that our partner, Western Union, can see the agreement as advantageous too" says Henrik Parl, Managing Director of Eurogiro Network A/S – "The constructive negotiations have led to an agreement bringing advantages to all parties involved."

Western Union and Eurogiro will continue to work together on expanding the Western Union Agent network and finding and promoting ways to automate the service within the individual Eurogiro member's organisations.

The Western Union Service offered by the Eurogiro members has shown a tremendous growth during the past, and though similar growth rates cannot be foreseen for the next five years, all parties still foresee substantial growth rates and business opportunities.

relationship so that it reflects mutual profitability and loyalty.

Investment advisory services and asset management are among Sydbank's particular fields of competence and for a number of years they have been among the bank's most significant business growth areas. Sydbank's customer oriented expertise within investment advisory services and asset management is available in 16 local investment centres and departments, supported by Sydbank Markets which delivers and develops pro-

ducts, tools and systems. Consequently Sydbank is in a strong position to respond to investment customer demand.

Sydbank is and will continue to be a competitive bank to our corporate clients. Sydbank has special competence when, for example, corporate clients request efficient payment service and cash management solutions – nationally as well as internationally. This international element is emphasized not only by Sydbank's branches in Germany, but also by the bank's participation in the newest

cross-border euro payment systems and in Connector, an international cash management club. Through this club Sydbank can provide international cash management solutions in more than 20 countries as a supplement to other payment service solutions.

Therefore, when given the chance, Sydbank decided to join Eurogiro. Through our participation we expect to expand our position in international payment services and consequently become an even more attractive business partner in the eyes of our Danish customers and our foreign business partners.

Sydbank aims to receive payments from Eurogiro members outside Denmark from 1 December. We plan to be able to send payments to other Eurogiro members when the gateway to SWIFT has been established in spring 2004. As previously mentioned, finding rational solutions to our customers' needs and requirements is important to Sydbank. Therefore cash payments are not amongst the products which we will make available to Eurogiro participants. Instead we will offer cheques as a payment instrument for money orders and cash payments.

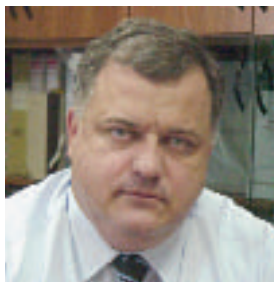
Providing services to Eurogiro members is a highly prioritized objective at Sydbank. We will do our utmost to provide trouble-free handling of traffic to Denmark. In return we expect that the Eurogiro participants will entrust us with their payments to Denmark.



Sydbank Headquarters

Introducing the Hungarian Eurogiro team

The Hungarian Post joined the Eurogiro network in December 2001 and became a member of ESSP in July 2002 and since that date has been working on extending its relationship with member countries.



Imre Szarka, Director of Division of Financial Services



László Nagy, Head of Department of Financial Products

■ The Hungarian Post was originally providing international postal money order service under the terms of the UPU agreement to 20 countries world-wide. On joining Eurogiro, the Hungarian Post significantly improved the quality of the postal money transfer service and made a big step towards satisfying domestic and international market requirements. Since the Hungarian Post became a member it has been working intensively on establishing connections with other member countries.

László Nagy, Head of Department of Financial Products, notes:

“Presently, in addition to the existing bilateral agreements, we are negotiating with 8 countries and planning further extension of money order services by involving more than 15 countries next year.”

“Our plans are to conclude agreements with all the member countries that consider Hungary as a potential market. In order to achieve this goal – as well as sending and receiving money transactions in cash - we are also working on establishing the possibility of sending and receiving all types of money

transactions. Our other main task is to promote the advantages of our postal payment services and to reassure our customers about the quality and safety of the transactions”

Widening the portfolio

In July this year, the Hungarian Post - in addition to the Eurogiro Money Transfer - in order to extend its international money transfer service, launched the Western Union service via ELS. Also, in order to meet customers' demands, the Hungarian Post is considering joining the Eurogiro Tele Money Order service (TMO).

Imre Szarka, Director of the Division of Financial Services, announced:

“The Hungarian Post is focused on meeting the increasing expectations of our customers and on modernisation. The Eurogiro membership gives us the competitive advantage to sustain and strengthen our position in the postal fund transfer business.



◀ The second issue – training postal clerks who are in direct contact with the public, to market the service to the customers at the post office. We had to train the clerks so that they could explain the differences between the money transfer service offered by Western Union and the one offered by Eurogiro, so that they could point out the advantages of each service.”

IPA produced a leaflet describing the Eurogiro and Western Union services. The descriptions also included recommendations on instances when it is best to use each service. This leaflet was distributed to IPA's customers in the postal branches located throughout the country.

Press releases were issued regarding the new Eurogiro service, leaflets to specific sectors were sent to educational institutions, Philanthropic institutions, and employers of foreign workers, through direct mailings, and meetings with potential clients were held in order to promote the service and to better understand the clients' needs.

As a result of these actions, in a short period of time the number and volumes of the transactions executed via the Eurogiro network has been growing substantially each month. This is a positive indication of the various marketing activities which were initiated, and leads to the conclusion that it is important to continue with the present marketing strategy.

Mr. Shmuel Engelstein summarises: “We believe that this service has considerable economic potential. It is offered to the public throughout the country, offers high professional standards, and is offered at lower costs than any other financial institution in the Israeli market. We hope this service will continue to grow and develop, and will be a significant source of income to the IPA.”



Overview of “Société des Postes du Togo”

Société des Postes du Togo (SPT) was created by the decree n°96-22/PR of February 28, 1996 as a National Company. SPT is equipped with a legal personality and a financial autonomy. The company is working in a very open and competitive postal market regulated by the law N° 99-004 of March 15, 1999 on postal services.



*Pitassa Kao,
General Manager*



- The Board of Directors
- The Head Office, with 4 departments (Production, Studies and Prospection, Administration and Finance, General Inspection and Audit).

The company employs 295 agents, 75% of whom work in the operating sections, comprising a network of 54 post offices, 3 specialised centres and about 30, 000 post office boxes.

SPT has signed conventions and bilateral agreements with many countries and institutions throughout the world. SPT is a member of the Universal Postal Union (UPU) and is presently assuming the role of General Secretariat of CPAO (Conférence des Postes de l'Afrique de l'Ouest).

The international financial transactions recorded in 2002 are about 4.5 billions FCFA throughout a variety of countries of the world and a total of 15 billions FCFA of deposits.

SPT has been able to balance its accounts

through the efforts it has been deploying for 5 years now, into activity development and management rehabilitation.

For the coming years, the strategic objectives of SPT consist of reinforcing the commercial and financial capacities of the company by:

- The search and the creation of new products
- The improvement and the standardisation of a quality service
- The development of new commercial strategies
- The application of a better policy to enhance human resources
- The signing of new partnership agreements at regional and international levels related to outstanding products, which are based on the use of new Information and Communication Technologies.

Société des Postes du Togo is happy to become a member of the Eurogiro network and hopes to benefit from its know-how and from a mutual worthwhile co-operation.

■ The main activities of Société des Postes du Togo are: postal and financial services throughout the country and an exchange of relations with other postal administrations abroad.

In this context, and as a major activity, SPT collects, forwards, and dispatches incoming and outgoing mail and provides money order services.

In the new vision of its development, SPT created many financial products including electronic transfer of funds at a national and international level, a savings account service managed through a computerised system, and the mobilisation of small savings and a manual service for money exchange.

SPT presently intends to perform financial transactions via the Eurogiro system. The Leadership Team, in place since 1998, with Pitassa Kao as General Manager.

The structural organisation through which the company intends to reach its objectives is as follows:



Société des Postes du Togo

Success through collaboration

French La Poste and Western Union - working together successfully



Hikmet Ersek

History

Western Union Financial Services, Inc. and La Poste in France have enjoyed a successful working relationship for a number of years. The wide-reaching national network of La Poste ensures that customers in France can send money to loved ones in other countries through the Western Union Money Transfer® service from the convenience of their local post office.

Fabrice Borsello, Director France – Western Union, said:

“La Poste has been offering Western Union services to the French public since 1995. The success of La Poste as a key Western Union agent is a clear demonstration of how well the two organisations work together.”

La Poste has become a leading agent by driving money transfer activity through all of its

agents in the network - nearly 100% of La Poste's branches regularly provide Western Union Money Transfer® services to their customers.

Olivier de la Serre, Director Banking and International Relations – La Poste, said: “We definitely see the Western Union product as a key driver, complementing our sales in the postal network. This is particularly true in some market areas where an important share of the local clientele is composed of expatriate workers. In these areas we observe little interest in traditional financial services and the growing success of Western Union constitutes an excellent substitute in terms of revenue line. The Western Union activity is a good complement to the branch financial result.”

Keys to success

The success of the relationship between Western Union and La Poste can be attributed to three key factors:

- **Strong network of retail branches:** more than 2,000 La Poste branches offer the Western Union Money Transfer service across France
- **Focus on service quality and productivity:** La Poste has installed Western Union production software on to every computer present at postal counters. Today, more than 80 percent of the Western Union transactions processed by La Poste are sent directly from the post office branch they were requested in.

- **Marketing activities and brand awareness:** Both Western Union and La Poste understand the benefit of promoting their business. Marketing initiatives have included some spectacular outdoor activities. This year, for instance, an information van has toured 40 French cities. Specific merchandising items have also been created to target customers at the point of sale. These items include informational totems, multilingual leaflets etc, to promote the Western Union brand at La Poste's branches.

Hikmet Ersek, Senior Vice President for Europe, Middle East, Africa and Asia Pacific commented: “The relationship Western Union has with La Poste exemplifies the way we like to work with our agents, and in particular posts. It realises the strengths of both organisations with the ultimate aim of providing the best level of service to customers. I'm extremely pleased to see how La Poste and our Western Union team in France are developing innovative marketing platforms and looking at ways to enhance their service. It's great to know that the relationship is dynamic and constantly evolving to meet the needs of people in France.”



The Western Union - La Poste mobile unit touring in 40 French cities to educate customers about the Western Union service



One of the co-branded creatives developed for postal campaigns promoting the Western Union service

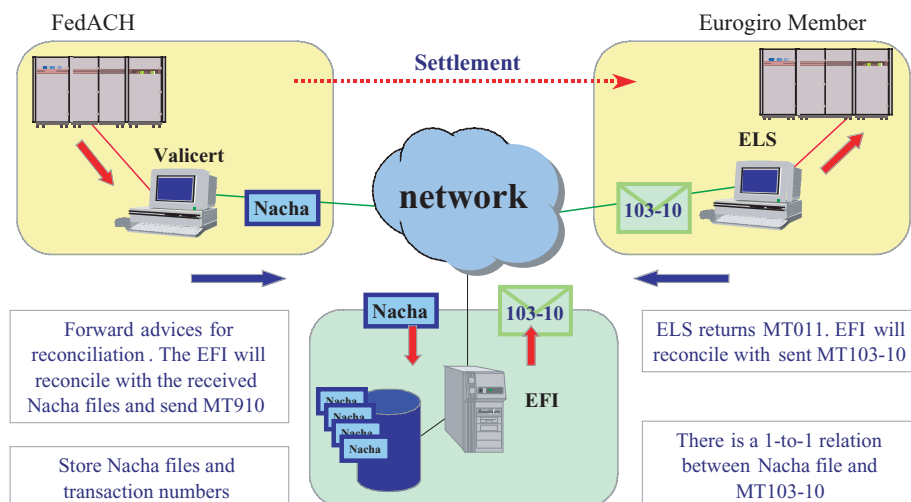
Transatlantic gateway between Eurogiro and Federal Reserve Bank ready for production

By using off-shore development all milestones were met in order to support the targeted deadline for limited production from 1 November 2003.

■ The service in the limited production phase, also called 'pilot', supports transaction flows between U.S. and Europe. The Federal Reserve Bank of Minneapolis serves as the Gateway Operator in the U.S., and the Eurogiro Network A/S facilitates payment flows to the Eurogiro pilot members. The product is mainly targeted at high volume / low value payments initiated by corporates and institutions.

Pilot members:

- Bawag / P.S.K. Group, Austria
- Postfinance, Switzerland
- Alliance & Leicester Commercial Bank plc, UK
- ING Bank, Netherlands
- Deutsche Postbank, Germany



The cross-border payments in FedACH are formatted using the NACHA format. The cross-border payments in Europe are formatted using the SWIFT format. The NACHA and SWIFT formats are completely different in structure and data content. These different formats complicate the processing of the transactions. For this reason a gateway with a conversion utility has been developed and implemented to handle the information exchange process.

When designing the gateway, the key issues were efficiency, automation and low cost. An efficient method for processing large volumes of low-value transactions is needed. Specifically the gateway should implement a fully automated conversion process in order to avoid adding unnecessary cost to the transactions. Furthermore, the conversion process should also communicate messages and other data associated with a transaction and provide uniformity and certainty of the payments.

Unfortunately it is not possible to make a 1-to-1 conversion, as some specific information is not supported by both formats. This means that it was necessary to set-up a set of rules and limitations to the information exchanged. In particular, for payments from Europe to US the limitations are mainly on the beneficiary customer data and the information relating to the payment.

The gateway is maintained by Eurogiro. The functionality of the gateway can be broken into three types - moving files to and from FedACH; converting files between the NACHA and the SWIFT format; and reconciling the flow based on Advice reports from FedACH. Historical NACHA/SWIFT pay-

ment information is retained in a database to support the return entry process of both continents. The figure shows the configuration with a message flow from US to Europe.

Eurogiro sent out a Request for Proposal in January for the development of the gateway. The development is a joint venture between FedACH and Eurogiro. The gateway may be used for other projects in our companies and thus we had demands in respect of the development environment and database techniques. An off-shore vendor was chosen for the software development, not primarily because of the price, but more because of the good quality in their response. A company in Denmark (Rambøll Informatik) was chosen as the head contractor and the primary provider of project management. An Indian company (L&T Infotech) delivered development, training, installation and documentation.

This is the first off-shore project in Eurogiro and we were not fully prepared for the way of working with such projects. In order to ensure the high quality and timely delivery of the software it is essential that all the details are described in the initial stages. Once the development starts there is scope only for minor changes. Even though the technical specifications made by FedACH and Eurogiro were quite detailed, an engineer from L&T went to Copenhagen to analyse the requirements and make the final design document. In this way we ensured the security in the delivery and a guarantee that the software would be compliant with our requirements. All the activities hereafter and until the on-site testing were performed off-shore.

The project was a clear success, both in terms of quality and in meeting the agreed deadlines. The success of the project delivery is mainly due to the good work performed by the off-shore team. The team comprised project managers, project developers and quality assurance staff. "With our project management tools and quality assurance measurements, we can guarantee the timely and accurate delivery to the customer. Furthermore, we have well documented security policies and security practices which enables us to protect the customer's IT assets within the development centre", says the project manager Mr. Chetan Sheth, L&T Infotech.

The building of the FedACH - Eurogiro gateway has truly forged new paths of development within Eurogiro. From an IT perspective it has given us a good basis for other gateway projects.



Chetan Sheth, L&T Infotech

Pension payments crossing borders

Pension payments are an important part of the business for many of the Eurogiro members

The most recent Eurogiro seminar, the pension payments "think tank" seminar, was held in Frankfurt on 11th of September 2003. Members involved in the pension payments business were present, together with an equal number of members that have potential for future pension payments business. The interest shown in this seminar reflects that there still is a business in pension payments among our members. Although EU legislation puts pressure on the margins and thus makes the business less profitable, external demographic and behavioural indicators show a growing number of cross-border pension payments in the near future. One of the conclusions at the seminar was the need to strive for better cost efficiency by insourcing to gain high volumes and stay profitable in this business. This is exactly what Eurogiro and its partners

work for and there are several positive examples. Deutsche Postbank and PostFinance, Swiss Post presented their business cases regarding pension payments, which was followed by good discussions. The outcome of the seminar provided several suggestions to improve the business on a member level and on a joint Eurogiro level. The delegates benefited from the personal contacts and were determined to continue the pension payments discussions on a bilateral level. All Eurogiro members can access the presentations from the pension seminar by entering the member's log-in on <http://www.eurogiro.com> and then click on "Documentation" in the left-hand menu and then click on "Presentations" in the top menu and scroll down to the presentations from the Pension Seminar September 2003.

Eurogiro Board Meeting in Paris

Excellently hosted by La Poste, France, Eurogiro held a successful Board meeting on 30-31 October in the wonderful city of Paris.



Also this Board meeting confirmed Eurogiro's emerging role as a gateway provider for its members and alliance partners, and all activities aim to provide increased business to all members and alliance partners.

The meeting noted that performance in 2003 had been largely in line with – or above expectations, giving basis for the substantial investments in new activities as agreed in the Strategy Plan for 2004.

Key activities for 2004 are finalising the agreement on the TMO product with the UPU, migration of the ESSP service to Deutsche Postbank and establishing new alliances with other major players in the payment market. Furthermore Eurogiro will implement the SWIFTNet Closed User

Group solution and seek to develop the co-operation with existing alliance partners. Attracting new members and expanding the network will also be given high priority in 2004.

Several seminars are planned for 2004: a TMO Seminar, a Regional Seminar to be held in Singapore for existing and prospective members, a Strategic Forum for all Board Members and senior representatives from non-shareholder members and alliance partners, and finally the Technical and General User Group Meetings.

With the support from the Board and the members in general, Eurogiro is well placed to face the challenges and exploit the opportunities of 2004.

Activity Calendar Winter & Spring 2004

19 – 20 February 2004

TMO Seminar, Copenhagen

4 – 5 March 2004

Asian Pacific Seminar, Singapore

29 – 30 April 2004

*Board Meeting, Rome
With strategic forum for all members*

26 – 28 May 2004

General User Group Meeting, Liverpool

3 – 4 June 2004

Technical User Group Meeting, Malmö

Subjects to be covered in the next issue:

- ◆ Continued co-operation with Western Union
- ◆ Transatlantic gateway in operation
- ◆ TMO entering pilot phase
- ◆ Co-operation with SWIFT

Please forward ideas, comments, articles etc. to:

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