

Eurogiro News

THE INTERNATIONAL ELECTRONIC PAYMENT CO-OPERATION



Eurogiro Network welcomes ANZ

Australia and New Zealand Banking Group Limited (ANZ) has joined the Eurogiro Network as the Australian and New Zealand member

ANZ has joined the Eurogiro Network as the Australian and New Zealand member having signed its membership contract in May.

Already an established provider of clearing services in Australia and New Zealand, this membership will enable ANZ to expand its retail large volume/low value international payments capabilities and provide an opportunity to create new strategic alliances with key postal organisations around the world. The combined force of Eurogiro members constitutes a significant financial partnership and therefore offers large potential for reciprocal payments business.

As Jenny Reynolds, ANZ's Head of Clearing Services explains, "ANZ already has an established network of correspondents through which it remits and receives cross border payments. Membership of Eurogiro will enable ANZ to provide a wider range of remittance products to its clients and a gateway into Australia for the Eurogiro network members."

"This membership is an important strategic step for ANZ to partner with Eurogiro members. In addition, this membership is underpinned by the SWIFTNet FileAct capabilities to facilitate low value high volume global payments," she said.

With headquarters in Melbourne Australia, ANZ opened its first office as the Bank of Australasia in 1835.

Today, as one of Australia's leading banks in Asia, ANZ has assets of AUD293 billion with offices in Australia, New Zealand, Asia, the Pacific, India, UK/Europe, and the USA. ANZ serves more than 5 million customers and employs more than 30,000 people worldwide.

ANZ's Institutional Division, to which Clearing Services belongs, brings together a complete range of products and services to deliver a solution that's tailored to client needs. ANZ's relationship teams provide 'product-neutral' advice to deliver the most efficient solution, focusing on client's strategic objectives and working with them to achieve their goals.



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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 56 connections in 49 countries.

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 12 European shareholders.

Commentary

Welcome to new Eurogiro members

– from Australia, Bulgaria and Poland

We are happy to inform you that the Eurogiro member base has been expanded this spring with 3 new members: ANZ Bank in Australia, Finance Engineering in Bulgaria and finally the Polish Post. You will find articles from ANZ Bank and the Polish Post in this issue, while our new members in Bulgaria will introduce themselves in the next issue.

On 4 May the Eurogiro Global Strategic Forum took place in Dresden, focusing on strategic development of the postal organisations in the years to 2010. Five special pages of this Newsletter have been dedicated to bring you information on this event.

Two of the Eurogiro members; La Banque Postale, France and BancoPosta, Italy are contributing with articles demonstrating their capability to strategically develop their organisations from traditional postal organisations into financial organisations, offering a wide range of financial services to their clients.

We hope you will find this issue interesting and wish you an enjoyable read!



Soren Rose, Editor-in-Chief and Deputy Managing Director

Eurogiro Member institutions:

Afghanistan: Afghanistan International Bank • Australia/New Zealand: ANZ • Austria: BAWAG P.S.K. • Belgium: Financial Post • Bosnia & Herzegovina: Nova Banka • Brazil: Empresa Brasileira de Correios e Telégrafos • Bulgaria: Finance Engineering JSC • Canada: National Bank of Canada • Cape Verde: Correios De Capo Verde • China: China Post • Croatia: Croatian Post • Czech Republic: CSOB a.s. • Denmark: Sydbank A/S • Egypt: Commercial International Bank (Egypt) S.A.E. • France: La Banque Postale • Germany: Deutsche Postbank • Greece: Hellenic Post and EFG Eurobank Ergasias • Hungary: Magyar Posta • Iceland: Iceland Post • Ireland: An Post • Israel: Israel Postal Company Ltd • Italy: Poste Italiane • Japan: Japan Post, Postal Savings Business Headquarters and American Express Bank • Latvia: Latvia Post • Luxembourg: EPT Luxembourg • Morocco: Banque Centrale Populaire and La Poste - Barid Al Maghrib • Netherlands: ING / Postbank • Philippines: Philippine Postal Corporation • Poland: ING Bank Slaski and Polish Post • Portugal: CTT Correios de Portugal • Romania: Posta Romana and Banc Post • Senegal: Postefinances • Serbia & Montenegro: Postal Savings Bank • Slovakia: Postova Banka • Slovenia: Postna Banka Slovenije • South Korea: Korea Post • Spain: BBVA and Correos y Telégrafos • Switzerland: PostFinance – Swiss Post • Thailand: Thailand Post • Togo: Societe des Postes du Togo • Tunisia: La Poste • Turkey: PTT General Directorate of Posts • United Kingdom: Alliance & Leicester Commercial Bank plc and Visa Europe • USA: Deutsche Bank

Connected via CrossPay:

Italy: Banca Popolare di Sondrio



Polish Post has joined Eurogiro

As of May 2006

Accession of Polish Post to Eurogiro

The membership forms part of wide-ranging operations aimed at making the offer of financial services in post offices more attractive and in maintaining a strong position for the enterprise following the full liberalisation of the postal services market in 2009. Polish Post, as a main shareholder of Post Bank, is currently working on a project to strengthen the cooperation between those institutions. As a result the widest national network of outlets providing this kind of services will be created – separate financial stands will be created in 3,000 post offices. The decor of the stands will be compatible with the visualisation implemented in Post Bank, and the products and consumer on-line service will be provided for and on behalf of Post Bank.

The following services are to be launched: current accounts for individual customers and for small businesses, deposit accounts and granting credits. What is more, the introduction of

electronic forms of settlement will modernise the procedure of accepting remittances onto accounts kept in other banks.

Installing of POS terminals

Polish Post has also started installing POS terminals in post offices, which will be the basis for the implementation of new services: beginning with the recharging of mobile accounts, and followed by withdrawals using cash cards, money transfers and bill payments.

In order to attract clients' attention efficiently and to ensure profitable sales, 80 coaches have been trained. They will provide designated employees of Polish Post with professional training based on the system of improving selling skills and upgrading the level of substantial knowledge.

Launching of new non-financial services

Recently Polish Post has also introduced a more attractive package of non-financial

services, launching, amongst others, a service for protecting keys called "Keypost".

This service delivers unaddressed samples of goods to a specified group of recipients. The recipient is able to check the contents of the COD parcel before making any payment.

Polish Post was founded in 1558, and in 2008 will celebrate its 450th anniversary. There are approximately 8,000 outlets at its disposal. In addition to Post Bank, the companies related to Polish Post are: pension fund Pocztylion, insurance company PTUW, financial services agency PAUF, IT company Postdata and media service company PMS.

Extension of International Money Order Service – link to accounts

Magyar Posta has extended the traditionally cash-based transactions with the cross-border transactions in favour of any bank account in Hungary

The legal status of Magyar Posta does not allow for its customers to open current accounts and therefore it offers money transfer services on the Eurogiro Network in the form of Postal Money Order to its customers. This makes the provision of Universal Postal Union (UPU) essential for the Post.

In accordance with the new UPU regulation which came into force in January 2006, Magyar Posta has extended the traditionally cash-based transactions with the cross-border transactions in favour of any bank account in Hungary. The terms and conditions for accepting the payments are published on the Eurogiro intranet.



Katalin Varga from Magyar Posta

Magyar Posta is convinced that the new type of transaction will lead to increased customer satisfaction, and also help secure its position. Eurogiro Members are invited to establish new connections with Magyar Posta.

Interview with Mr. Marco Siracusano

of Poste Italiane, Italy

Poste Italiane is the 6th largest industrial company in Italy. The company has 14,000 Post Offices and has branches in 2,300 towns where no banks are present. Total revenues for Poste Italiane are approximately 8,5 billions of Euros, of which BancoPosta represents 44% (balance sheet 2004).

As well as providing core postal services, Poste Italiane Group offers integrated products, as well as communication, logistic and financial services all over Italy.

The ability to manage complex outsourcing processes enables the Group to fulfil customer needs in the retail, business and public administration sectors, in compliance with certified quality monitoring standards and in line with the other leading European players.

Poste Italiane is a corporation whose stocks are entirely held by the Treasury.

Marco Siracusano has been working for BancoPosta since July 1999 and is now BancoPosta's Marketing Director. From May 2006 Mr. Siracusano will become the member for Poste Italiane on the Board of Directors of Eurogiro.

Mr. Siracusano, what does BancoPosta represent for Poste Italiane?

We are now one of the most important retail banks in Italy, and enjoy a very successful case history within the Italian banking system. If you consider that in 1999 we didn't have a real modern current account and no cards, we are very proud of the steps we have taken in this time.

Just some figures: BancoPosta has approximately 4,4 million retail current accounts and more than 7 million cards (prepaid, debit and credit cards).

Our current accounts are designed to manage all cash collection and payment needs in a practical, affordable way. Therefore, we have a complete, affordable range of credit, and debit cards. In addition, we provide simple, reliable solutions to diversify investments, in particular with regard to mutual funds, equity, bonds, life insurance, registered credit certificates and saving books.

What is the positioning of Poste Italiane within the international payment system?

We joined Swift in 2004 completing the international payment system offer. We also renewed the agreement with MoneyGram in order to provide international urgent money transfer to our customers.

With regard to international payments, Eurogiro is very important within the strategy of Poste Italiane. We have been members and shareholders since 1994 and, with almost 2 million transactions (including outgoing and incoming operations), we are one of the most important members in terms of traffic. Our goal in terms of international money orders is to increase our efficiency and reduce the costs, switching the cash transactions to e credit transfer.

Regarding cash to cash money orders, we are very confident about the success of the TMO. Poste Italiane attends the Postal Working Group and I'm sure they'll do a good job in launching the product.



Marco Siracusano, Poste Italiane Italy and the member of Poste Italiane in the Eurogiro Board of Directors

Mr. Siracusano, you have been appointed as member of Poste Italiane on the Eurogiro Board of Directors. What are your impressions?

I am honoured to attend the Board. I'll do all in my power to cooperate with the other members in order to generate new income for the members and to improve the quality of the network. I'm sure that working together we will achieve significant results.

Posteitaliane

Eurogiro News | Special Issue

Eurogiro Global Strategic Forum in Dresden



Interesting presentations and good dialogue at the Eurogiro Global Strategic Forum in Dresden

The 3rd Global Strategic Forum took place on 4th May 2006 in Dresden facilitated and hosted by Mr. Dirk Berensmann from Deutsche Postbank. The meeting not only underlined the general future challenges for postal financial services, but also underlined the wide range of regional and organisational differences between various postal operators.

65 participants contributed to an interesting event where speakers from 4 continents outlined their strategies and their visions for the development of Postal financial services in 2010.

The meeting revealed a postal sector under heavy pressure from competition, a lack of proper governance, and with limitations in terms of quality, funds and other resources. However, the discussions also highlighted the enormous opportunities for postal organisations through:

- utilization of the postal counter network;
- using postal organisations for remittances and financial inclusion by providing low cost accounts;
- Postal co-operation, not least on payments;
- privatisations;
- increased market orientation.

The meeting noted the exciting expansion plans and strategies from postal organisations in Brazil, Russia, Senegal, Hungary, Turkey. The speakers referred, for instance, to 5 million new account holders in Brazil Postbank, 200 million yearly money orders in Russia, and 300 million account holders in China Post, from which participants gained a clear and impressive view of the vast business performed by postal organisations.



Delegates from the Global Strategic Forum in Dresden

The conference underlined the importance of bringing postal organisations together for strategic dialogue and to facilitate structures where postal organisations can co-operate on development of their business.

This is basically what Eurogiro tries to do within payments. Our vision is that we can make the postal organisations the natural tool for remittances and for financial inclusion through co-operation between postal operators and with banks and other payment providers. The postal support of cash instruments, the vast postal

network of 660,000 branches, the locations in rural areas and the close contact with the ordinary population are the main reasons why the postal network is uniquely placed to provide real financial inclusion.

Thank you to Postbank for hosting this important event in beautiful Dresden. The event was organised in a very professional and friendly way, and gave us some memorable social experiences through the guided tour of the city and the visit and dinner at the unique VW car production plant.



Lev Razovski, Director International Affairs of Russian Post (First from left)

Mr. Razovski, State Enterprise Russian Post could present stunning growth rates for financial services in Russia.

The financial services in Russian Post have shown a truly impressive growth of 98% from 2004 to 2005, but according to Director Lev Razovski, Russian Post, the opportunities for further growth are by no means exhausted.

Alone in the area of international Money Orders, Russian Post expects growth rates of 200% for the next year. There is a huge and growing market for remittances, mostly Money Orders, both within Russia and between Russia and CIS countries and Russian Post is set to gain its part. For instance, the number of acceptance points for electronic Money Orders has been increased by 14 times already, or half of the target for 2010.

The hopes are to capture also more pensions and allowances, as well as in-payments of cash at counters. Deliberate exploitation of new technology has been a cornerstone in the strategy, but as Mr Razovski pinpointed at the Forum, it was with the opening up to various cooperation with other entities such as banks and corporate clients, the success really took off.



"There is life without a bank licence, but it is difficult", says Mr. Szivi, Vice president Magyar Posta.

The challenges are growing in a market where foreign banks are becoming more active and a strong heritage of an old postal institution

shows its limitations. For the Hungarian Post, the master plan to create growth from Postal Financial services had three drivers: Modern IT and face-lifts in the branch network, cooperation with banks in production as well as management, and widespread use of branding, both toward customers and to motivate and educate staff.

Magyar Posta believes that within the blend between public service obligation and image and modern tools and partnerships lies an attractive niche which the Post is well suited to exploit. Even if it also in Hungary may lead to fewer physical outlets and more customers served on the internet.



Mr. Tural, Chairman of the Board and Director General, General Directorate of PTT, Turkey spoke for a stepwise expansion of the financial services, using automation technology as main driver.

In Turkey, the Post had identified strong opportunities for growth in business volume and revenue from focusing on automating the branch network all through the country. In a period where banks were shutting down rural branches and the Turkish state owned several banks, a dense network reaching customers

all through the country was proving a strong asset. It facilitated new types of collaboration with banks, Telcoms, public suppliers and social institutions that was leading to substantial growth. Turkish Post had seen substantial growth in cash outpayments, credit card payments and other financial transactions.

And also the increasing international co-operation with Money Order companies was adding to the expansion. Perhaps in the future also direct link to the domestic clearing might follow, but that was too early to say.



Mr. Pouye, CEO, PostFinances in Senegal underlined the importance of technology.

Representing Africa in general and Senegal in particular, Mr. Pouye spoke on the development of financial services in Africa. He underlined

the great differences on the African continent in terms of quality, resources and capabilities.

“Change for postal organisations in Africa is a matter of survival, but change is often made difficult by governments and regulators which do not have postal organisations very high on their agenda”, said Mr. Pouye. He continued, “However, the recent global focus on microfinance and remittances is getting the attention of governments”.

Mr. Pouye underlined as well that upgrading of technology combined with training, regulatory framework and international standards will be key factors in creating the future success of African postal organisations.



Mr. Bienstman, Senior Advisor to WSBI (World Savings Banks Institute) spoke on the need for Postal Savings Banks to evaluate their structure.

Mr. Bienstman underlined the importance of the postal branch network and the social mission of providing access to finance. “About 1/3 of all savingsbanks are Postal Savings Banks”, said Mr. Bienstman and continued “The governments sometimes underestimate the opportunity for fighting poverty by providing access to finance via Postbanks”. Mr. Bienstman

encouraged Postal organisations to structure their financial services offering as a fully separate business unit, with a dedicated professional management and by creating a “win-win” cooperation agreement with the Postal organisation.

WSBI is heavily involved in the postal savings banks transition process through a dialogue with the World Bank and UPU and through a new publication: the WSBI Roadmap for Postal Savings Banks Reform – some guiding principles.



Mr. Kruidenier, Senior Advisor to Eurogiro, spoke on the creation of the Dutch Postbank and ING Direct as examples of how postal organisations can become leaders in their markets.

Mr. Kruidenier spoke on behalf of Mr. Verkoren, who unfortunately could not speak for personal reasons.

Mr. Kruidenier outlined the Dutch Postbank case story which have resulted in 7,5 million retail customers and 2,1 million internet banking customers. “By providing accounts, payment services and other financial products, Postbank has been a key tool in providing financial inclusion to all of the Dutch population” said Mr. Kruidenier.

He added, “Postal organisations around the world can learn from the example of Postbank and other modern post organisations when deciding how to enable their postal organisation to serve the population with cheap and simple financial products”.

The formation of ING Direct is the latest example of the use of the Postbank idea of providing cheap and simple products to the consumer. The success is astounding with nearly 15 million customers and 200 billion in savings by the end of 2005. Mr Kruidenier concluded, “The Postbank and ING Direct examples show that it is not only possible to provide competitive ‘postal concepts’ to all but also possible to end up with a very profitable business”.



Mr. Msofe, Director of Operations and Technology, UPU International Bureau presented the UPU's vision on Financial Services in 2010.

As the representative of the Universal Postal Union, an Intergovernmental Organisation and UN Agency, Mr. Msofe underlined that Postal Payment products are the Postal money orders, including the COD and the transfers between accounts, and that these are the products regulated in the 'Postal Payment Services Agreement' signed by 129 UPU members.

The Postal Payment products shall be available to all citizens and businesses both in the urban and the rural areas. Postal payment services should adapt to new technologies, and the UPU is implementing decisions by the 23rd UPU Congress, having focus on procedures, quality standards and needs of the postal customers. The UPU is developing a worldwide electronic payment network and will seek to interface for electronic payment services with other secure networks. In the period up to 2010 the range of Postal financial services will expand to meet the demands from customers; however, only money orders and giro transfers will be regulated by the UPU.



Mr. Wang, Deputy Director-General of Banking Supervision Department III of China Banking Regulatory Commission (CBRC) outlined the role of CBRC.

In the fast developing financial sector in China the role of the CBRC has become more important than ever. The function of CBRC is separated from Peoples Bank of China to enable PBC to focus on monetary policies and implementation hereof. With CBRC as a separate function, independence, specialization, effectiveness and authority of banking supervision have been enhanced.

The banking sector in China is opening up under the WTO commitments, meaning that foreign eligible banks now are allowed to conduct renminbi business in 13 cities. Further it is now possible to increase the single foreign equity holding in Chinese financial institutions to

20%. The Postal Financial business provided by China Postal Savings are now engaging around 220,000 employees in more than 35,000 branches serving more than 328 million clients. The balance of Postal Savings deposits has a tremendously growth rate and in 2006 Postal Savings will become the fourth largest bank in China. Main reasons for people to choose Postal Savings for banks are twofold: first of all, the Post is present in (rural) areas, where banks are not present, and second main reason is that many people living in the rural areas moves to cities to work for shorter periods. During these periods they need to remit money to their families in the rural areas.



"The mission of the Postbank is to reach and understand everyone with a simple business model" says Mr. Carvalho, CFO, Brazilian Company of Posts and Telegraphs (ECT).

Mr. Jose Osvaldo Carvalho spoke on the role of postal financial services in the Americas in

2010 on the basis of the successful project establishing the 'Banco Postal' – the Brazilian Postbank. The main drivers for establishing the Banco Postal were the social mission combined with a commercial approach. In Brazil only 22% of the population had access to financial services, while the remaining 78% had no access or too low income to become a client of a bank.

The 'Banco Postal' – which is not really a bank but a bank operator – is focused on the very low income market (monthly income around 150 USD) and thereby not competing with the banks. Today all 5,500 post offices in Brazil offers on-line, real-time financial services to the market, services offered in close co-operation with one of the biggest commercial banks in Brazil.

Banco Postal expects to continue the very positive development over the next five years, growing its client base from currently around 5

million clients to more than 8 million clients (nearly 10% of the adult population) to be served from up to 12,000 branches countrywide.

"Although the implementation was lengthy (it took 3.5 years), the business model has shown its feasibility" said Mr. Carvalho, "the nearly 5 million clients of the Banco Postal are all newly banked people".

The agreement between Banco Postal and the commercial bank holding the accounts has become a proven success: The population has now easy access to financial services, the financial literacy has been raised, the domestic savings has grown and value has been added to the postal counter network.

The value of deposits and the number of transactions has shown a tremendous growth, reaching 5 billion dollars by December 2005 – and the revenue for Banco Postal is following the same trend – 'only as a consequence' as Mr. Carvalho finished his presentation.



Interview with Mr. Dirk Berensmann

The newly elected Chairman of the Eurogiro Board of Directors

Mr. Berensmann, you have just been chairing a successful Strategic Global Forum for Eurogiro. What do you see as the main objectives and benefits of such event?

The forum is an excellent opportunity to hear about the broad variety of objectives and challenges of Postal Financial Services in different regions of the world. It provides a platform for the exchange of experiences at higher management levels and shows best practice examples for the successful development of Financial Services in the postal – and financial sector.

Deutsche Postbank is a market leader within low value payments in Germany. Why is Eurogiro attractive for Deutsche Postbank?

We are providing payment solutions for other banks as well as for our own customers. Our strategic goal is to be the number 1 in German Transaction Banking with account related services and loan processing. We see a sustainable cost efficiency, combined with value added services, as our basis for success in Transaction Banking.

In 1992 Deutsche Postbank joined Eurogiro as one of the founding shareholders. Since then Postbank has worked in close co-operation with Eurogiro and its community, guided by two core principles: cost-efficient processing and strategic business development.

It is essential for us to co-operate with an international payment network providing an adequate range of products and services at the best price. Together with Postbank's state-of-the-art IT-systems, Eurogiro delivers value by process standardisation and automation, together with high quality due to agreed standards and Service Level Agreements. And we continuously evaluate and implement new business opportunities arising from Eurogiro's strategic alliances.

The European payment landscape is changing dramatically with the implementation of SEPA. From an infrastructure perspective, what are the major changes that you expect through to 2010?



Dirk Berensmann, Member of the Board, Deutsche Postbank

The SEPA implementation is a major challenge most likely heading for consolidation in European payment infrastructures, as well as the whole financial sector.

We will see a multitude of banks choosing not to conduct payment services by themselves any longer, but offering payment services through local or regional payment service providers. CrossPay could be seen as a successful example of a group of mass payment handlers organising a business initiative with an extremely efficient, low cost bulk payment structure based on bilateral / multilateral clearing set-up. SEPA clearly will accelerate these consolidation and co-operation processes.

You have been elected the new Chairman of Eurogiro Network A/S: What do you see as your main tasks as Chairman? – And what are, in your view, the most important challenges and opportunities for Eurogiro in the future?

First I would like to express my thanks to Henk Kruidenier, ING for his extremely valuable contribution to Eurogiro's strategic development during his Chairmanship. Thanks to this, Euro-

giro is well positioned to cope with the challenges to come.

I think it is crucial to maintain the existing strengths of the Eurogiro network and to expand on them further. I see the core strengths of Eurogiro, as being its cost efficiency, high STP rates and the ideal position of linking the postal world with the banking world.

One of the challenges will be to use the forthcoming changes to focus on the expansion of the services offered by Eurogiro on a risk controlled basis.

The key to success lies in the balance between focusing on core competences and breaking new ground. Eurogiro unifies major players in the payment landscape with a comprehensive understanding of the business. Together we have to deliver innovative solutions, in time, in line with the needs of the Eurogiro community.

I am convinced that Eurogiro is well prepared to capitalise on such future opportunities.



La Banque Postale is launched

The birth of a new French bank

After gaining approval from the French regulator, le Comité des Etablissements de Crédit et des Entreprises d'Investissement, or CECEI, La Banque Postale has finally been launched. New Year's day 2006 marked the birth of a new French bank.

La Poste creates a separate credit unit

The CECEI gave La Banque Postale the green light without imposing any major conditions. La Poste has now created a separate credit unit based on its existing Efi-post investment-services business and called it : La Banque Postale. The move involved the transfer of all La Poste's financial service assets and 1,000 staff to La Banque Postale, now a wholly owned subsidiary of the French state Groupe La Poste, whose key activity for the past 180 years has been the mail service.

La Banque Postale already boasts 28,9 million clients, € 4,3 billion of revenues, 17,000 retail outlets and 7,800 banking advisers. That translates into a 9% share of the bank market in current accounts, 20% in savings deposits and 12% in savings tied to property purchase.

The bank's business plan for 2010 includes three key objectives:

- to be the main bank of 10 million customers, which represents a progression of 25%,
- to reach a growth of 30% of its turnover,
- to be the nearest to its customers' multi-channel bank.

New services offered

In terms of products, La Banque Postale enters the arena from the first day as a major player in life insurance on the French market, in partnership with CNP Assurances, completing its existing range of life insurances with a new service called Vivaccio. The concept of Vivaccio is to be "a contract of life insurance for the

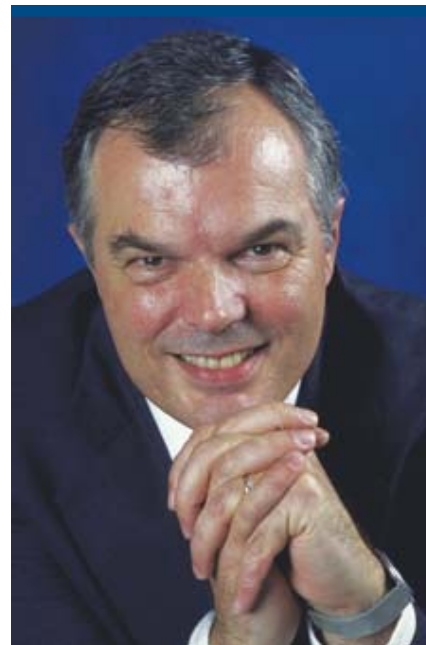
different steps in life". This innovative contract has been marketed since January 2, 2006. Vivaccio is offered as a very accessible product, starting from €75 for the first payment. It is built around five formulas within the same contract, to better respond to all the needs of the subscriber at each stage of his life.

Another major element in terms of new services is the development of the range of loans delivered by the new bank. La Banque Postale, which already offers current accounts, savings products and insurance, has been granted a limited license, allowing it to sell mortgages to customers without property savings accounts. Before the first of January 2006, La Poste could offer mortgages only to those who had held special property saving accounts for four years. The new bank aims to increase its share of the mortgage market by capitalising on its wide customer base and retail network. Mr. Patrick Werner, Chief Executive Officer of La Banque Postale, hopes the sale of mortgages will allow the bank to retain customers and wants to increase La Banque Postale's share of the mortgage market to 9% in four to five years, from its current 4-5% share.

However, the authorities have still to allow La Banque Postale to sell higher margin consumer credit loans. But the bank is expected to apply for permission soon and analysts believe it is only a matter of time before approval is given to La Banque Postale. The bank would then seek wealthier and younger clients and create customer loyalty.

Mission of La Banque Postale

On entering the banking community, respecting its obligations and the market competition, and under the new rules enacted by the credit regulatory body, La Banque Postale reaffirms its values and its specific role: "a bank unlike all others". With a mission to fight against banking



*Patrick Werner, Chief Executive Officer
La Banque Postale*

exclusion, La Banque Postale endeavours to bring accessible solutions to all those confronted with the great evolutions of this world.

For all these reasons, La Banque Postale is to be the bank for each and everyone.





Moving to PKI solution from Entrust

The services provided by Entrust are in line with the services already implemented in our current PKI solution for ELS v1.5. The Entrust solution is fully integrated into the ELS v2 application.

Entrust portfolio matches demands of financial sector

Entrust offers PKI, secure messaging, access control and authentication solutions. This portfolio meets the current needs of customers within the financial sector for several reasons. The most obvious is the increase in identity theft against end users. "Phishing" for digital identities and personal data such as credit card details is a threat that has been recognised by a vast number of consumers.

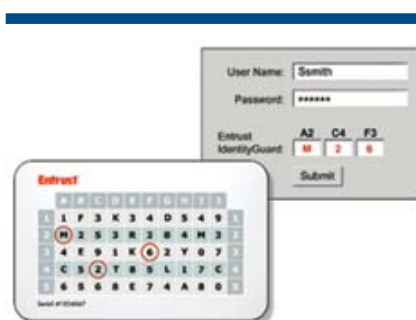
The result is a loss of customer confidence in online banking. This situation requires the introduction of strong authentication, even for low-risk transactions. To avoid driving legitimate users away, the authentication systems not only have to be secure, but also risk-aware and as non-intrusive as possible. Entrust IdentityGuard, working with or without PKI in the background, solves this problem by offering a comprehensive set of risk-based and mutual authentication methods.

Entrust[®]
Securing Digital Identities
& Information

Another driving force behind the growing interest of financial services in information security is the emergence of targeted attacks on the businesses themselves. A new generation of attackers is paid by criminal organisations and therefore prepared to make elaborate long-term attempts to steal information which may be used to make money. Whereas stored data can be secured with traditional IT security solutions such as firewalls, content security and intrusion detection, the transactions between financial services and their customers and partners require the implementation or optimisation of PKI-based systems for strong authentication, digital signature and encryption of documents and communication channels. En-

trust's long-term experience allows the company to tailor its PKI and access control products to exactly meet the needs of this market.

It's not only the evolving risk level which stimulates the demand for authentication and PKI. Regulations such as the Basel II initiative and the EU Data Privacy Directive require the implementation of risk mitigation. Pressure to comply with such regulations is markedly felt by institutions and their financial services. Strong authentication and PKI are still the most promising technologies to enable implementation of adequate information security measures in the banking industry and to safeguard personal customer data.



Grid Card Authentication without PKI to secure end-user access.

Eurogiro is strengthening the security

With the migration of the PKI solution to Entrust we are strengthening the security in our network, and at the same time making it easier for our members to install and use the PKI. The migration includes a new system (CA – Certificate Authority) for issuing and managing member certificates as well as a toolkit on the ELS for the signing of messages and for certificate management.

The new CA was successfully installed in mid-March at the central Eurogiro site. A new root-key was created with a key-length 4 times greater than the previous one. As all certificates are issued against the root certificate, the ELS

systems must all use certificates from the same CA and thus cannot be migrated one by one. The ELS version 1.5 systems and the ELS version 2 systems communicate via a gateway making it possible to keep the ELS v1.5 systems on the old CA and perform a "Big Bang" migration to Entrust on ELS v2 where all ELS v2 systems were upgraded at the same time.

The Entrust solution is easy for our members to install and use. The PKI on the ELS is embedded in the application using the Entrust Toolkit for the Java platform, meaning that there are no specific procedures for the installation and upgrade of the PKI. The initial certificate is retrieved from the CA via the secure network using a Reference Number and an Authorisation Code. All subsequent updates are retrieved automatically. The ELS application checks the lifetime of the certificate at regular intervals and, when it is close to the expiry date, the ELS automatically requests and downloads a new certificate from the CA.

With the new PKI our members get a higher degree of automation in the management of the ELS. The upgrade of the PKI is included in the ELS application upgrade. New security features such as authentication of terminals and stronger user authentication used in the communication with the ELS are easier to implement and manage.



Lionel Chilaud (Entrust, UK), Martin Rørig-Dalgaard (FastPass, DK), Uwe Holmsgaard and Wagner Banja (Eurogiro), Brian Ryberg and Bo Igel (HP, DK) celebrating the successful installation of the CA.

Deutsche Postbank promotes payments on the Internet

Deutsche Postbank AG has developed a new payment procedure, in partnership with the Sparkasse and the Volks- und Raiffeisenbank groups, for Internet shopping in Germany

Under the name of Giropay, the new payment procedure has been available, since February, for transactions at the online auction site eBay. Discussions are already being held with other large Internet retailers and the system will also be provided to other banks.

“Through Giropay, we are launching a new payment procedure onto the market, which customers and retailers have been requesting for a long time”, says Werner Wessinghage, who is responsible for the project at Postbank. “Customers can now make payments just as easily, quickly and safely as they can when using online banking.”

Giropay functions in the same way as a simple online transfer. When shopping on the Internet, the purchaser is directed to the webpage of his/her bank from the retailer's website and can then carry out the transfer as normal by entering their account number and PIN. No additional software or registration is required. The only prerequisite is that the customer is already registered for online banking. The advantage for the retailers is that they immediately receive a payment guarantee for a customer purchase and can therefore dispatch the goods more quickly.

The launch of Giropay was extremely successful. Over 15 million people had access to the payment procedure shortly after it was introduced. The high level of interest in Giropay is also reflected in many enquiries from retailers, acquirers and private customers.



Werner Wessinghage from Giropay GmbH responsible for the project at Deutsche Postbank

German Internet users are still very reserved with regard to online shopping. They often fill shopping baskets but then do not proceed to make a purchase. Giropay should now provide that element of trust that was missing among consumers, as payment can be conveniently processed via their own bank. Unlike in other countries, credit cards are seldom used for Internet shopping in Germany. Around 85% of shoppers pay by bank transfer – a procedure that is unheard of elsewhere. According to industry information, sales in electronic trade for German private customers will more than triple to around EUR 80 billion in the next three years.



Eurogiro Personnel

We are pleased to announce that on 18 April 2006 Pia Mortensen began working for Eurogiro Network A/S as secretary, replacing Marianne Christensen.



Activity Calendar Summer 2006

22 - 24 May 2006

Technical User Group Meeting in Prague, Czech Republic

7 - 9 June 2006

User Group Meeting in Pfäffikon, Switzerland

9 - 13 October 2006

SIBOS 2006 in Sydney, Australia

10 - 12 October 2006

Post-Expo 2006 in Amsterdam, The Netherlands

26 - 27 October 2006

Board Meeting in Vienna, Austria

Subjects to be covered in the next issue:

- New Eurogiro members
- Focus on Asia

Please forward ideas, comments, articles etc. to:

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