

Annual Report 2005



CURRENCE

model
for national common payment systems

Transparency and competition

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Currence' is not an existing English word, but combines associations with 'currency' (in the sense of 'money') and 'current' (in the sense of both 'present' and 'flow') to suggest contemporary monetary flows. 'Currence' therefore stands for efficient, state-of-the-art electronic payment systems. As part of the word 'concurrence', it has connotations of co-operation. 'Currence' is also related to the term for 'competition' in several European languages, which is appropriate, given that one of Currence's main objectives is to foster competition.

Profile of Currence

Currence is the owner of the common payment products in the Netherlands. Currence acquired the ownership of the PIN, Chipknip, Acceptgiro and Incasso/Machtigen products in 2005, the year it was established.

Currence's objective is to foster competition and create transparency in common payment systems in the Netherlands, while maintaining the high quality, efficiency and security of common payment products.

To this end, Currence sets objective rules for its payment products in dialogue with all interested parties. It grants licences and certificates to market parties and new entrants which comply with these rules and wish to offer Currence payment products on the market or offer support services. Currence supervises market parties' compliance with its regulations to ensure the quality and security of its products. There is also close co-operation with all interested parties to prevent fraud. Currence handles general communication with the public and brand promotion, based in part on market research, and positions its payment products as secure, convenient and efficient.

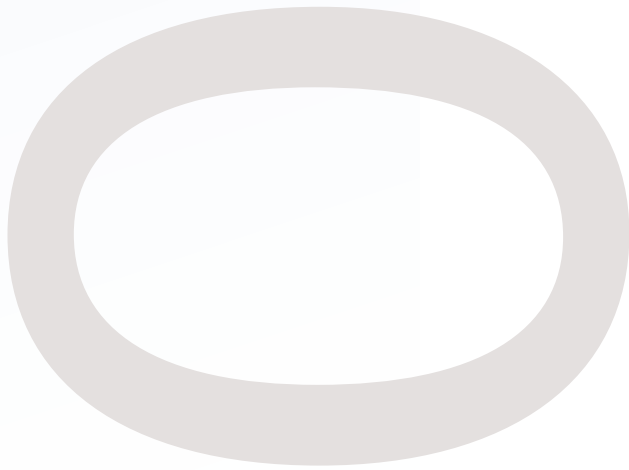
The payments market is dynamic. There is a high rate of internationalisation and technological development and the new Dutch market model also allows potential new entrants and innovative applications. Changing market and customer requirements are the basis of policy and the further development of the Currence payment products

Currence is an independent organisation with governance that ensures its autonomy. The incorporation of Currence has created a new model for the Dutch payments market in which product ownership and regulation are separated from transaction processing. The incorporation of Currence was an initiative of eight Dutch banks, prompted in part by recommendations made by the Wellink Commission in 2002 on introducing greater transparency and market efficiency in payment systems.

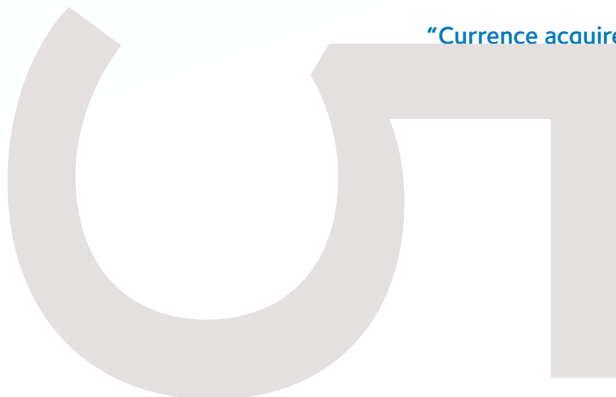


Our mission

Currence's mission is to facilitate competition and create transparency in common payment systems in the Netherlands and to maintain and develop the quality, security and efficiency of common payment products.



"Currence acquired the ownership of the PIN, Chipknip, incasso/Machtigen products in 2005, established."



Organisation and 2005 key figures

1.33 billion (+6.9%) PIN transactions in 2005*

Organisation and key figures 2005

Board members and officers under the articles of association as at 1 April 2006

Executive Board

Mrs. Ada van der Veer-Vergeer

Supervisory Board

Mrs. Annemarie Jorritsma-Lebbink, chairman

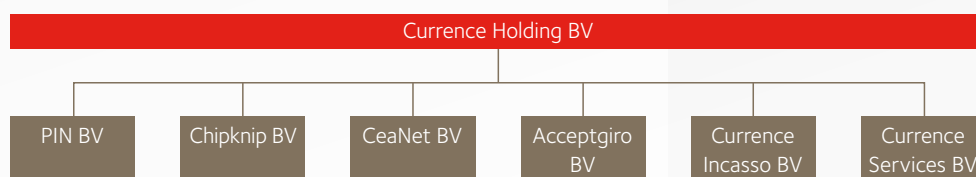
Jaap Koning

Jos van Lange

Hans van der Noordaa

Jan Peter Schmittmann

Currence Holding and its subsidiaries



Key figures

Number of transactions of payment products

PIN	1.330 billion	(+ 6.9%)
Chipknip	147 billion	(+ 15.4%)
Acceptgiro	196 billion	(- 9.0%)
Incasso/Machtigen	1.180 billion	(+ 5.0%)
Total	2.853 billion	

Licensees and certificate holders – cards 2005

PIN licensees	32
Chipknip licensees	29
PIN terminal suppliers	9
Chipknip terminal suppliers	14
PIN datacom suppliers	12
Chipknip datacom suppliers	12
PIN and Chipknip card suppliers, personalisers and destroyers	7
PIN and Chipknip acquiring processors	1
PIN and Chipknip issuing processors	3
Switch	1
PIN and Chipknip clearing houses	1

Licensees and certificate holders – cashless 2005

Incasso licensees	57
Acceptgiro licensees	46
Acceptgiro debit processors	6
Acceptgiro credit processors	4
Acceptgiro clearing houses	3
Acceptgiro debit processors	2
Acceptgiro credit processors	2
Acceptgiro clearing houses	1

Cards



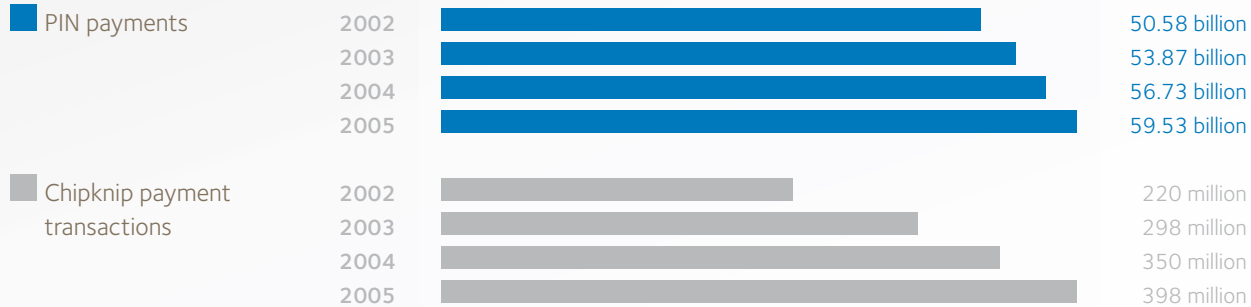
Cashless



Terminals



Card sales (in euros)



5

Report of the Supervisory Board

A new market model for payments

The incorporation of Currence arose from the wish to transfer ownership of all the common payment products in the Netherlands to an organisation which has the aim of enhancing market transparency and promoting competition in payment systems. It set off the operation of a new transparent market model which balances the co-operation required in common payments and free market operation.

The Supervisory Board attaches great value to an open and free market for all stakeholders. The Board concurs with the importance of the self-regulation that the banks are achieving in payments by setting up Currence, with control over common national payment products being transferred to Currence.

Currence has positioned itself as a new, independent party in an established market. The complexity of this process was determined in part by the changes in control and the implementation of a certification and licensing structure for all new and existing market parties. The Supervisory Board expresses its admiration for the way in which the Executive Board and the employees have shaped the positioning and structure of Currence.

Work of the Supervisory Board

The Supervisory Board advises the Executive Board and supervises its policies in the interests of the company and its affiliated enterprises. The Supervisory Board is guided in this by the interests of all stakeholders. The Board acknowledges the significance of the further development and professionalisation of Currence and its autonomous role in the new market model.

The Board of Founders initiated the incorporation of Currence in 2004 and also served as the first Supervisory Board. In view of Currence's role, the shareholders deliberately created an independent Supervisory Board in the course of 2005/2006. Consequently, during the creation of Currence the Supervisory Board members associated with shareholders resigned and independent supervisory directors took office (see 'Notes on the company's structure and governance'). This process is continuing in 2006. The Supervisory Board and its predecessor, the Board of Founders, met ten times during 2005.

“Currence has positioned itself as a new, independent party in an established market. The complexity of this process was determined in part by the changes in control and the implementation of a certification and licensing structure for all new and existing market parties.”

The Supervisory Board gave particular attention in 2004 and 2005 to the incorporation, objects, positioning and operation of Currence and its subsidiaries. The governance structure and functioning of the Supervisory Board itself were given particular attention. Developments in the harmonisation of payments in Europe were also a regular item on the agenda in 2005.

A feature of the creation of Currence is self-regulation and this has proved to be an arduous task. Stakeholders are having to get used to the new market model. The Board itself is having difficulty finding the right balance in its operations. The consequences of the chosen market model need to be examined and addressed. It is expected that this process will also require attention in 2006.

Currence's financial statements

We have pleasure in presenting the General Meeting of Shareholders with the company's financial statements for the extended reported period from 1 March 2004 to 31 December 2005. The financial statements have been prepared by the Executive Board and, following audit by PricewaterhouseCoopers Accountants N.V., were discussed by us with the Executive Board.

We ask the General Meeting of Shareholders to adopt the financial statements as presented by the Executive Board. In accordance with the proposal of the Executive Board and on the basis of the provisions in the articles of association, we recommend adding the net result of the subsidiaries, PIN B.V., Chipknip B.V., CeaNet B.V., Acceptgiro B.V. and Currence Incasso B.V., to the A to E dividend reserves of those product companies and the remaining net result to the holding company reserves.

We call on the shareholders to endorse the management conducted by the Executive Board and the supervision exercised by the Supervisory Board in the 2005 reporting period

Amsterdam, 30 March 2006

On behalf of the Supervisory Board

Annemarie Jorritsma-Lebbink, chairman

Report of the Executive Board

Payments in the Netherlands are efficient, secure and fast. They are a linchpin of the economy and so of great social significance. The current quality of the national payment system has been achieved by continuous investment and good co-operation between banks, businesses and consumers. The many parties involved, the high quality standards of payment products and the number of transactions make payments a complex market. New and existing players have to be able to take competitive initiatives under identical conditions. This requires an organisation that creates and maintains a level playing field for all parties while preserving the particular achievements of the Dutch payment system. This was the aim of the eight Dutch banks which set up Currence.

Currence's objective

Currence is the owner of broadly accepted common payment products in the Netherlands and has the objective of facilitating competition and transparency while guaranteeing the quality and reliability of the current payment system, also for new entrants. Any party which complies with the rules for the various Currence payment products may enter that market under the same conditions and compete on price, technology and functionality. The transparency, uniformity and objectivity in the rules and certification create a level playing field for all market parties.

Transparency and market efficiency characterise the new market model

The arrival of Currence has created a new market model for national common payment systems. This market model is aimed at promoting competition. It is a balance between free competition and the co-operation needed in payments. Ownership of the PIN, Chipknip, Incasso and Acceptgiro products and their regulation was transferred to Currence in 2005 and so, since then, they have been separated from transaction processing. Currence has also introduced a certification and licensing structure for its products based on transparent and objective rules. Parties which meet Currence's minimum requirements can obtain a licence to use Currence payment products. Suppliers may have their equipment, software and services certified. These suppliers can offer their products and services on the market with the certificate issued by Currence. Currence ensures that licensees and certificate holders continue to comply with the requirements in order to maintain the quality and continuity of the payments.

The incorporation of Currence created an open market. But market forces need time. Starting from a more closed market, it will not be easy to put everything into practice in a short time. Removing barriers to entry in the infrastructure also needs time. It was, therefore, satisfying to see that the new market model had already contributed to greater market dynamism in 2005 with new and existing parties having developed innovations and new propositions for payments. These have included the introduction of a new link in the PIN and Chipknip chains:

“The arrival of Currence has created a new market model for national common payment systems. This market model is aimed at promoting competition. It is a balance between free competition and the co-operation needed in payments.”

the payment service provider. Parties have recently been certified to offer these new services on the market.

Incorporation and positioning of Currence

The decision to set up Currence in March 2004 was the start of a long, complex and sometimes difficult process which has not yet been completed. The banks' self-regulation that started with this new market model has demanded a lot of the parties involved. The changes in control and unbundling of the payment chain required well developed governance, clear and explicit regulation and transparent supervision. This has created a unique market model in Europe, putting the Netherlands in the lead.

After long and careful preparation, Currence was presented to the market on 17 May 2005, as an autonomous and identifiable business with an independent role to promote competition. It is responsible for policy and the development of its payment products and consults on this with its licensees (banks) and certificate holders (including processors, terminal and datacom suppliers), partly further to the wishes of stakeholders and external developments. Currence also handles public information and brand promotion, based in part on market research. Currence checks that market parties are complying with its rules and works closely with all interested parties on preventing fraud in order to maintain the integrity and reliability of these products.

Governance

Facilitating competition predicated upon Currence's ability to operate independently, so that no one market party can influence its decisions on certifying actual or potential competitors for access to the market or on allowing innovative applications to be introduced on the market. The governance of Currence has to guarantee autonomous operation, not least because Currence's existing shareholders and their subsidiaries are the main players in the Dutch payment system. The General Meeting of Shareholders has only the normal statutory powers and can only exercise authority over product changes in exceptional cases. The company also has an independent Supervisory Board. Furthermore, potential or existing licensees or certificate holders may go to an independent Appeals Board if they disagree with a decision by Currence. Please see 'Notes on the company's structure and governance' for further information on governance.

Structured and open dialogue

Payment systems affect every part of society and so Currence has to take account of the interests of all parties affected by its products when carrying out its mission. They have to be confident that Currence is acting fairly and prudently. Currence is, therefore, transparent in its policy development, regulation and behaviour. In this context, a lot of effort was put into

explaining the new role of Currence to potential entrants, interest groups and industry bodies in 2005. Currence consults market parties on a structural basis concerning matters such as product policy, product changes, promotional campaigns and market research. This dialogue means that the voices of licensees and certificate holders, businesses and consumers are always heard by Currence.

Relationship with the Nederlandsche Bank

As part of its statutory duties, the Dutch central bank (DNB) forms an opinion on the security, reliability and efficiency of payment products and systems by supervising ('oversight of') these systems and products. As setting up Currence has major consequences for the functions and roles in the payment systems, it consulted DNB during the incorporation phase. DNB expressed its support for Currence's structure. As Currence has responsibility for policy and regulation of the common national payment products, DNB supervises Currence and its products.

Favourable opinion by NMa

The Dutch Competition Authority (NMa) examined Currence's incorporation, governance and methods in the light of the competition rules and issued a favourable opinion in April 2005 (see www.nmanet.nl). It stated that, in its view, Currence could pass the competition law test and that the incorporation of Currence was a positive development for competition in Dutch payments.

Payment products

The Dutch common payment systems enjoy strong brands and solid payment products which are continually adapted to the needs of the market. Users value electronic payment products as shown by the ever increasing use of cards and cashless products. On balance, the Netherlands is a leader in Europe in the number of electronic and, therefore, efficient payments per head. At the same time, the Netherlands has to deal with European harmonisation of electronic payments following the introduction of the euro. As a result of the harmonisation, Currence and its products are in an area of tension: Dutch payments have achieved high efficiency and quality, better than the European average, while a transition to European standards will be inevitable in due course. During the transition, Currence will work to maintain and support its products as far as its products are used by licensees. In 2005, therefore, Currence carried out a scenario-based impact analysis for all of its products and outlined a policy for the future. Please see 'Currence products' and 'European harmonisation of payment systems' for more information on the individual products, including European harmonisation

“The governance of Currence has to guarantee autonomous operation, not least because Currence’s existing shareholders and their subsidiaries are the main players in the Dutch payment system.”

Results

The consolidated financial statements of Currence include the financial information of Currence Holding B.V. and its subsidiaries. Currence has a modest profit target focused on continuity and operates within a competition law framework. Currence’s first financial period covers more than one year, from 1 March 2004 to 31 December 2005. During this period, Currence incurred a loss of € 1,448,000, including a charge for start-up activities. It is expected that modest profits will be made after the start-up period. Consolidated net assets were some € 54 million and shareholders’ equity was some € 23 million as at 31 December 2005.

Organisation

Currence is a new organisation with a new area of operations in an established market. The reorganisation of the playing field in particular and the formulation of the rules required a lot of effort during the start-up phase. Currence started as a pioneering organisation in 2004 and has evolved into a compact organisation of professionals. A further strengthening will be made in 2006, with the emphasis on further professionalisation, removal of weaknesses and optimisation

Outlook

The incorporation of Currence, the introduction of the new market model and associated unbundling of the national payments system proved to be a long and complex process. The favourable view of the NMa and subsequent introduction of Currence to the market were major milestones. The new contract structure implied a more businesslike approach and led to a period of adjustment. Currence is now seeing emerging market dynamism. Potential entrants are approaching Currence and Currence is proving to be a natural partner for innovative parties which want to market new proposals.

The implementation of the new market model and the actual creation of a free market need time and so, among its activities, Currence will be working throughout 2006 on specific activities following its incorporation. A significant point will be completing the certification of all market parties currently working in the payments chain and operating provisionally under a dispensation. Attention, based on experience built up with the direct stakeholders on the market model, will also be given to the appropriate balance between the reorganisation of the playing field and the associated responsibilities.

There is also a strategic perspective. There are fundamental changes in the payments landscape. The SEPA (Single Euro Payments Area) is approaching and may create an area of tension between maintaining the national successes and moving to European standards. Currence can play a major role in this migration and, in this context, much attention will be given to implementing European standards such as EMV in 2006 for retail products.

“Currence consults market parties on a structural basis concerning matters such as product policy, product changes, promotional campaigns and market research. This dialogue means that the voices of licensees and certificate holders, businesses and consumers are always heard by Currence.”

In conclusion

It is not simple to set up a new organisation in a new area of operations with a major impact on existing players and without a ‘blueprint’ for reference. In this light, during and since its start-up, Currence has, on balance, been able to work constructively with its stakeholders. The achievement of transparency and competition is above all a joint achievement. It is exceptional and admirable that parties have tried to agree on a new co-operative model in the area of payment systems that promotes competition and at the same time supports the quality of the common payment systems. In the past two years, Currence’s employees have made a large and professional contribution to its creation. The business is operational and its initial effects on market forces are noticeable. Assuming further embedding of the new market model in 2006, Currence is confident that it will meet its objectives.

Amsterdam, 30 March 2006

Ada van der Veer-Vergeer,
Managing director

Currence products

Currence is a leader in Europe in terms of the number of electronic – and thus efficient – payment transactions per head of population. The well-known PIN, Chipknip, Acceptgiro and Incasso's machtigen payment products have a prominent place in this. The payments market is very dynamic. There is a high rate of internationalisation and technological development, and the new Dutch market model also allows potential new entrants and innovative applications. Changing market and customer requirements are the basis of policy and the further development of Currence's payment products.

Consumer retail products

Currence uses market research to maintain insight into payment habits in Dutch retailing and the significance of its products in this. The 'Consumer Retail Payment Monitor' has shown that consumers settle about one-third of all retail payments electronically and two-thirds in cash. PIN (debit card) is the most commonly used means of electronic payment, accounting for over 28% of all retail payments. The tipping point between cash and PIN payments is about € 20: above this amount, consumers tend to pay by debit card, below it in cash. Nearly everyone between 12 and 74 years of age has a debit card.

Electronic payment contributes to more efficient transactions and lower social costs. The cost of payments' study by DNB (March 2004 Quarterly Bulletin) shows that the debit card is the most efficient means of settling transactions above € 11. The DNB's study also showed that the Chipknip (electronic purse) has the lowest social cost in every case (taking into account the cost of the entire payment chain).

Efficient, convenient and secure payment is inseparable from Currence's products. In this regard, Currence invests public information and brand promotion for its products, in campaigns and case studies. One campaign in 2005 was 'PushPIN' on TV, in adverts and with free cards, informing consumers that PIN and Chipknip payments can now be made in many places other than traditional retailers.

"The Dutch consumer payment system is based on sound and solid payment products which are adapted to the needs of the market. We value electronic payment products as shown by the ever increasing use of cards and cashless products."

“Currence has established the PIN EMV requirements for payment terminals and cards. This was the starting sign for a major project. The replacement of over 200,000 payment devices and 18 million PIN cards is far-reaching and must be done with care.”



PIN BV

The number of PIN (debit card) transactions rose from 1.25 billion in 2004 to 1.33 billion in 2005, an increase of 7%. It is notable that the average amount paid by PIN has fallen in recent years from € 47 in 2002 to € 44 now. Currence expects that this fall will continue as a result of the declining average transaction cost of PIN payments partly thanks to ongoing technological developments.

The number of PIN payments is largest in supermarkets, where there were 464 million payments in 2005, leaving petrol stations and fashion stores behind. Market research shows, however, that 55% and 60% of all payments in fashion stores and petrol stations are made by PIN, while the figure is 40% in supermarkets. The industry seeing the greatest increase (18%) in the number of PIN transactions was hospitality. Since the advent of mobile payment equipment (hand-held PIN and Chip terminals), it has been possible to pay by PIN at the table in many cafés and restaurants.

Currence expects that the growth in PIN payments will continue in 2006. PIN will be positioned more and more as a means of payment for transactions below € 20. One objective of the covenant on payments that the retail industry and banks agreed in November 2005 is encouraging electronic payments to reduce the relatively high social costs of cash. Currence expects this to positively affect PIN payments.

Although PIN is a secure product with almost no fraud, internationally there is progress towards the EMV standard, which allows even better security, with the magnetic strip on the back of the PIN card being replaced by an EMV chip with a PIN code. The chip contains the data needed for making a payment. The PIN card's magnetic strip will disappear from use in due course. The introduction of the EMV standard is a global operation which will inevitably take some time.

Currence has established the PIN EMV requirements for payment terminals and cards. This was the starting sign for a major project. The replacement of over 200,000 payment devices and 18 million PIN cards is far-reaching and must be done with care; it involves many parties. For Currence, an important criterion in implementing EMV is that the new standard is introduced in the payment chain at the lowest cost to all parties. This will be achieved in part by natural replacement of payment devices and cards over a maximum period of eight years. Given the agreements reached between banks and retailers, Currence expects that the entire operation will be completed by 2013.



Chipknip BV

There are now 6,640 loading points and 203,400 payment devices in place or operational for the Chipknip (electronic purse) in the Netherlands. The number of Chipknip transactions grew by over 15% to 147 million in 2005, demonstrating the usefulness of the product in the

Retail payment transactions



Source: Currence Gfk Monitor – Consumer retail payments in the Netherlands

Cashless payment transactions



Source: DNB, Interview-NSS (2005)

market. Consequently, the Netherlands has the most successful electronic purse in Europe. For example, there were only 65 million transactions with the Geldkarte in Germany, which is a much larger country. The Chipknip is used mainly for parking, vending machine and catering transactions. As in 2004, most chip payments were made in canteens and vending machines in businesses and government, care and educational establishments. The Dutch spend an average of € 2.72 per Chipknip transaction.

Currence expects that the growth in Chipknip payments will continue in 2006. Chipknip will be a generic part of encouraging electronic payments, focusing on parking, vending machines and catering. Efficiency measures in the payment chain could also reduce operating costs, with a positive effect on usage.

Direct debit and Acceptgiro

There are a huge number of direct-debit payments and Acceptgiro payments in the Netherlands (2.4 billion payments totalling € 5.4 trillion) which are characterised by quality, speed and reliability. Currence products play a major role in this. Incasso (direct debit) represents 45% of national cashless payments and Acceptgiro (giro collection) 9%. There is a move within the cashless products away from handwritten payment instructions towards Acceptgiros and, parallel to this, the use of Incasso is increasing at the expense of Acceptgiros. Payment by internet is also increasing rapidly.

Acceptgiro BV

The Acceptgiro payment product is a structured payment from a debtor to a creditor and is familiar from its yellow design. The use of Acceptgiros has been declining gradually in recent years. The product was used 196 million times in 2005, a decline of 9% compared with 2004.



“Currence is at an advanced stage in acquiring the iDEAL internet payment product, which was developed by three banks. iDEAL will then become a common payment product.”

1.18

Although the paper Acceptgiro is a relatively efficient product compared with a handwritten payment instruction, it is less efficient than electronic ones such as Incasso, iDEAL and internet banking in general. Internet banking is contributing to consumers regarding the Acceptgiro more as an invoice and not using it as a means of payment. As a result of all these factors, and the burgeoning electronic Acceptgiro, the paper product is currently being scaled down. Currence expects that the volume of Acceptgiros will halve in the coming five years. A start is being made in 2006 by phasing out the inefficient, specified Acceptgiro variant.



Currence Incasso BV

The Incasso product is a direct debit under which the creditor, or collector, is authorised to collect an amount from the bank account of the debtor, the payer. As a result, the product is commonly known as Machtigen (direct debit collection). Incasso/Machtigen is a popular product and its use is still increasing, rising by 5% to 1.18 billion transactions in 2005. Both single and continuous direct debit mandates have a number of variants which differ mainly in the cancellation period: the period within which the payer and/or the bank can reverse the transaction. In order to increase market transparency and efficiency, Currence intends to reduce the number of variants from ten to about three in due course. As far as possible, Currence will take account of future European standards for similar products. This will be done in close consultation with the relevant market parties.

In December, the Executive Board of Currence Incasso BV adopted the rules of the Geschillencommissie Melding Onterechte Incasso (MOI), an arbitration body which will give binding rulings in disputes between licensees on the incorrect execution of direct debits.

E-payments

Currence recognises the growing significance of the internet as a payment channel which makes increasingly efficient payment products available that have the potential to grow into common products. One of these products is iDEAL which offers a secure way of paying at online stores, using the existing and for the consumer familiar environment of internet banking. Currence is at an advanced stage in acquiring the iDEAL product, which was developed by three banks. iDEAL will then become a common payment product, available on the same terms to all existing or potential licensees. Other e-payment initiatives on electronic invoicing and collection using internet banking are being developed for the Dutch market.

European harmonisation of payment systems

After harmonising cash in Europe with the introduction of euro notes and coins, the European Commission and the European Central Bank are getting banks to extend this harmonisation to payment systems and an action plan has been set up for the Single Euro Payments Area (SEPA). No distinction will exist within the SEPA between national and European payments and there will be a single internal European payment market. The advent of the SEPA is a fact: the first Europe-wide products will be introduced in 2008. Thereafter, the aim will be to phase out products for purely national use. A point of no return will be reached by the end of 2010.

The SEPA will require structural changes in payment products, infrastructure and governance. Existing payment products will face a competing European variant and be phased out in the longer term, unless the existing payment product itself becomes a European product. Among Dutch payment products, Currence sees the greatest impact in the short term on PIN (debit cards) and to a lesser extent on Incasso (direct debit). Chipknip and Acceptgiro are currently outside the scope of the SEPA.

The SEPA inevitably involves uncertainty and its effects will not become clear for a few years and so Currence's comments below on its products within the SEPA concept are based on its current insights.

PIN and Europe

In Currence's opinion, the final SEPA situation for debit card products will, in the long term, be a range of international products common throughout Europe and, therefore, also in the Netherlands. Purely national products will eventually be phased out. Banks will move towards offering retailers contracts for several European or international brands and issue cards with one or more brands based on their own commercial considerations and consumer demand. The terminals on the counter will be based on European standards, including EMV, and have multi-brand functionality.

Based on this long-term view, Currence has concluded that, despite the fact that PIN is currently one of the most efficient debit card products, it will not be able to be an independent European product, given the size of the domestic market. The current tight SEPA timetable (2010) and the limited extent to which viable SEPA alternatives for international debit card products are available involve risk. A rapid transition could, for example, mean that there will be a single provider of a European debit card product in the Netherlands, offering no choice. In this light, a gradual, market-focused migration to SEPA, with sufficient choice, is desirable.

Currence will adapt PIN to European standards as necessary, provided it is possible without high costs and major risks, with the aim of ensuring that PIN can still function as a fully-fledged debit card product for national use. In that sense, PIN is future-proof and can continue to be used in the longer term (beyond 2010). Introducing an international product

alongside the PIN brand on a card, as also happens today, that allows payments to be made abroad (co-branding), will create a card with which consumers will have a simple payment experience within the SEPA.

In this way, market parties will determine individually whether they want to continue offering PIN on the basis of market demand and prospective debit card alternatives while in the longer term there will only be a place for European brands in the SEPA. This gradual migration route means that efficient and uninterrupted electronic payment at the counter, irrespective of SEPA standards, will always be possible, and the Dutch route to the SEPA for debit card products will be driven by market forces and social efficiency.

As noted above, there is another development taking place at the same time: the transition to EMV. With a view to international standardisation, EMV will be implemented for PIN. This is one of the requirements in the European action plan towards SEPA. The Netherlands will have fully transferred to EMV by 2013 with natural replacement of cards and payment terminals. To allow a smooth transfer to the SEPA for debit card products, Currence is a proponent of payment terminals based on European standards, including EMV, and suitable for several (international) brands. In this way, competitors to PIN will simply find their way to Dutch counters in due course, which is in line with the SEPA objectives.

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with the aim of ensuring that PIN can still
function as a recognised debit card product for national use.
In that sense, PIN is future-proof ... (beyond 2010)."

Chipknip and Europe

At the moment 'low value payment products' such as Chipknip are outside the scope of the SEPA. It is expected that over the next few years, Dutch banks will include Chipknip as an application in the EMV chip on the new EMV payment cards, so that consumers in the Netherlands will be able to continue using Chipknip. In Currence's view, in the long term, consumers will want to make all retail payments in the euro-zone with a single payment card. As this will require a new 'low value payment product' on a European scale, Currence expects that such a product will only be developed in the SEPA in the long term.

Acceptgiro and Europe

Currence does not believe that Acceptgiro will be directly affected by SEPA. Although, with the advent of more efficient forms of payment, such as Incasso, iDEAL and Electronic Acceptgiro/EBPP (Electronic Bill Presentment and Payment), Currence expects that Acceptgiro will be gradually phased out over the next eight to ten years.

Incasso and Europe

For Incasso, Currence foresees a final SEPA situation in the long term in which the European PEDD (Pan European Direct Debit) product is used for cross-border and domestic use. In Currence's view, this situation will, however, only be achieved after a long transitional phase. There is currently no good business case for using PEDD domestically in the Netherlands, as a result of its complexity and laboriousness for both creditors and banks compared with the current Incasso product. Although Dutch banks will have to offer PEDD from 2008, in Currence's opinion market parties' freedom of choice means the current Incasso product will certainly not be phased out by 2010. Any European regulations which force accelerated phasing out without leaving scope for a gradual market-based migration will, in Currence's opinion, adversely affect the efficiency and quality of payments in the Netherlands.

Notes on the company's structure and governance

Incorporation

Eight Dutch banks set up Currence to create greater transparency and market operation in the Dutch common payment systems, prompted in part by recommendations made by the Wellink Commission. Currence was registered at the Chamber of Commerce on 1 March 2004 as Brands & Licences Betalingsverkeer Nederland Holding BV (in formation). Ada van der Veer-Vergeer was appointed director. The PIN, Chipknip, Acceptgiro and Incasso/Machtigen common payment products were owned by the shareholders of Currence. Currence acquired these products in 2005 by means of a spin-off in exchange for an issue of shares.

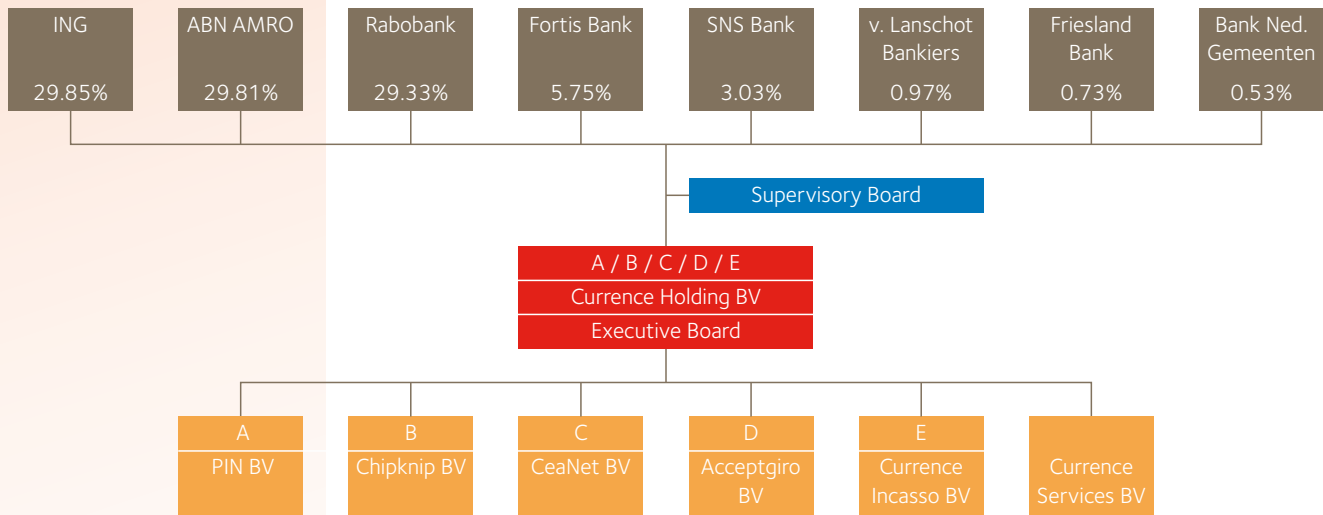
Structure of the business

Currence has a specific structure to achieve the greatest possible transparency and flexibility. Currence Holding BV has a number of product companies as subsidiaries. Currence Holding has issued shares of different classes (A to E) to its shareholders. Each class of share is associated with a specific product company.

This structure has a number of benefits for Currence. It allows the policy on common payments and external profiling of the company to be better established as a whole. There is also adequate scope to be able to differentiate between the various products and their associated rights and obligations by using different shareholdings. A shareholder does not have to participate in every product company. Shareholdings may be different for each product company. Conditions for allowing new shareholders to join have been established that new (and existing) shareholders have to meet and this creates a transparent market situation for all parties. For example, a non-bank with a role in a specific payment product can participate in a product company. That non-bank could then be a fellow-shareholder in Currence Holding BV and only run a financial risk for that specific product and as shareholder approve the long-term policy for that product. This structure allows different parties to invest in payment innovation.

Every payment product is owned by a separate company. The product companies own the trademarks, copyrights and other intellectual property rights in those products and this also means that they are the contracting parties with licensees and certificate holders and responsible for issuing licences and certificates and the associated compliance procedures. Furthermore, the product companies have their own financial rights and obligations.

Legal structure



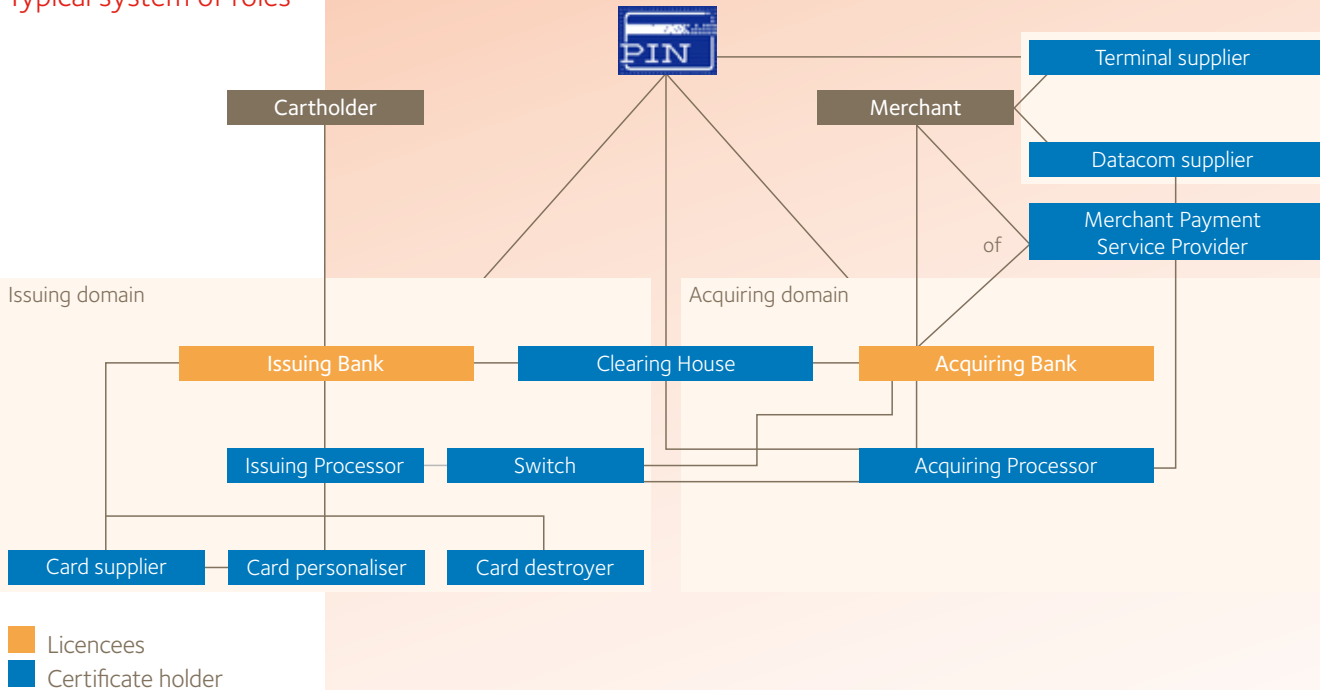
Independent governance

Independence is a precondition for Currence to carry out its mission and operate. Currence's governance structure ensures its independence. The Executive Board operates independently. No single market party can influence decisions of the Executive Board on admitting existing or potential competitors to the market. Nor can market parties exercise such influence that potential market parties are improperly excluded or innovation hindered. The independent Supervisory Board advises and supervises the Executive Board and acts in the interests of the company and its subsidiaries, guided by the interests of all stakeholders. As the shareholders are themselves parties in the payments market, they have no powers other than their statutory authority over Currence's commercial policy, the admission of new entrants and adoption of regulations and product changes, partly in view of competition rules. The General Meeting of Shareholders only has authority to approve product changes in specific cases, where they lead to major changes, and so capital expenditure, in the payments infrastructure. Currence's independence is further ensured by an independent Appeals Board which licensees and certificate holders can appeal to against decisions or penalties made by Currence. The Appeals Board's rulings are made in line with the Arbitration Rules of the Netherlands Arbitration Institute (NAI) and its members are appointed by NAI on the recommendation of DNB. No appeals were submitted during 2005. The NMA issued a favourable opinion on the governance of Currence with respect to competitive requirements as part of its favourable informal opinion of 19 April 2005.

Role for market parties

Currence consults market parties before a decision is made on changing products since product changes directly affect the operations of stakeholders, especially licensees and certificate holders. Market consultations and structural dialogue with stakeholders in the payment chain concerning its products are of major importance for Currence's proper

Typical system of roles



operation. This will be guaranteed in part by the Board of Licensees and Board of Certificate Holders representing Currence's customers which will be set up in 2006. Currence also maintains contacts with industry and consumer organisations.

From Board of Founders to Supervisory Board

The membership of the Supervisory Board has undergone many changes during Currence's short life, as a result of the Board's increasing independence from the shareholders.

The Board of Founders acted as the representatives of the later shareholders and also acted as Supervisory Board during Currence's start-up phase. The Executive Board prepared the incorporation of Currence after regular consultation with the Board of Founders.

Board of Founders from 1 March 2004 to 10 February 2005

Name		Appointed	Resigned
Jac J. Verhaegen	Rabobank	01-03-04	30-06-04
Jan H.J. Zegering Hadders	ING Bank	01-03-04	30-06-04
Gerard B.J.Hartsink	ABN AMRO	01-03-04	30-06-04
Mrs. Annemarie Jorritsma-Lebbink	Chairman from 01-07-04	01-03-04	10-02-05
Rien M.W.J. Hinssen	SNS Bank	01-03-04	10-02-05
Hans J.A Leenaars	BNG	01-03-04	10-02-05
Mrs. Betty E.M. Mulder-Mosman	Deutsche Bank	01-03-04	10-02-05
Jan C.M. van Rutte	Fortis Bank Nederland	01-03-04	10-02-05
Carel N. van der Spek	F. van Lanschot Bankiers	01-03-04	10-02-05
Jos H.P.M. van Lange	Rabobank	01-07-04	10-02-05
Hans van der Noordaa	ING Bank	01-07-04	10-02-05
Jan Peter Schmittmann	ABN AMRO	01-07-04	10-02-05

Legally, Currence Holding BV formally came into being and got its Supervisory Board on 10 February 2005. The Board of Founders ceased to exist on that date. On the formal incorporation of Currence Holding B.V. on 10 February 2005, the Supervisory Board had ten members: three associated with the major shareholders, four associated with the smaller shareholders and three independent of shareholders. Five supervisory directors resigned over time.

Supervisory Board from 10 February 2005 to 30 March 2006

Name		Appointed	Resigned
Hans J.A. Leenaars	BNG	10-02-05	30-06-05
Jan C.M. van Rutte	Fortis Bank Nederland	10-02-05	30-06-05
Carel N. van der Spek	F. van Lanschot Bankiers	10-02-05	30-06-05
Rien M.W.J. Hinssen	SNS Bank	10-02-05	31-12-05
Mrs. Betty E.M. Mulder Mosman	Deutsche Bank	10-02-05	30-03-06
Mrs. Annemarie Jorritsma-Lebbink	Chairman	10-02-05	
Jaap Koning		10-02-05	
Jos H.P.M. van Lange	Rabobank	10-02-05	
Hans van der Noordaa	ING Bank	10-02-05	
Jan Peter Schmittmann	ABN AMRO	10-02-05	

Pursuant to the articles of association, four members of the Supervisory Board are independent of the shareholders and four are associated with the shareholders. The chairman and vice-chairman of the Board are independent of the shareholders. In the event of a tied vote, the chairman has a casting vote. The composition of the Board and the chairman's casting vote guarantee the independence of the Supervisory Board.

Members of the Supervisory Board are appointed for a period of four years with possible reappointment for a second term of four years. The membership of the Supervisory Board on 1 April 2006 was as follows:

Supervisory Board as at 1 April 2006

Name	Born	Position	Appointed
Mrs. Annemarie Jorritsma-Lebbink (chairman)	1950	Mayor of Almere	10-02-05
Jaap Koning	1943	Former director of DNB	10-02-05
Jos H.P.M. van Lange	1956	Director Personal Customers Rabobank	10-02-05
Hans van der Noordaa	1961	Chairman of the Executive Board of ING Retail Nederland	10-02-05
Jan Peter Schmittmann	1956	CEO of ABN AMRO Nederland	10-02-05
There are three vacancies.			

Key figures

Balance sheet per December 31st 2005

In thousands of euros

Intangible assets	22,309
Property, plant and equipment	185
Current assets	31,984
Total assets	54,478
Total Equity of the Group	23,457
Current liabilities	31,021
Totaal equity and liabilities	54,478

Profit & Loss 31 March 2004 – 31 December 2005

In thousands of euros

Revenues		9,952
Operating expenses	-8,488	
Cost of establishment	-2,614	
Financial income and expenses		15
Profit before tax	-1,135	
Income tax	- 313	
Net profit	-1,448	

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A new market model
for national common payment systems

Transparency and competition

