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THIS WEEKS HEADLINES:

(UNITED KINGDOM) Chip & PIN - 33MM Cardholders - 700K Tills
(BELGIUM) MasterCard Global Holiday Transactions Up 18%
(ITALY) Axalto GPRS Portfolio POS Terminal Introduced
(CANADA) Boxing Day Spending Tops \$1.6 Billion
(CHINA) Diebold Inks a Major Opteva Deal With ICBC
(SOUTH KOREA) Standard Chartered Buys Korea First Bank
(SINGAPORE) A-P Consumer Confidence Mostly Optimistic
(UNITED KINGDOM) Credit Card Penalty Fees Hit GBP400MM
(UNITED KINGDOM) APACS Members Waive Card Fees
(POLAND) ASEC Expands Contactless Omni Deployment
(UNITED ARAB EMIRATES) Abu Dhabi Comm Bank Deploys BASE24-es
(CHINA) SmartPay Acquires DT Intrinsic Technology
(UNITED KINGDOM) VeriFone's SC5000 Gets a Chip & PIN Upgrade
(ISRAEL) Lipman NURIT 8100 gets Class B Approval
(FRANCE) Ascom Wins a Fare Collection Contract for Toulouse
(CANADA) Incentive Solutions Licenses SCTN's Solution
(SOUTH KOREA) LG Group Fights Credit Card Bailout Plan
(CANADA) Interac Sets a New Record on December 23

CHIP & PIN 05

More than 12 million transactions using "Chip and PIN" took place over the first weekend of 2005. At the end of 2004, 79% of cardholders had at least one "Chip and PIN" debit or credit card in their wallets, and 80% of the tills in the country have been upgraded to accept the new cards. Around 50 million cards have yet to be upgraded so retailers are continuing to accept signature for those customers that have yet to receive a new "Chip and PIN" card or who do not yet know their PIN. There are 122 million total cards in the country. The UK's first "Chip and PIN" transaction took place during 2003. Since then 33.2 million cardholders and 688,000 tills have been upgraded to "Chip and PIN." There

are 42 million total cardholders and 860,000 tills in the U.K. The December target was 36 million cardholders and 636,000 tills.

CHIP & PIN CARDHOLDER HISTORICAL

Dec 03: 7.0 million

Mar 04: 10.5 million

Jun 04: 17.2 million

Sep 04: 25.4 million

Oct 04: 30.8 million

Nov 04: 32.3 million

Dec 04: 33.2 million

Source: CardData (www.carddata.com)

MASTERCARD HOLIDAY

MasterCard International reported an 18% increase in global holiday transaction volume, processing 774.9 million total authorizations between the day after Thanksgiving and Christmas Eve. More than \$60 billion in card transactions were processed over its network during the holiday period, a 13% increase over 2003. MasterCard says that December 23rd was the highest volume day of 2004 with 36.9 million transactions moving across its network. "Black Friday" (the day after Thanksgiving) was actually the 6th busiest day of the holiday shopping season based on MasterCard data.

MAGIC TERMINAL

Axalto has introduced its GPRS portable point-

of-sale terminal to the Italian market. The new "MagIC X1000 GPRS" is currently under pilot with the Societa' Centrale Monetica Interbancaria, CIM Italia SPA with an installed base of 200,000 terminals across the country. Axalto's "MagIC X1000 GPRS" terminal hosts the Italian "HGe-POS" application and can be used anywhere in Italy. It is EMV Level 1 and Level 2 approved, runs the ABI EMV application, and can handle 250 transactions without recharging.

BOXING DAY

Nearly six million Canadians headed into retail stores on the day after Christmas, racking up \$1.6 billion in total spending. Ontario led the shopping spree with \$488 million in retail sales, followed by British Columbia at \$377 million, and Quebec at \$328 million. Clothing was the top item Canadians purchased, followed by electronics, and music items. VISA said it expected to process more than two million credit card transactions on December 26th, totaling approximately \$290 million in sales volume. During the busiest hour, VISA will process more than 190,000 transactions, valued at approximately \$28 million. Earlier this month, VISA revealed that 22 million Canadians expect to spend a total of \$19.5 billion on holiday season gifts this year.

DIEBOLD & ICBC

Industrial and Commercial Bank of China has placed an order for Diebold's "Opteva" ATMs. It is the largest order to-date for the advanced-function ATM. The \$25 million deal includes more than 1,100 "Opteva" self-service terminals driven by "Agilis Power." The balance of the order includes more than 100 "Bulk Cash Recycling Machines." ICBC, with 27,000 branches, provides routine banking transactions, in addition to other customer-friendly services like pension plans and bill payments, to millions of customers in urban and rural areas of China.

STANDARD CHARTERED & KFB

Standard Chartered has signed an agreement to acquire Korea First Bank for approximately US\$3.3 billion in cash. Korea First Bank will also

represent approximately 22% of Standard Chartered's assets post acquisition, using pro forma data as at 30 June 2004, making it Standard Chartered's second largest market, by assets, after Hong Kong. Korea First Bank is the seventh largest banking group in Korea by assets, with a market share of approximately 6% and over 3 million retail customers. Korea First Bank has a strong track record of credit quality with one of the lowest ratios of non-performing loans. The deal is expected to be completed by the end of April.

MASTERINDEX 4Q/04

The latest "MasterIndex of Consumer Confidence" survey has found that 9 of 13 Asia/Pacific markets had an optimistic outlook, compared to 11 in the preceding survey conducted six-months ago. The bi-yearly MasterCard survey reveals that, overall, consumer confidence in Asia/Pacific withstood the tumultuous 2003-2004 period despite the series of external shocks of SARS, Iraq War, avian flu, and the spiking of the world price of oil. In the latest survey, Indonesia, Vietnam and China topped the list of markets with a highly positive outlook; other optimistic markets included Hong Kong, Malaysia, New Zealand, Australia, Thailand and Singapore. Markets with a pessimistic outlook over the next six months are Korea, the Philippines and Japan. Indonesia took the lead from Vietnam and tops the region with a near record high consumer confidence of 94.7. Consumer optimism in Vietnam looks set to prevail, with a "MasterIndex" score of 90.8 remaining relatively unchanged from six months ago (91.6) and a year ago (91.0). China (81.3) remains highly optimistic for the next six months, with the latest "MasterIndex" improving from six months ago (78.9). Over the "MasterIndex" score for the region was 63.2 compared to 65.8 in the last six-month period and compared to 68.4 one-year ago.

CARD FEES

A consumer group has calculated that credit card companies in the U.K. rake in GBP400 million in late fees and over-limit fees each year.

Which? says it found that one in four consumers were charged at least once in the last year for paying late or going over their limit. The consumer watchdog based its calculations on an online survey of 2,000 Britons. The group also cited the credit card industry over risk-based pricing, marketing to maxed-out consumers, offering credit increases to encourage borrowing, credit reference agency reporting, and interest calculation methods. Which? says that although last year's review of the "Consumer Credit Act" tackled some serious issues, they were disappointed it didn't cover things like interest calculation methods and data sharing. The Office of Fair Trading is currently investigating late payment fee practices.

APACS & DEC

APACS members are waiving all card fees for contributions to the central Disasters Emergency Committee. Members have also agreed to waive card charges on tsunami-related donations made to individual charities. APACS says both sets of waivers will be backdated to apply to donations made from the time of the disaster.

ASEC & VERIFONE

ASEC S.A., a subsidiary of On Track Innovations, has received a follow-on order for 1,500 additional Verifone's "Omni 3750" terminals with contactless reader solutions for micropayments to be located in one of the largest kiosk chains across Poland. The order follows an earlier announced initial order for 1,000 terminals. Similar to the previous order, the terminals are for a Polish mass transit system and will be operated through a GSM Communications system. Commuters will be able to load funds onto their commuter card to pay for their mass transit tickets and other small ticket-items. Poland has about 80,000 POS terminals and 7,200 ATM machines located across the country.

ADCB & ACI

Abu Dhabi Commercial Bank has selected ACI's "BASE24-es" to consolidate ATM and POS transaction authorization onto a single platform.

"BASE24-es" will also aid the bank's compliance with EMV mandates. Abu Dhabi Commercial Bank will run "BASE24-es" on a Sun "Solaris" platform. Abu Dhabi Commercial Bank was formed in 1985 as a public shareholding company with limited liability upon the merger of Emirates Commercial Bank and Federal Commercial Bank with Khaleej Commercial Bank.

SMARTPAY & INTRINSIC

SmartPay Jieyin has entered into an agreement to acquire DT Intrinsic Technology, a firm that provides billing and service management software platforms to Chinese mobile carriers. Intrinsic was one of the earliest innovators in China's wireless industry and a driving force in the development of the value-added services market. Intrinsic's core competence is in the areas of service provisioning, system maintenance and implementation. The Intrinsic platform will strengthen SmartPay's position with mobile operator merchants and adds billing, systems integration and service management capabilities. SmartPay works with over 15 Chinese banks and numerous merchants including 10 of China's largest mobile telecom operators and is China's clear leader in processing payments originating from mobile phone subscribers.

CARPHONE & VERIFONE

Carphone Warehouse Group has selected Verifone to deliver a custom "Chip and PIN" upgrade solution based on the "SC 5000" programmable smart card device. The Carphone Warehouse required a dual function secure customer-facing device that, in addition to handling EMV-compliant card transactions, would facilitate the SIM card back-up application that all of its stores offer to customers. The "SC 5000" is protected by a comprehensive array of hardware and software-based security features and adheres to "3DES" encryption standards. Carphone Warehouse Group is rolling-out a total of 3,000 "Chip and PIN" "SC 5000s."

NURIT & PED

Lipman announced that its "NURIT 8100" mul-

tifunctional POS terminals received "Visa PED Class B" PIN entry security approval for online debit and offline smart card transactions. The "NURIT 8100" is the only fully programmable all-in-one terminal listed by VISA International as meeting the Class B requirements. Additionally, the Company's "NURIT 8000" and "NURIT 8320" POS terminals and "NURIT 292" PIN Pad have received "Visa PED" offline approval. These new approvals complement existing "Visa PED Online" approvals for these devices and for the "NURIT 222 Online" PIN Pad.

ASCOM & TOULOUSE

Ascom is going to outfit the Toulouse public transport network with a new information and ticketing system. The current equipment will be replaced by new machines from Ascom that can read the existing tickets and communicate with the present system until the contactless ticketing system is introduced in September 2006. The contract is worth 24 million euros. The development of the information, control and management system, as well as of the equipment software, accounts for one quarter of this 24 million euro project. Toulouse is installing a ticket validation system that will be able to collect high-quality data. The central management system will analyze more than 700,000 daily trips. In September 2006, the city will switch to a contactless solution on the whole network.

GIFTCARDS & SCTN

Incentive Solutions Canada has licensed Smart Chip Technologies' loyalty, stored value and gift card program. GiftCards.ca will offer new SCTN functionality to their existing "SuperCard" merchant clients including Winners, HomeSense, Napster and Amazon.ca. Smart Chip Technolo-

gies' turnkey customer retention solution, including loyalty, pre-paid stored value and gift cards, was co-developed with the Airos Group and IBM. GiftCards.ca recently signed on Josee Chouinard, Olympic star and Canada's figure skating champion, in a three-year deal as part of their marketing campaign.

LG GROUP VS CARD

LG Group continues to reject a rescue plan assembled by LG Card's creditors. It is likely LG Card will begin to liquidate. LG creditors want LG Group to convert the 875 billion won worth of commercial paper it is holding into equity to help cover LG Card's capital erosion. The creditors estimated they would loss 180 billion won in losses from a liquidation of the credit card firm.

INTERAC HOLIDAY VOLUME

Interac Direct Payment set a new record for transactions on December 23rd, with 13.1 million transactions in a single day, a 5% increase over the previous record set in 2003. This is the second time the 2003 record was broken this holiday season, with 12.4 million transactions recorded on December 18th. In 2003, Canadians logged 2.6 billion Interac Direct Payment transaction valued at more than \$116 billion.

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