SWIFT Annual Report 2005

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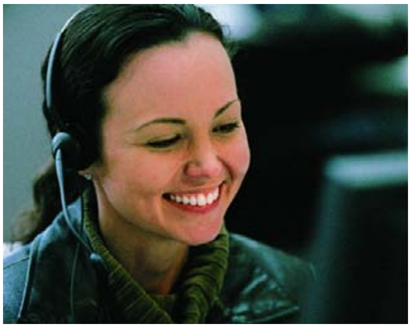


Our mission

To be the global financial community's foremost messaging infrastructure that is lowest risk and highest resilience.

Our business

SWIFT is the industry-owned cooperative supplying secure, standardised messaging services and interface software to over 7,800 financial institutions in 204 countries and territories. The SWIFT community includes banks, broker/dealers and investment managers and their market infrastructures in payments, securities, treasury and trade.

Key figures

SWIFT delivered a strong performance in 2005

— FIN traffic increased 9.5 percent to 2.5 billion messages
— 10 million messages a day on average
— 7,863 institutions connected in 204 countries at year-end
— FIN securities traffic peak of 4 million messages on 1 December
— FIN traffic peak of 11.5 million messages on 20 December
— 8 percent price reduction for FIN message usage worth EUR 14 million in the second half of 2005
— 7 percent customer rebate worth EUR 23 million

2005

A look back on the milestones of 2005

SWIFT focuses industry attention on Giovannini Barrier One

The European Commission's *Giovannini Group* mandated SWIFT to address 'Barrier One'. The Group identified national differences in information technology and interfaces in EU securities clearing and settlement as obstacles to efficient cross-border settlement. In January 2005, SWIFT published an industry consultation paper, and a draft protocol followed in October. SWIFT will release the final protocol at the end of March 2006.

Read more on www.swift.com

SWIFT Prize for using technology to bring communities together

The *SWIFT Prize* recognises organisations which use communication and information technologies to strengthen links between people and improve quality of life. Under the auspices of Belgium's King Baudouin Foundation, SWIFT awards EUR 50,000 to a worthy project in Belgium or the Netherlands. Baron Lamfalussy chairs the Board for the *SWIFT Prize*. In 2005, the prize was awarded to Belgian non-profit organisation *ALS Liga*, which helps patients with the fatal nerve and muscle complaint, Amyotrophic Lateral Sclerosis (ALS), also known as Lou Gehrig's disease.

Previous prizes have gone to projects which include helping the visually or mentally impaired; encouraging micro-finance in developing countries; supporting chronically ill children; providing hearing rehabilitation; training the unemployed and giving greater independence to handicapped persons.

Read more on www.swift.com

TARGET2 chooses SWIFTNet

Several hundred European bankers attended a series of SWIFT road shows to prepare their systems for TARGET2, which goes live in January 2007. SWIFT is providing the messaging platform for the new Real Time Gross Settlement system of the euro.

Read more on www.swift.com

Regional conferences coming to a city near you

During 2005, SWIFT hosted regional conferences and business events on all continents, maintaining a constant dialogue with its worldwide community. Cities visited included Antwerp, Athens, Accra, Brussels, Dubai, Kuala Lumpur, Melbourne, Milan, New York, Sao Paulo and Zagreb. These events brought customers together to discuss usage of SWIFT, exchange information and network.

Read more on www.swift.com

SWIFT cuts prices by 8 percent and announces pricing initiatives

SWIFT announced important pricing initiatives that will benefit users for years to come: an overall 8 percent price reduction on FIN messages, a new traffic growth incentive programme which introduces additional price reductions for users committing to increase their traffic, a one-time waiver of licence fees for the SWIFTAlliance Starter Set and the launch of the Member/Concentrator model, which simplifies access and reduces the cost of ownership for smaller institutions.

Read more on www.swift.com

SAP announces integration with SWIFTNet

SAP's President Léo Apotheker announced at Sibos that his company will SWIFT-enable its ERP to bring straight through processing to the relationship between SAP's 30,000 customers and SWIFT's 7,800 financial institutions. SAP joins over 300 solution providers, including IBM, Microsoft and Oracle, which also SWIFT-enable their products.

Read more on www.swift.com

30,000 ERP users

CIO 100 award

CIO Joe Eng received the CIO 100 award for leading the successful development and migration of SWIFT's 7,800 customers to SWIFTNet in only two years. "The award is recognition of SWIFT both as a community and an organisation," said Joe Eng on receiving the award. "SWIFTNet is a tribute to the institutions and my colleagues who made this transformation a reality."

Award for SWIFTNet

SWIFT community told to "be bold"

Sibos held in Copenhagen in September

Echoing SWIFT Chairman Jaap Kamp's call at Sibos for the SWIFT community to "raise its ambitions", Royal Bank of Scotland Chairman George Mathewson urged institutions to "think bigger and be bold in execution". The Sibos conference theme of 'Transformation' crystallised into four areas of action – SEPA, Giovannini, corporate access and Trade Services Utility.

The combined Sibos conference and exhibition is the world's premier financial services event, attracting industry leaders and firms to advance critical dialogue and network. Attendees number 6,500. Sibos 2006 will take place in Sydney in October.

Read more on www.swift.com

TSU lines up key pilot banks

Thirteen major trade banks announced they will pilot the Trade Services Utility (TSU). The TSU will enable banks to match data from their customers' commercial documents and allow them to offer new services, such as financing of receivables, risk and information services, and document checking. The pilot phase runs through 2006.

Read more on www.swift.com

FNAO: Apollo 12 astronaut Alan Bean at SWIFT

SWIFT lives NASA's Apollo mission motto "Failure is Not An Option" (FNAO) to promote a culture of commitment to provide services of the highest security, reliability and resilience. In October, Apollo 12 astronaut Captain Alan Bean and fourth man to walk on the moon shared his experiences of the moon mission, and helped staff understand the source of FNAO and reaffirm its meaning and purpose at SWIFT. In 2005, we achieved network availability of 99.999 percent.

Read more on www.swift.com

Hope for the best, plan for the worst

In October, SWIFT hosted over 50 representatives from central banks, market infrastructures and large institutions from five major currency zones for a global crisis simulation to test SWIFT and industry preparedness. These simulations help refine resilience and improve the financial community's readiness in the event of a SWIFT crisis.

Industry readiness

Investing in our partners

Over 300 technology firms SWIFT-enable their business applications, middleware and interfaces, and provide integration and outsourcing services to the SWIFT community. SWIFT organises events each year to help them understand our business to better serve the community.

Read more on www.swift.com

Technology prize for SWIFTWatch

The 2005 ICT Trends Golden Award recognised the SWIFTWatch portfolio of online reporting and analytical products for "innovative use of information communications technology". SWIFTWatch enables users to access their traffic and message cost data and then incorporate it into their business and operational planning and analyses.

Strong financials yield price reductions and 7 percent rebate on FIN messaging

For the fourth year running, SWIFT gave a rebate to customers. The 7 percent rebate yielded EUR 23 million. Including the price reductions announced in June, SWIFT returned EUR 37 million to customers in 2005. Since 2002, SWIFT has returned EUR 96 million in rebates to the community and is on target to reduce message prices by 50 percent over 2002–2006.

Read more on www.swift.com

Dismantling our X.25 network

In December, SWIFT switched off its X.25 Frame Relay Network following migration of the FIN service to SWIFTNet. The new secure IP-based network (SIPN) gives users the choice of up to four SWIFTNet messaging services (FIN, InterAct, FileAct and Browse) and access to new functionalities, including interactive messaging and file transfer, in a PKI-secured environment.

Francis Remacle wins ISITC operational excellence award

ISITC awarded its 2005 prize for "Best personal contribution for operational excellence" to Francis Remacle, SWIFT Head of Securities Industry Division. Stuart McKinlay, Chair ISITC Europe said, "Francis' energy, professionalism and support for the securities sector at SWIFT has resulted in significant growth in electronic messaging."

2005 ends with peak day of 11.5 million messages

FIN traffic reached an all-time high of 11,566,818 messages on 20 December 2005. This was the fifth peak day of 2005. Securities market traffic hit its own record peak of 4,020,176 messages on 1 December.

Read more on www.swift.com

11.5m messages

From the Chairman

The year 2005 was very good for SWIFT with continued strong message growth, a reliable SWIFTNet messaging infrastructure and solid take-up of the business solutions it supports. Financially, the company ended the year with a before-tax profit of EUR 15 million after returning EUR 37 million to customers in rebates and price reductions.

SWIFT will continue to focus on being the most secure and efficient financial messaging network.

Jaap Kamp, Chairman

Raising ambitions

During 2005, the Board and Executive made significant progress in developing the *SWIFT2010* strategy. SWIFT will continue to focus on being the most secure and efficient messaging network in the global financial arena.

Yet the company and its community should raise their levels of ambition because the cooperative still has tremendous untapped potential. SWIFTNet, which we so successfully delivered in over 200 countries end-2004, provides the platform that can support our ambitions.

We should realise further efficiencies in the traditional areas of cross-border interbank payments and securities processing. SWIFT should strongly support developments for the Single Euro Payments Area, the TARGET2 RTGS system, and the Giovannini protocols. It should step up its presence and efforts in emerging markets, improve corporate connectivity and deliver the Trade Services Utility. Development work is needed in standard setting for processing Alternative Investments and worker remittances. In many of these areas, SWIFT will offer reference data services to improve efficiency further and enhance interoperability in transaction processing.

I am convinced that implementing the *SWIFT2010* strategy will fundamentally change the company, in the interest of its members, its users, and their overseers.

> "Implementing the *SWIFT2010* strategy will fundamentally change the company, in the interest of its members, its users, and their overseers."

Governance

Also in 2005, the Board and Executive have valued their regular contacts with the oversight authorities led by the National Bank of Belgium. We provide full transparency of security and reliability issues. As with key members of our community, overseers are well informed about our strategic focus process.

Governance within SWIFT, your successful cooperative, should also reflect the dynamics of the market place. The Board's committee structure warrants timely and adequate control over the operational, financial, people and other risks. The Board's effectiveness should also reflect the requirements of a global and cooperative environment. Board members are now elected by the AGM for terms of three years on the basis of a formal profiling practice and nominations by National Member Groups. This should give the Board added strength to meet the challenges the global community will face.

Acknowledgements

I wish to thank everyone I have had the opportunity to work with, in particular my colleagues on the Board and the Executive.

A heartfelt "thank you" is due to all those individuals in the SWIFT community who serve on our Board Advisory Groups, and are leaders or participants of National Member and User Groups. You make SWIFT a unique cooperative, so visible at Sibos, as well as at regional and national conferences and regular work sessions, where so many of you contribute and add value.

I am glad to say that the solid support of our Chief Executive Officer, Leonard Schrank, his management team and all employees of SWIFT really provides a basis for the success of SWIFT as it enters a new and challenging phase in serving the global financial community.

Jaap Kamp
Chairman
March 2006

Sibos 2005: Raising our collective ambition

Addressing delegates at Sibos 2005 in Copenhagen, Chairman Jaap Kamp told the SWIFT community: "Either we stick with the automated telex and continue to grow volume and reduce prices, or we raise our collective ambition". Kamp said SWIFT needs to raise its game by not only contributing to cost reductions in cross-border payments and securities processing, but it should also be at the heart of many strategic initiatives. Kamp said that a more ambitious SWIFT must also continuously re-think its governance and structure but stressed that it would not alter its cooperative structure to respond to transformational change.

From the CEO

Building on strong 2004 results, we delivered robust financial and operating performance in 2005 and are well positioned for the next stage of our strategic evolution, *SWIFT2010*. We have strong momentum moving into 2006 and beyond.

2005 was another excellent year for SWIFT.

Leonard H. Schrank, Chief Executive Officer

Mid-year price reductions and rebates

Traffic grew a healthy 9.5 percent and we recorded five peak days in 2005, the latest being 11,566,818 messages on 20 December. Based on early revenue projections, and the success of our structural cost reduction programme, we anticipated a growing surplus for the year, and took the proactive step of announcing mid-year price reductions effective 1 July 2005. These included an average FIN reduction of 8 percent, an improved traffic growth incentive programme for larger users and the complete waiver of up-front licence fees for SWIFTAlliance Starter sets for smaller users. In October 2005, the Board approved a 5 percent rebate on FIN messaging and raised this to 7 percent in December. The combined price reduction (EUR 14 million) and rebate (EUR 23 million) reduced our 2005 profit before tax by EUR 37 million to EUR 15 million. We expect the full year impact in 2006 of these price reductions to be at least EUR 30 million. We are on track for achieving our SWIFT Pricing Challenge set in May 2001, to reduce the overall price of SWIFTNet messaging by 50 percent over the 2002–2006 time frame.

"We delivered robust financial and operating performance in 2005 and are well positioned for the next stage of our strategic evolution, *SWIFT2010*. We have strong momentum moving into 2006 and beyond."

From transformation to raising our ambitions
Sibos 2005 in Copenhagen underscored SWIFT's role in bringing our community together for vital networking and strategic debate. Over 6,500 participants attended the conference and exhibition. The theme was 'Transformation' and delegates heard Jacob Wallenberg, Vice Chairman, SEB and Sir George Mathewson, Chairman, The Royal Bank of Scotland encourage us to "be bold". Our Chairman, Jaap Kamp, challenged the SWIFT community to "raise its ambitions". SWIFT is your company. You own it. We have proven our effectiveness and have earned great credibility. We are capable, as a community, of doing even more.

Preparing for *SWIFT2010*
As a cooperative, we consult our membership on strategy and work closely with the Board on its evolution. With SWIFTNet migration complete and *SWIFT2006* drawing to a close, we have begun the work on the next stage of our strategic evolution: *SWIFT2010*. The process began in March 2004, at a Board offsite in Amsterdam. Since then, we have held multiple discussions with key customers, National Member Groups and Advisory Groups and presented our thinking to the broader SWIFT community at Sibos in Atlanta and Copenhagen.

A Board offsite on the strategy was just held in Cape Town in December 2005. We expect to present our final document to the Board in June 2006, but we already have good momentum as we transition from *SWIFT2006* to *SWIFT2010*.

As you heard at Sibos, many 'transformational' initiatives are under way: the Trade Services Utility is now in pilot mode. Corporate access is gaining traction via our existing MA-CUG model. The Corporate Access Advisory Group, formed in March 2005, is proposing important improvements to broaden the corporate-to-bank model. These will be voted on at the upcoming June 2006 Annual General Meeting. SWIFT is playing an important role in providing standards and messaging for the Single Euro Payments Area (SEPA), and the TARGET2 RTGS system for the Euro zone countries. SWIFT's proposal for eliminating Barrier One of the Giovannini protocols has been widely distributed and well received by the industry. Barrier One aims to eliminate national differences in the information technology and interfaces used by clearing and settlement providers in the EU.

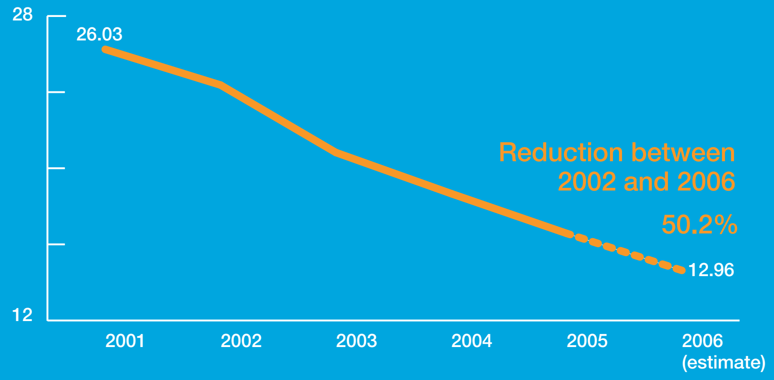
At its December meeting, the Board formally endorsed the raised ambitions and market initiatives of our *SWIFT2010* strategy. As I write this letter, we have put forward to the March 2006 Board additional investment proposals that will accelerate our development of a range of *SWIFT2010*-related initiatives. We are all excited about how SWIFT can do more in the domain of global financial interoperability to help you reduce costs, increase automation and manage risk.

Key *SWIFT2010* focus areas
- Expand corporate reach
- Support European integration
- Capture the potential of emerging markets
- Improve automation in securities and derivatives

From the CEO
continued

Security, reliability and resilience
SWIFT is dedicated to continuously improving its security, reliability and resilience. 2005 was no exception and we are pleased to report that our full year availability statistics were the highest ever, hitting 5x9s (99.999 percent) for our FIN and SWIFTNet core systems. Following the 100 percent migration of our community to SWIFTNet, we began the dismantling of the X.25 infrastructure. On 12 December 2005, the last X.25 network node was switched off. This formally marked the completion of all aspects of SWIFTNet Migration Phase 1. Piloting for Phase 2 will commence this year. Phase 2 includes rolling out hardware security modules for storing all users' PKI certificates, and moving from the complexities of bilateral key exchange (BKE) to our improved Relationship Management Application. Migration is scheduled for 2007–2008.

Achieving the SWIFT Pricing Challenge
Average price of messaging (EUR cent/Kchar)



In October 2005, SWIFT conducted its second crisis simulation with the SC3 (SWIFT Crisis Coordination and Communication) group. Over 50 representatives participated drawn from central banks, market infrastructures and large institutions. These simulations help improve our readiness and coordination in the event of a global SWIFT crisis.

Improving our commercial focus
SWIFT is moving rapidly to improve its commercial focus to better deliver the benefits of SWIFTNet and SWIFTSolutions to you. Over 2005, our new Global Sales Services (GSS) organisation was rolled out to work closely with our banking and securities account managers to provide better technical and product support to our customers. We have located most of the GSS staffers in our local sales offices to serve you better and more quickly. We have also increased our resources in market management, product management and strategy development.

From Francis Remacle to Jim Donovan
Francis Remacle retired this year. In his 18 years at SWIFT, Francis earned the respect of the entire community and was instrumental in the development and growth of SWIFT and our securities business. I know that the entire community joins me in wishing Francis all the best in his post-SWIFT years. On 1 October, James P. Donovan succeeded Francis as Executive of our Securities Industry Division. Jim is a career securities executive, most recently with 17 years at Citibank. Jim will be leading our *SWIFT2010* securities strategy to take our securities business to even higher levels of market focus for custodians, broker/dealers, asset managers, market infrastructures and hedge funds.

"Our Chairman, Jaap Kamp, challenged the SWIFT community to "raise its ambitions". We are capable, as a community, of doing even more."

A special thanks to our community and staff

SWIFT is a special cooperative. Our founders barely dreamed that we would be as successful as we have been. None of this would have been possible without the continued support of our global community of national member and user groups, working groups, advisory groups and individual members. On behalf of the Executive, thank you.

We all know how important governance is, especially for our cooperative. We are all grateful to our 25 Board members for their time and effort and especially to our Chairman, Jaap Kamp, for his guidance and support.

SWIFT would not be special without its dedicated professionals who work tirelessly to deliver the goods, 24/7. I would like to extend my thanks to all of the SWIFT team around the world.

Off to another good year

As I write this letter, financials are good and I am confident that 2006 will be another successful year for SWIFT. On 28 February 2006, we hit a peak day of just over 12 million messages – a new milestone. We are proposing additional investments to accelerate our *SWIFT2010* initiatives and anticipate further price reductions and rebates before the year is over. We look forward to seeing many of you at Sibos 2006 in Sydney, 9–13 October, where we will brief you on *SWIFT2010* and the status of SWIFT.

Leonard H. Schrank
Chief Executive Officer
March 2006

Supporting industry transformation

At the core of SWIFT is a very strong user consultation process which gives valuable insight into the industry's changing needs, the evolving regulatory environment and emerging technologies. This insight enables SWIFT to play a central role in addressing industry issues and improving the global financial messaging infrastructure. Above all, it allows SWIFT to create standards that support interoperability, transform business practices and increase customer reach.

Securities harmonisation in the EU

Dr Alberto Giovannini chairs the 72-strong Giovannini Group of financial market participants and experts that advises the European Commission on specific financial market issues. In 2003, the Group identified 15 specific barriers to efficiency in EU securities cross-border clearing and settlement arrangements and set out a process to overcome them.

Alberto Giovannini
CEO, Unifortune Asset Management SG
Chair, Giovannini Group
Italy

UniFORTUNE ASSET MANAGEMENT

"The Giovannini process is just that – a process. The barriers are really all interdependent to a degree. It is the whole train that we are looking at, not just the single wagons. Yet, of the 15 barriers we have identified, some appear to be simpler, better defined, and as such more basic than others. The adoption of a common protocol for EU clearing and settlement is one such example, and therefore it is an integral component in the foundation for more cost-efficient cross-border clearing and settlement.

We have assigned responsibility for coordinating the industry response to each barrier to particular organisations across both the public and private sectors. We asked SWIFT to take the lead in addressing Barrier One, which addresses how the industry can eliminate national differences in the information technology and interfaces used by clearing and settlement providers in the EU.

In January 2005, SWIFT published a consultation paper, and a draft common communication protocol for clearing and settlement in the EU followed in October. This draft was based on the work of the Barrier One Independent Advisory Group (IAG), a body established by SWIFT to review the detailed feedback it had received from the industry. The final version will be published in March 2006.

The value of the work to date is that it is the result of a very broad and very efficient consultation process. The changes will be adopted. Everybody stands to gain from a more integrated and more liquid EU securities market."

Read more about SWIFT's products and services on www.swift.com

SEPA – Achieving European payments harmonisation

Once achieved, the Single Euro Payments Area (SEPA*) will represent a fundamental change in the payments landscape in Europe. The European Payments Council (EPC), set up by the banking community to guide the SEPA project, has defined pan-European credit transfer and debit schemes and a SEPA cards framework. By January 2008, all banks must be able to offer these alongside their current products and must eliminate the gap in pricing between domestic and cross-border low-value payments.

Alfredo Rodriguez
Director of Depositary & Payments,
Banco Bilbao Vizcaya Argentaria (BBVA)
Spain

"SEPA is the most complex project currently being implemented in the European financial sector. Every financial institution in Europe is or should be evaluating the impact of SEPA on its business.

Commercial banks in Europe now face the challenge of implementing SEPA in a cost-effective way within the anticipated time frame. To achieve that and avoid unnecessary investments, the industry needs common standards and effective interoperability between financial institutions. It is looking to SWIFT to provide these through its expertise in standards development and its resilient SWIFTNet messaging infrastructure.

A Memorandum of Understanding signed between the EPC and SWIFT covers the use of ISO standards developed by SWIFT in pan-European credit transfer and direct debit schemes. At the same time, a common account identifier, the IBAN, and a common bank identifier, BIC, will underpin cross-border payment services. We want to leverage industry-accepted standards as much as possible and not reinvent the wheel.

As a major European bank, BBVA sees SWIFT as a natural choice to provide the services we need to make SEPA work for us and our customers. We have all migrated to SWIFTNet, are investing in it and own it.

In the longer term, SWIFT has an opportunity to define a larger role for itself in low-value payments and in SEPA in general, where it could expand beyond standards and connectivity into areas such as central databases and file-based services."

* The European Payments Council defines SEPA as "the area where citizens, companies and other economic actors will be able to make and receive payments in euro, within Europe, whether between or within national boundaries, under the same basic conditions, rights and obligations, regardless of their location."

TSU – supporting the corporate supply chain

The shift in recent years to open account settlement has exposed trading corporations to greater operational and business risks. At the same time, corporates face increased pressure to manage operational costs, optimise working capital efficiency and improve the management of daily liquidity.

The main objectives of the Trade Services Utility (TSU) are to enable banks to offer risk management and information services appropriate to today's corporate supply chain and more effectively fill the gap between open account and documentary payments.

Gary Collyer
Corporate Director,
ABN AMRO
The Netherlands

"ABN AMRO was one of 12 banks involved in SWIFT's Trade Services Advisory Group, which recommended that SWIFT embrace the shift away from traditional trade services to new supply chain solutions.

The TSU was initiated in late 2002 as a SWIFT-owned, collaborative, centralised matching utility for banks. It will facilitate the efficient exchange between banks of trade-related information through agreed messaging flows, industry standards and the creation of an industry utility.

ABN AMRO has continued its commitment to developing and piloting this service, which has established new data standards, along with a matching and validation engine.

The first phase of the TSU's commercial development is focused on banks' purchase order services. Buyers and sellers will send purchase order information to their banks, which will import the relevant data into a SWIFT XML message. The TSU will match and compare data, and identify and notify inconsistencies to banks who in turn will advise their buyer/seller clients.

Banks using the TSU utility will be able to provide valuable supply chain services to corporates while at the same time using the information generated to support broader financing and risk management decisions. Ultimately, it will enable banks to provide services across the entire corporate supply chain, both independently and in collaboration with each other."

Leveraging opportunities in an emerging economy

India is one of the world's fastest-growing economies. The financial services sector and the operational processing firms that support it have, in recent years, successfully marketed their capabilities on a global scale. ICICI Bank, India's second-largest financial institution, is using SWIFTNet to transform its operations.

Madhabi Puri Buch
Senior General Manager, Head of Operations and Service Delivery
ICICI Bank
India

"SWIFT underpins ICICI Bank's strategic ambitions in four important ways.

Firstly, it allows us to run operations independently of geographical and time-zone constraints. Numerous international financial institutions have either set up processing operations in India or outsourced them to Indian firms. ICICI Bank has the benefit that we are starting to go global now from Indian shores, so we already have an Indian cost base. With SWIFT we can demonstrate 24/7 resilience.

Secondly, and allied to this, we need to ensure state-of-the-art security. In many emerging markets, the initial instructions in a transaction do not go through the same secure channels as those provided for cross-border activity. The domestic use of public infrastructure equivalent to SWIFTNet is the ideal way to address this problem.

Thirdly, SWIFTNet facilitates integration with existing systems. Improving straight through processing is very important and we will increasingly look to SWIFT and its message standards to achieve this. Mismatch levels with our US correspondent for dollar clearing have, for example, fallen significantly and the receiving bank enjoys a high level of STP in the messages we initiate.

Finally, and perhaps most specific to ICICI Bank, SWIFTNet has allowed us to develop an aggregator concept for global remittances, which is a big business for us. We have been able to build a multichannel system. Flows come in locally and then are aggregated. We use SWIFTNet to move these flows across to India, where they are then disaggregated. SWIFTNet is the bridge that allows the service to be very cost effective."

Serving you to serve your customers

Beyond the provision of a secure and reliable messaging infrastructure is a commitment to help users automate critical business processes. This combination enables SWIFT to work with its customers to improve efficiency and cut costs both for themselves and, in turn, for their end-customers.

Implementing a global vision

HSBC is one of the largest banking and financial services organisations in the world with an international network of over 9,500 offices covering 76 countries and territories. Announcing the bank's 2005 final results, Group Chairman John Bond described technology as key to productivity improvements.

Iain Stewart
Group General Manager
Head of Global Transaction Banking
HSBC
United Kingdom

HSBC

"Given our size, our geographical spread and the diversity of our client base, it was clear that we would only derive maximum benefit from SWIFTNet and the new business solutions if we adopted a very clear strategic implementation framework.

SWIFTNet has provided HSBC as a group with an opportunity to reduce complexity in the way we deploy technology. Our strategic approach has allowed us to leverage SWIFTNet across multiple business areas to improve STP rates across transaction and information flows. We have augmented our proprietary delivery channels with the addition of the SWIFTNet channel, which allows us to streamline further information flows between customers and the bank and out to counterparties and market infrastructures.

The SWIFTNet channel complements the existing HSBCNet and HSBC Connect delivery channels and enables the bank to reuse standardised SWIFTNet components in a timely and highly cost-effective way. In so doing, we are transforming our traditional product range. This benefits existing clients.

At the same time, by deploying SWIFTNet-based solutions, we have introduced new business services, for example, in trade and cash reporting. HSBC's real-time Nostro information solution links 42 separate HSBC Group entities via SWIFTNet while the bank's SWIFTNet FileAct application links a total of 52 entities. Coupled with the use of XML standards, this has had a dramatic impact on STP rates and, consequently, on operational costs. We are also integrating our own trade services application with SWIFT's Trade Services Utility.

From the outset we took a strategic view of our SWIFTNet implementation, rebuilding our connections to SWIFT and embedding SWIFTNet for broad use across the enterprise. This allows us to introduce additional services and bring on new clients with greater ease. We look forward to reaping the rewards for our customers of further innovation through creative use of the SWIFTNet platform."

Read more about SWIFT's products and services on www.swift.com

Extending interactive communication

The Bank of England was one of the first financial institutions to introduce a SWIFTNet-based service. Launched in 2001 on SWIFTNet InterAct, Enquiry Link is a real-time query/response service used by CHAPS and CREST settlement banks to manage their settlement accounts in the RTGS processor at the Bank of England.

In May 2004, the Bank issued a consultative paper for fundamental reform of its operations in the sterling money markets, which included for the first time paying interest on banks' reserve accounts. The new framework was finalised in April 2005. Reserve account facilities will be available to all banks and building societies above a certain size (those required to place Cash Ratio Deposits with the Bank).

Steve Horton
Money Market Reform project, Market Services
Bank of England
United Kingdom

Money Market Reform (MMR) represents a very substantial change to the way the Bank of England operates in the sterling market. It has four core objectives:

– Overnight sterling interest rates to be in line with the MPC's official rate;
– An efficient, safe and flexible framework for banking system liquidity management, in routine and stressed conditions;
– A simple, straightforward and transparent operational framework;
– Competitive and fair sterling money markets.

The new Reserve Accounts introduced with MMR will be operated from RTGS. Institutions requiring Reserve Accounts must connect to Enquiry Link to manage these.

We expect over 40 institutions to become Reserve Account holders at the launch, a majority of which were not existing Enquiry Link users. This includes several smaller institutions which may not otherwise have become SWIFT users. The bulk of the work we have undertaken with SWIFT over the past year has been to bring these institutions onto SWIFTNet through the Enquiry Link Closed User Group operated by the Bank of England.

By re-using the Enquiry Link on SWIFTNet for the Bank's new framework, we have built on an existing solution, adding extra functionality to Enquiry Link for the new Reserve Accounts. We have, for example, introduced a number of Enquiry Link-based screens allowing customers to view their Reserve Accounts and, where they are not CHAPS members, to make their own payments away from these accounts.

Solution Partners enhance relationship with SWIFT customers

SWIFT works with over 300 companies which qualify as 'Solution Partners'. They provide business applications, middleware, interfaces, integration and outsourcing services. Their ready-made solutions for SWIFT and their consultancy services enable institutions to implement new business areas on SWIFT faster, with less risk, and at lower cost. Axway is a partner with a labelled SWIFTNet application.

Christophe Fabre
CEO
Axway
France

"Axway is the software subsidiary of Sopra Group, a consultancy and systems integrator. We provide financial solutions and middleware to 1,500 banking customers globally. Banks use our tools mainly to exchange files and messages. Three years ago, when the SWIFTNet migration began, many customers requested solutions to help them migrate. We made a strategic decision to invest strongly in SWIFTNet-related capabilities, not only to help customers migrate to the new connectivity infrastructure but also to leverage the new SWIFTNet capabilities.

For customers, the start of the process was the mandatory technical migration, but there were obvious benefits on the horizon once that had been accomplished. FileAct, for example, offered a new cost-efficient way to manage information exchange. Traditionally, SWIFT was used for the exchange of individual messages. SWIFTNet introduced file exchange capabilities as well. The ability to pack multiple messages into files and to exchange those was a benefit from a cost perspective. Customers such as Fortis Bank and Crédit Agricole were keen to exchange both messages and files. Now they bring additional business to SWIFT.

There was also a need among our larger customers to 'industrialise' their connectivity platform. Before SWIFTNet, customers often had up to 50 SWIFT platforms, one for each business line. We helped them concentrate connectivity to the SWIFT network through a hub so that they could share tools, teams and maintenance across the enterprise. This way they can capture the savings from the SWIFT single window.

For the year ahead we anticipate strong customer growth in the use of SWIFTNet for investment funds – an area in need of further automation – and in the provision of services to the corporate market for cash and liquidity management."

Streamlining global treasury operations

DuPont was founded in 1802 as an explosives company. Its operations now cover a wide range of products and services from agriculture and nutrition to electronics, communications and construction. With a corporate presence in over 70 countries, the company has over 60,000 employees worldwide. Through a number of Member-Administered Closed User Groups (MA-CUGs), DuPont has leveraged the SWIFTNet platform to link its global treasury centres and standardise connectivity with its major banks.

Lawrence Boyer
Global IT Leader, DuPont Finance Treasury
DuPont
United States

"DuPont operates three major treasury centres, in the US, Singapore and Spain, covering the three main time zones. The centre in Spain handles our back office, while the other two manage cash.

Before using SWIFT, there were numerous different connectivity arrangements in place with our banks: some dial-up, some web-based and some still manual. We had already identified STP between our treasury back office systems and our banks as a strategic goal, but had not found a way to achieve the practical benefits that we sought.

After examining the MA-CUG value proposition with our banks, we put together a project plan, initially involving FIN but with the longer-term aim of adding FileAct for payments. At the same time, we discovered that DuPont IT was looking to replace old EDI transmission lines between DuPont and the banks. We partnered with them and agreed to broaden the applicability of SWIFTNet as a matter of DuPont best practice. We all saw the value of standardisation, simplification, and eliminating redundant processes across the organisation. The use of SWIFTNet would also relieve us of being reliant on bank proprietary software, while providing higher levels of security in the process.

We have already established closed user groups with three of our banks (JPMorgan, Bank of America and Citigroup) and are currently undertaking rigorous testing to have our treasury centres live on SWIFTNet during the second quarter of this year."

Extending resilient communication

SWIFT's road to security and reliability had its beginning when the cooperative was founded over 30 years ago, but it has no end. We are continuously upgrading and improving the availability, confidentiality and integrity of our messaging systems because customers depend on SWIFT for their business 24/7.

Alternative connectivity for CHIPS reinforces resilience

The Clearing House Payments Company is the leading private-sector infrastructure for clearing and settling USD payments. CHIPS, the Clearing House Interbank Payments System, is its real-time, final payments system for USD. It processes over 285,000 payments a day with a gross value of USD 1.4 trillion. The advent of IP technologies and the growing global awareness of the need to reinforce systemic resilience have led CHIPS to renew the connectivity options it provides.

Jeffrey P. Neubert
CEO
The Clearing House Payments Company
United States

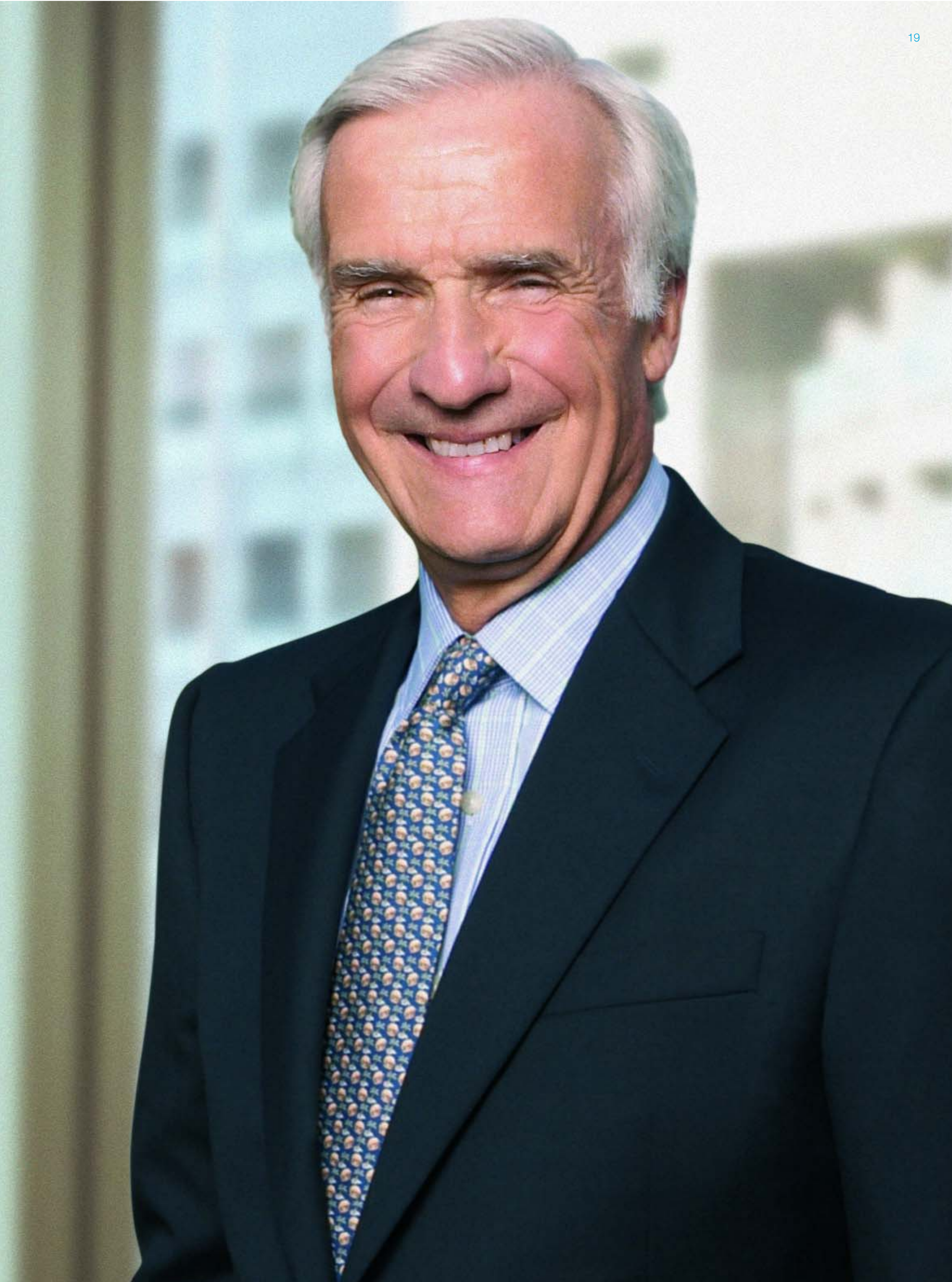
THE CLEARING HOUSE
Advancing Payment Solutions Worldwide

"We have traditionally provided access to CHIPS through a resilient proprietary network. After 9/11, we felt we needed to offer our customers a choice of access methods. At the same time, IP technologies globally were beginning to take over from the older X.25 networks. We therefore decided to develop a new IP network of our own and to provide SWIFTNet connectivity alongside it. Our member institutions can choose one or both connectivity options.

We think that the majority will, for resiliency, use both SWIFTNet and our proprietary platform to access CHIPS. There may be economic reasons why individual institutions will choose to send more traffic over one network than the other. At the end of the day, we are neutral about the systems they choose and the configuration they opt for. However, we certainly would not have made the investment in SWIFTNet if we didn't believe there was going to be significant take-up.

We have worked with SWIFT for many years and consider it one of The Clearing House's most important strategic partners. We are very satisfied with the support SWIFT gives to The Clearing House and the seamless way it works with both The Clearing House and our member banks. This is an extension and deepening of a relationship that has been sound and mutually beneficial for many years."

Read more about SWIFT's products and services on www.swift.com



Connectivity solutions for investment managers

Brown Brothers Harriman & Co has adopted the SWIFTNet Member/Concentrator model for client access to BBH Infomediary®, its hosted communications platform designed to help investment management customers streamline their post-trade communications. BBH Infomediary® provides a single connectivity point between financial service companies and their external service providers.

Joe Conway
Vice President
Brown Brothers Harriman & Co.
United States

BROWN BROTHERS HARRIMAN

"In addition to the two money management customers with whom we launched the service last September, we have another three investment managers that are in the process of signing up under the Member/Concentrator programme. We are adopting a methodical approach to targeting larger managers with significant volumes that would clearly benefit from using the SWIFTNet platform.

These benefits are being proved with our launch customers. What initially attracted them to the Member/Concentrator offering was the ability to use the SWIFTNet platform without having to devote significant time and resources to setting up a SWIFT connection. As the concentrator, we take care of the groundwork on their behalf: initiating a new BIC registration, completing the relevant documentation and ordering the requisite products and services. There is also a dedicated Member/Concentrator support team at SWIFT to answer questions that either we or our end-customers may have.

BBH Infomediary® clients can rationalise their systems investment while we benefit from being able to reuse our SWIFTNet infrastructure to offer value-added business services to our end-customers. At the same time, a win-win situation for BBH and its customer helps SWIFT by bringing additional volume to its network.

Brown Brothers Harriman helps sophisticated mutual funds, investment managers, banks and insurance companies achieve their international business objectives. It is consistently ranked among the world's top global custodians and is present in each of the principal financial centres around the globe."

Improving global connectivity

One of the winners of the 2005 American Financial Technology Awards (AFTAs) was Citigroup. Their SWIFTNet migration project was selected as 'Best Global Deployment'. Citigroup has built an innovative middleware utility to enable all group business applications worldwide to connect uniformly with SWIFTNet. Citigroup now has a single logical window for information exchange with clients and market infrastructures. As part of the migration, Citigroup consolidated some 20 SWIFT interfaces into three, saving approximately USD 250,000 annually for each retired interface.

Stephen Clifford
Chief Technology Officer, Global Transaction Services
Citigroup Corporate and Investment Banking
Citigroup
United States

citibank

"Citigroup has built a unique, innovative middleware solution to serve as a central cross-business utility for SWIFTNet. This utility enables Citigroup business applications worldwide to connect uniformly with SWIFTNet to access any SWIFTNet service based on SWIFT's proprietary InterAct, FileAct and Browse protocols. The great benefit is that business applications can focus purely on the business functionality to be offered or accessed over SWIFTNet. All variations and complexities of SWIFTNet are handled by one standard utility through its resilient and robust design using leading edge architecture and open standards.

With the advent of SWIFTNet messaging came a demand from the business community for unlimited access to SWIFTNet FileAct, InterAct and Browse. After conducting a detailed review of all the established products in the market, we realised that there was no single one that had the ability to integrate our existing systems with clients and market institutions using the SWIFTNet services. As a result, we developed ISSAC (Integrated SWIFTNet Services Access for Citigroup), an advanced workflow system that manages the interaction between business applications and SWIFTNet.

ISSAC provides a single logical window for information exchange with our clients and market infrastructures, and opens up the possibilities of the SWIFTNet services not only to internal business units but also to our clients. Citigroup's implementation of ISSAC is the product of two years of research, design and implementation. We are extremely excited with what the future holds for Citigroup and SWIFTNet."

Cutting operational costs and increasing efficiency

Schroders is a global asset management company with GBP 122.5 billion in assets under management and a network of offices in 26 countries. Schroders invited SWIFT to review its operational efficiency and suggest areas for improvement.

Markus Ruetimann
Group Head, Operations & IT
Schroders
United Kingdom

"In November 2004, I explored how to increase efficiency and cut operational costs by making greater use of SWIFT. I saw SWIFT as more than a secure messaging provider. Embedded in its DNA were skills that I thought we could draw on.

We met a team from SWIFT to whom we presented our operational landscape and collectively identified areas that needed further examination. SWIFT came back with a number of recommendations. We collectively decided to focus on four. These were areas where SWIFT has significant expertise and we could benefit from access to their skill pools as well as from proven solutions.

The exercise identified short- and medium-term operational and commercial benefits. On infrastructure, it highlighted several opportunities for architectural and geographical consolidation. On mutual funds, we have implemented a pilot scheme which centres on the use of ISO 20022 message types for communication between Fund Supermarkets, IFAs and Schroders via our UK Transfer Agent. We also agreed to target several US custodians which have not yet embraced SWIFT.

SWIFT did not try to sell 'intergalactic solutions'. Together, we advanced those ideas that are practical and will save us several hundred thousand pounds. SWIFT's team has gained greater insight into the operational challenges of an asset manager and Schroders has obtained a better understanding of SWIFT's long-term strategic aspirations. In short – a joint effort which has measurable financial benefits in many parts of Schroders' global operating infrastructure."

Realising a global ambition

The Dubai International Financial Exchange (DIFX) opened for trading in September 2005. It sees itself as the first truly international stock exchange located between Western Europe and East Asia. It plans to be a gateway for international and regional investment and become the leading exchange in its region for equities, derivatives, bonds, funds, Islamic products and other securities.

Steffen Schubert
CEO
Dubai International Financial Exchange (DIFX)
United Arab Emirates

"DIFX has several unique features. It fully embraces the concept of remote membership with both local members based in Dubai and 'recognised' members, who are located in other jurisdictions with which the regulatory authorities in Dubai have signed a Memorandum of Understanding. Of those brokers which either signed up or are set to join, half are headquartered in the region and half are international firms.

We are also truly international in the listings we attract. We have close to 15 IPOs planned for this year, of which the vast majority are non-UAE companies. We therefore needed a messaging provider with a network offering worldwide accessibility, a 'mission-critical' mindset and the urge to enter into new services.

The DIFX is arranging comprehensive communication with its members over SWIFT for securities clearing, settlement and custody. Incoming and outgoing messaging is currently based on SWIFTNet FIN. It is our intention to increase our usage of SWIFT with the implementation of SWIFTSolutions over time, including for example, corporate action notifications. We also use SWIFT messages to communicate with our members' cash settlement banks, which, in turn, exchange money transfer messages with the DIFX cash clearing bank, Standard Chartered Bank.

SWIFT allows us to realise our global aspirations, facilitating international access while reinforcing our network integrity."

Facts & figures

Key 2005 data for all SWIFT messaging services

SWIFTNet InterAct
Driven by high market infrastructure activity, users sent 60 percent more InterAct traffic in 2005 than in 2004. Together with the adoption of new SWIFTSolutions, the number of users grew from 348 to 428 and the number of services using SWIFTNet InterAct grew from 17 to 26.

SWIFTNet FileAct
Powered by a strong increase in Member-Administered Closed User Groups (MA-CUGs) and market infrastructures, SWIFTNet FileAct traffic grew 60 percent in terms of number of files. These files contained on average over three times more information than in 2004. The number of customers using SWIFTNet FileAct doubled to 338 and the number of services using SWIFTNet FileAct increased from 28 to 46.

SWIFTNet Browse
SWIFTNet Browse enables secure, browser-based access to web servers available over SWIFTNet. It supports a wide range of solutions based on manual transaction input and reporting using web-based graphical user interfaces.

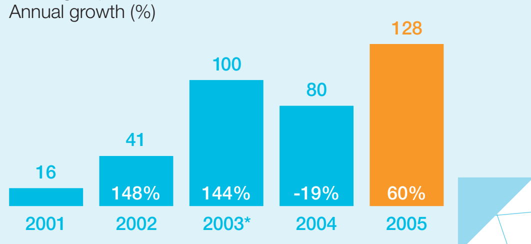
CREST
Since 1996, SWIFT provides interactive network services to CREST, the United Kingdom's securities settlement system. In 2004, CRESTCo accredited SWIFT to provide CREST services using SWIFTNet InterAct. Total CREST traffic increased 5 percent in 2005.

SWIFTNet InterAct
Financial institutions use SWIFTNet InterAct to send structured financial messages and short reports. It supports real-time messaging, store-and-forward messaging and real-time query and response between two customers. It is used in SWIFTSolutions, by market infrastructures and by MA-CUG administrators.

SWIFTNet InterAct messages*	128.1 million
Live and pilot users*	428
Services using SWIFTNet InterAct	26

* Does not include SWIFTNet FIX and SWIFTNet Accord traffic and users

SWIFTNet InterAct traffic evolution
Messages (million)
Annual growth (%)

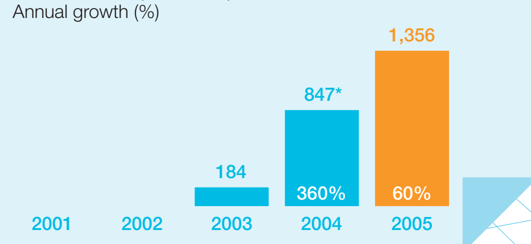


* 2003 data contains a large amount of test messages

SWIFTNet FileAct
Financial institutions use SWIFTNet FileAct to send batches of structured financial messages and large reports. SWIFTNet FileAct supports the SWIFTSolutions portfolio, and is available in Closed User Groups (CUGs). It is primarily tailored for the reliable transmission of large volumes of less critical information.

SWIFTNet FileAct volume in Kchar	152,407,612
SWIFTNet FileAct number of files	1,356,257
Live and pilot users	338
Services using SWIFTNet FileAct	46

SWIFTNet FileAct traffic evolution
Number of files (thousands)
Annual growth (%)



* Restated. The numbers in the 2004 Annual Report included 1,520 non-billable files

Top 20 SWIFTNet InterAct user countries

		Number of messages	Growth	Share
1	United Kingdom	33,041,458	53.0%	25.8%
2	Belgium*	17,468,697	>999.9%	13.6%
3	United States	13,811,178	20.8%	10.8%
4	Switzerland	10,221,829	86.4%	8.0%
5	Germany	8,002,382	23.4%	6.2%
6	France	7,169,710	-8.3%	5.6%
7	Japan	6,805,253	42.9%	5.3%
8	The Netherlands	6,617,696	30.7%	5.2%
9	Sweden	4,517,497	219.6%	3.5%
10	Australia	3,446,112	28.7%	2.7%
11	Singapore	2,933,554	20.5%	2.3%
12	Italy	2,644,708	54.8%	2.1%
13	Denmark	2,213,018	31.4%	1.7%
14	Canada	1,885,709	4.4%	1.5%
15	South Africa	1,838,643	76.3%	1.4%
16	Spain	1,544,356	167.8%	1.2%
17	Korea, Republic of	1,171,606	60.1%	0.9%
18	Norway	1,094,959	12.1%	0.9%
19	Hong Kong	929,742	38.6%	0.7%
20	Luxembourg	713,432	43.4%	0.6%
Other countries		75,399	>999.9%	0.1%
Total		**128,143,135**	**59.7%**	**100.0%**

* Note: Exceptional high volume due to piloting of new infrastructure

Top 20 SWIFTNet FileAct user countries

		Number of files	Growth	Volume (Kchar)
1	France	529,159	15.9%	13,759,892
2	United Kingdom	121,022	114.0%	56,816,921
3	Belgium	119,420	215.7%	25,563,694
4	Germany	102,746	94.1%	21,709,907
5	The Netherlands	100,774	579.9%	3,428,320
6	United States	90,454	35.0%	9,372,031
7	Canada	54,442	82.3%	3,355,338
8	Spain	53,976	214.9%	4,064,962
9	Italy	39,718	18.1%	1,462,377
10	Albania	18,973	>999.9%	74,179
11	South Africa	15,836	-55.0%	3,292,436
12	Sweden	14,076	694.8%	321,105
13	Portugal	13,178	54.9%	1,477,573
14	Finland	11,816	127.1%	596,968
15	Switzerland	11,767	>999.9%	174,240
16	Denmark	10,842	55.0%	855,590
17	Singapore	7,868	>999.9%	15,118
18	Luxembourg	7,056	-14.2%	887,664
19	Austria	7,033	37.1%	2,570,100
20	Greece	5,663	12.5%	531,917
Other Countries		20,438	299.7%	2,077,278
Total		**1,356,257**	**60.0%**	**152,407,612**

SWIFTNet FIN

Financial institutions use SWIFTNet FIN for individual, richly featured messaging which requires the highest levels of security and resilience. Features include validation to ensure messages conform to SWIFT message standards, delivery monitoring and prioritisation, message storage and retrieval.

SWIFTNet FIN message categories (message types)

Payments	Cat 1	Customer payments and cheques
	Cat 2	Financial institution transfers
	Cat 8	Travellers cheques
	Cat 9	Cash management and customer status
FIN Copy	MT 012 + MT 096	
Securities	Cat 5	Securities markets
Treasury	Cat 3	Treasury markets, foreign exchange, money markets and derivatives
	Cat 6	Treasury markets, precious metals and syndications
Trade	Cat 4	Collection and cash letters
	Cat 7	Documentary credits and guarantees
System	Cat 0*	System messages

* Excluding FIN Copy messages: MT 012 + MT 096

SWIFTNet FIN
SWIFTNet FIN traffic showed consistent strong performance throughout the year, resulting in an end-of-year growth of 9.5 percent. This result was driven by strong securities traffic which showed an end-of-year increase of 16.4 percent. Payments and treasury traffic growth rates of 6.5 percent and 8.2 percent respectively were in line with expectations.

Payments
Payments message volume grew 6.5 percent. This growth was driven by increased securities and FX settlements as well as an increase in customer credit transfers.

Securities
Securities traffic grew 16.4 percent to 858 million messages. This growth was driven by increased clearing and settlement activity by market infrastructures and strong adoption of the Corporate Actions message types.

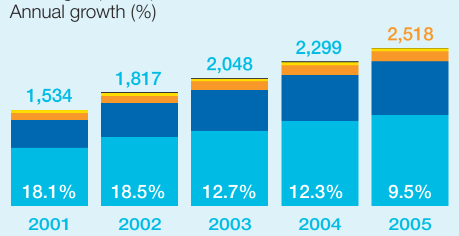
Securities transactions contributed 19 percent to payments traffic and 19 percent to treasury traffic. The securities industry contributed 63 percent to year-over-year growth and represents 45.2 percent of total SWIFTNet FIN traffic.

Treasury
Treasury traffic grew 8.2 percent, driven by high foreign exchange volatility.

Trade
Trade traffic declined 2.6 percent after experiencing an unusually strong performance in 2004.

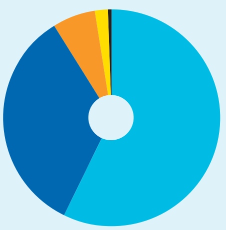
SWIFTNet FIN messages – growth by market

Messages (million)
Annual growth (%)



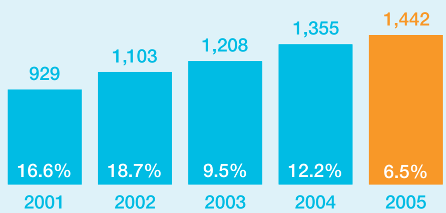
SWIFTNet FIN messages by market

	2005 Volume (million)	2005 Share
System	12	0.5%
Trade	46	1.8%
Treasury	160	6.3%
Securities	858	34.1%
Payments	1,442	57.3%



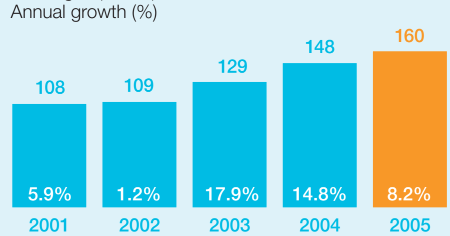
Payments messages

Messages (million)
Annual growth (%)



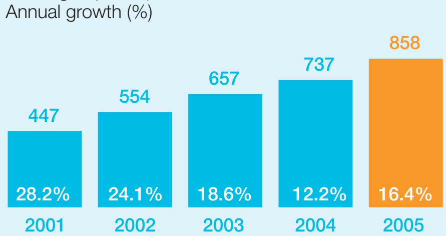
Treasury messages

Messages (million)
Annual growth (%)



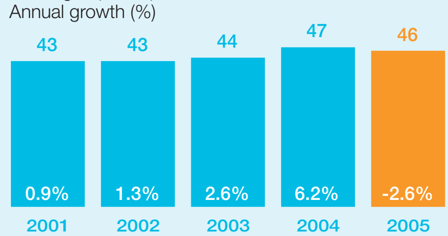
Securities messages

Messages (million)
Annual growth (%)



Trade messages

Messages (million)
Annual growth (%)



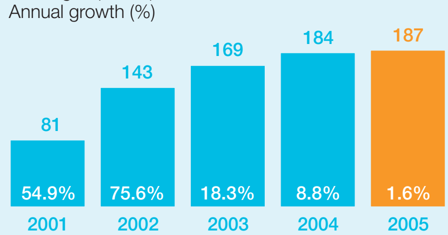
FIN Copy
Supporting over 40 High Value Payments Systems, FIN Copy traffic grew 1.6 percent reflecting global economic growth.

FIN Copy

Market infrastructures use the SWIFTNet FIN copy mechanism (FIN Copy) to provide value-added services. FIN Copy copies information from selected messages to a third party, usually before release to the receiver.

FIN Copy messages*

Messages (million)
Annual growth (%)



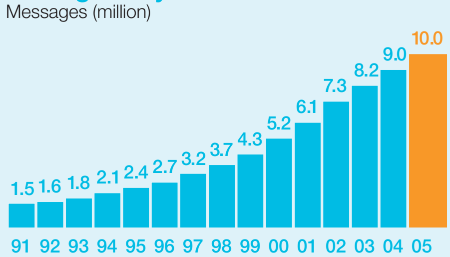
* Restated to include billable Sender Notification messages

Peak days

SWIFTNet FIN traffic hit its 2005 peak on 20 December, with 11,566,818 messages processed. This was the fifth peak day of 2005 and is attributed to very vigorous end-of-year traffic across all markets, together with seasonal customer status reporting. On 1 December 2005, the securities market traffic hit its own record peak of 4,020,176 messages, driven by high clearing and settlement and corporate actions activity.

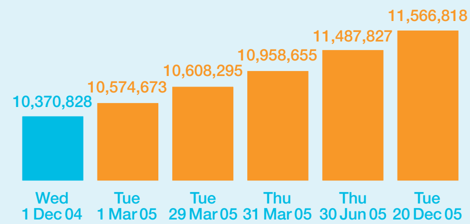
Average daily traffic

Messages (million)



Peak days 2005

Messages (million)



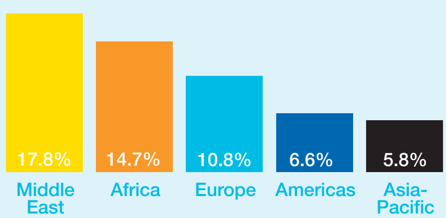
Countries and territories

SWIFT extended its reach to two more countries in 2005. Bhutan connected to the network in March and the Comoros Islands in June.

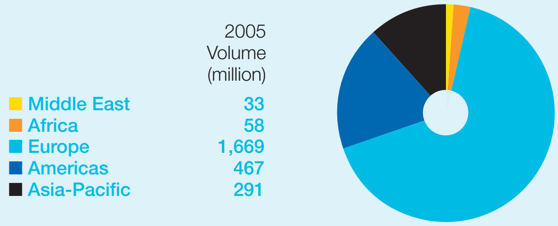
	Countries/territories connected	Institutions connected to FIN
2001	196	7,199
2002	198	7,465
2003	200	7,527
2004	202	7,667
2005	204	7,863

SWIFTNet FIN messages – growth by region

Growth (%)



SWIFTNet FIN messages by region



FIN top 25 countries

Rank based on traffic for all users in the country

	Traffic millions	Growth	Share
1 United Kingdom	431.56	9.1%	17.1%
2 United States	405.64	5.9%	16.1%
3 Germany	245.28	10.6%	9.7%
4 Belgium	148.46	19.2%	5.9%
5 France	141.99	3.0%	5.6%
6 Italy	103.36	9.2%	4.1%
7 The Netherlands	92.99	6.2%	3.7%
8 Switzerland	89.34	8.2%	3.5%
9 Luxembourg	76.57	23.8%	3.0%
10 Japan	76.21	4.8%	3.0%
11 Spain	44.84	8.8%	1.8%
12 Hong Kong	44.55	0.0%	1.8%
13 Australia	42.38	6.7%	1.7%
14 Sweden	39.52	8.3%	1.6%
15 South Africa	38.06	9.3%	1.5%
16 Austria	35.23	11.9%	1.4%
17 Canada	34.33	8.5%	1.4%
18 Singapore	24.86	6.9%	1.0%
19 Finland	24.83	20.1%	1.0%
20 Denmark	24.18	15.7%	1.0%
21 Norway	22.06	18.7%	0.9%
22 Korea, Republic of	20.34	10.7%	0.8%
23 Russia	17.81	16.1%	0.7%
24 Ireland	16.62	12.8%	0.7%
25 Greece	16.45	7.9%	0.7%
Other countries	260.82	13.5%	10.4%
Total	**2,518.29**	**9.5%**	**100.0%**

Rank based on traffic allocated to the country of the parent institution

	Traffic millions	Growth	Share
1 United States	631.27	12.4%	25.1%
2 United Kingdom	301.32	7.3%	12.0%
3 Germany	230.18	0.9%	9.1%
4 France	192.32	7.3%	7.6%
5 Belgium	153.45	16.6%	6.1%
6 The Netherlands	122.76	5.6%	4.9%
7 Switzerland	120.20	13.5%	4.8%
8 Italy	115.61	6.6%	4.6%
9 Japan	61.30	2.7%	2.4%
10 Luxembourg	50.43	30.2%	2.0%
11 Sweden	46.86	17.7%	1.9%
12 Finland	43.98	13.7%	1.7%
13 Australia	40.98	1.5%	1.6%
14 Canada	39.26	5.8%	1.6%
15 Spain	37.47	6.3%	1.5%
16 South Africa	34.30	11.2%	1.4%
17 Austria	33.10	10.6%	1.3%
18 China	23.95	9.6%	1.0%
19 Denmark	16.72	7.7%	0.7%
20 Russia	16.12	15.2%	0.6%
21 Norway	14.33	11.6%	0.6%
22 Ireland	13.50	6.3%	0.5%
23 Greece	13.23	7.8%	0.5%
24 Korea, Republic of	12.47	5.9%	0.5%
25 Taiwan	9.27	4.6%	0.4%
Other countries	143.92	13.4%	5.7%
Total	**2,518.29**	**9.5%**	**100.0%**

Members, users and SWIFTNet FIN traffic by country or territory

Due to consolidation in the financial industry, the number of members decreased in 2005. At the same time, the number of members, sub-members and participants connected to SWIFTNet FIN increased.

	Member banks	Institutions connected to FIN	Messages sent thousands	Messages received thousands
Afghanistan	1	11	49	67
Albania	5	18	328	343
Algeria	6	21	582	846
Andorra	4	7	475	623
Angola	5	13	365	311
Anguilla	1	4	14	21
Antigua and Barbuda	3	11	115	133
Argentina	19	49	1,392	2,046
Armenia	12	21	218	300
Aruba	2	5	103	94
Australia	11	88	42,382	40,486
Austria	50	97	35,253	34,287
Azerbaijan	10	45	900	1,077
Bahamas	4	58	980	1,289
Bahrain	11	58	1,742	1,597
Bangladesh	18	44	1,032	2,220
Barbados	3	12	174	249
Belarus	9	29	1,277	1,703
Belgium	21	84	148,461	93,079
Belize	1	4	25	34
Benin	4	10	99	133
Bermuda	2	9	1,400	2,877
Bhutan	0	3	11	14
Bolivia	3	11	180	285
Bosnia-Herzegovina	18	33	2,236	2,143
Botswana	3	9	369	239
Brazil	25	80	4,106	5,682
British Virgin Islands	0	2	32	70
Brunei Darussalam	1	7	214	118
Bulgaria	12	35	3,089	3,451
Burkina Faso	0	9	104	209
Burundi	0	7	38	37
Cambodia	5	14	91	159
Cameroon	7	11	130	166
Canada	13	63	34,327	27,797
Cape Verde	3	4	41	99
Cayman Islands	2	68	536	713
Central African Republic	0	3	8	13
Chad	1	6	18	20
Chile	9	29	2,609	2,606
China	37	180	14,609	37,099
Colombia	18	24	912	1,114
Comoros Islands	0	1	4	4
Congo	0	4	24	20
Congo (Democratic Republic of)	0	12	94	103
Cook Islands	0	2	20	18
Costa Rica	1	15	294	480
Côte d'Ivoire	7	19	343	398
Croatia	20	38	2,988	2,882
Cuba	5	8	505	818
Cyprus	8	33	2,708	2,364
Czech Republic	8	27	7,382	5,622
Denmark	24	53	24,184	21,601
Djibouti	0	2	40	43
Dominica	0	4	25	32
Dominican Republic	3	12	238	368
Ecuador	10	20	858	1,589
Egypt	34	53	3,676	4,135
El Salvador	3	9	170	208

	Member banks	Institutions connected to FIN	Messages sent thousands	Messages received thousands
Equatorial Guinea	0	4	21	20
Eritrea	0	2	8	19
Estonia	2	12	1,715	1,568
Ethiopia	1	10	137	273
Faeroe Islands	1	2	42	51
Falkland Islands	0	1	7	6
Fiji	1	6	151	161
Finland	8	16	24,833	11,552
France	50	245	142,354	130,879
Gabon	1	6	146	96
Gambia	0	6	32	50
Georgia	4	19	179	295
Germany	104	295	245,288	229,738
Ghana	9	22	264	391
Gibraltar	0	11	122	264
Greece	15	41	16,449	11,968
Greenland	0	1	16	16
Grenada	1	5	36	45
Guatemala	1	13	224	207
Guernsey, C.I.	0	28	1,267	2,196
Guinea	0	6	30	43
Guyana	1	4	40	65
Haiti	0	8	45	43
Honduras	1	10	120	168
Hong Kong	23	195	44,548	43,590
Hungary	12	38	8,980	6,810
Iceland	5	6	1,027	719
India	48	94	8,498	12,636
Indonesia	26	62	8,251	7,926
Iran	11	16	1,733	1,629
Iraq	3	9	26	37
Ireland	12	77	16,619	16,944
Isle of Man	0	14	315	477
Israel	9	14	4,371	4,063
Italy	**123**	**258**	**103,363**	**98,010**
Jamaica	2	6	204	245
Japan	123	257	76,207	60,228
Jersey, C.I.	2	32	3,595	3,553
Jordan	10	24	1,896	1,824
Kazakhstan	6	34	1,068	997
Kenya	10	44	946	1,127
Kiribati	0	1	4	4
Korea, Republic of	21	68	20,337	14,014
Kuwait	12	28	2,384	1,865
Kyrgyzstan	0	15	419	265
Laos	1	4	20	52
Latvia	14	26	4,927	4,415
Lebanon	23	53	2,411	2,722
Lesotho	1	3	38	46
Liberia	0	3	6	16
Libyan Arab Jamahiriya	4	12	232	232
Liechtenstein	5	12	909	1,731
Lithuania	5	12	2,290	1,912
Luxembourg	21	156	76,567	66,346
Macau	3	20	699	721
Macedonia	4	17	531	561
Madagascar	5	8	209	280
Malawi	2	8	88	133
Malaysia	13	47	10,161	4,756
Maldives	1	6	122	101
Mali	1	11	92	224
Malta	8	15	1,053	832
Mauritania	2	10	26	52
Mauritius	6	20	935	906
Mexico	10	30	4,584	5,587
Moldova, Republic of	1	17	264	421
Monaco	3	19	661	1,180
Mongolia	7	16	82	116
Montserrat	0	2	5	4
Morocco	10	15	1,260	1,536
Mozambique	1	10	118	170
Myanmar	0	4	87	88
Namibia	4	10	520	598
Nepal	6	18	177	348
The Netherlands	22	94	92,941	96,732
Netherlands Antilles	7	25	764	824

	Member banks	Institutions connected to FIN	Messages sent thousands	Messages received thousands
New Zealand	5	16	7,080	6,521
Nicaragua	2	7	80	108
Niger	0	8	45	102
Nigeria	27	79	713	1,185
North Korea	9	13	20	23
Norway	14	33	22,059	13,502
Oman	6	15	811	629
Pakistan	11	36	1,888	3,371
Palestine	2	7	178	199
Panama	6	40	679	742
Papua New Guinea	3	5	182	106
Paraguay	0	14	168	209
Peru	7	13	726	1,118
Philippines	19	50	3,533	4,903
Poland	19	47	12,214	11,644
Portugal	20	46	8,293	6,281
Qatar	7	17	1,383	1,090
Romania	16	43	5,172	5,235
Russian Federation	101	448	17,811	17,851
Rwanda	2	7	39	63
Saint Kitts and Nevis	2	7	74	91
Saint Lucia	1	7	54	69
Saint Vincent	2	5	31	47
Samoa	1	5	28	34
San Marino	2	4	35	49
Saudi Arabia	13	18	7,273	2,380
Senegal	3	14	701	543
Serbia-Montenegro	19	51	1,586	1,757
Seychelles	1	4	52	51
Sierra Leone	1	7	29	45
Singapore	8	158	24,863	25,513
Slovakia	9	19	3,315	2,861
Slovenia	13	25	4,863	4,744
Solomon Islands	1	4	48	35
South Africa	8	98	38,055	34,839
Spain	42	105	44,842	33,187
Sri Lanka	9	34	2,228	2,345
Sudan	2	29	211	545
Suriname	1	4	54	96
Swaziland	1	5	82	83
Sweden	7	35	39,519	29,558
Switzerland	99	254	89,260	99,098
Syrian Arab Republic	3	8	164	311
Taiwan	36	81	12,735	14,914
Tajikistan	1	9	58	117
Tanzania	0	25	475	585
Thailand	10	36	9,392	10,074
Timor-Leste	0	1	7	6
Togo	3	9	49	101
Tonga	1	3	26	29
Trinidad and Tobago	3	7	319	320
Tunisia	17	24	1,181	1,330
Turkey	29	51	8,862	10,359
Turkmenistan	0	3	24	28
Turks & Caicos	0	3	39	42
Uganda	2	17	857	944
Ukraine	18	110	1,924	3,458
United Arab Emirates	19	54	8,315	7,870
United Kingdom	86	422	431,667	521,032
United States	107	588	405,786	454,599
Uruguay	5	22	577	879
Uzbekistan	4	18	176	313
Vanuatu	0	4	43	45
Vatican City State	1	1	39	64
Venezuela	12	42	2,988	3,050
Vietnam	10	54	1,399	2,344
Yemen	6	15	215	287
Zambia	4	14	655	690
Zimbabwe	10	30	4,356	4,385
Total	**2,238**	**7,863**	**2,518.285**	**2,518.285**

Data includes all market, system and market infrastructure messages.

SWIFTNet is our IP-based messaging platform. It includes the core store-and-forward SWIFTNet FIN service and three additional messaging services: SWIFTNet InterAct, SWIFTNet FileAct and SWIFTNet Browse. These services enable secure, reliable and automated messaging between financial institutions and their industry counterparts, their end-customers or their market infrastructures. This section of the Annual Report provides data for all the messaging services.

FIN growth
2,518 million messages

+9.5%

InterAct growth
128.1 million messages

+60%

FileAct growth
1.4 million files

+60%

Governing the cooperative

SWIFT is a cooperative society under Belgian law, which its shareholders own and control. The shareholders elect a Board of 25 independent Directors, which governs the company and oversees the Executive Steering Group (ESG). The ESG is a group of full-time employees headed by a Chief Executive Officer.

Elections

The members of SWIFT elect a Board of 25 independent Directors, which governs the company and oversees the Executive Steering Group (ESG). The Directors are elected by the Annual General Assembly for staggered terms of three years. The Board elects a Chairman and a Deputy Chairman from among its members. It meets at least four times a year.

The SWIFT Board has six committees:

— Audit and Finance
— Banking and Payments
— Compensation
— Securities
— Standards
— Technology and Production

The committees provide guidance to the Board and the Executive Steering Group, and review project progress in their respective areas.

The Directors are elected by the Annual General Assembly for staggered terms of three years. The Board elects a Chairman and a Deputy Chairman from among its members. It meets at least four times a year.

Board committees

The Board has six committees:

- The Audit and Finance Committee (AFC) is the oversight body for the audit process of SWIFT's operations and related internal controls. It commits to applying best practice for Audit Committees to ensure best governance and oversight in the following areas:

  — Accounting, financial reporting and control;
  — Regulatory oversight;
  — Budget, finance and financial long-term planning;
  — Responsibility and liability/code of conduct; and
  — Audit oversight.

  The AFC meets four to five times per year with management, the CFO, SWIFT's Chief Auditor and external auditors.

- The Compensation Committee oversees executive compensation. It assesses company performance and decides on the remuneration package for members of the ESG and other key executives. It monitors employee compensation and benefits programmes, including the provisioning and funding of the pension plans. It also approves appointments to the ESG and assists in the development of the organisation, including succession planning. The Compensation Committee includes the Chairman and two senior Directors and meets four to five times per year with the CEO, the Executive for Human Resources, and the CFO on financial and performance measures. The Committee also meets without the SWIFT Executives several times a year. The Compensation Committee has delegated powers from the Board in these matters.

- Two business committees: Banking and Payments, and Securities.

- Two technical committees: Standards, and Technology and Production. The Committees provide strategic guidance to the Board and the ESG, and review project progress in their respective areas.

National Member Groups and National User Groups help ensure a coherent global focus.

Remuneration of Directors

The members of the Board do not receive any remuneration from the Company. They are reimbursed for the travel costs incurred to perform their mandate. SWIFT reimburses the employer of the Chairman of the Board for the share of the Chairman's payroll and related costs representing the portion of the time dedicated by the Chairman to SWIFT.

Audit process

SWIFT's Chief Auditor has a dual reporting line with a direct functional reporting line to the Chair of the Audit and Finance Committee (AFC), and a direct solid administrative reporting line to the CEO. Given the sensitivity to external auditors performing consultancy work for management, the AFC also annually reviews the respective spending and trends.

To ensure objectivity, the mandates of the external auditors, as well as their remuneration, are decided by the AFC. SWIFT has two mandates for external audit:

— Ernst & Young, Brussels has held the Financial Audit mandate since June 2000. Their mandate was renewed in June 2003, and runs through June 2006. Their financial audit statement is on page 33.
— PricewaterhouseCoopers has held the Security Audit mandate since September 2003. It runs to 2007. Their security audit statement is on page 33.

Oversight

SWIFT maintains an open and constructive dialogue with oversight authorities. Under an arrangement with the central banks of the G-10 countries, The National Bank of Belgium, the central bank of the country in which SWIFT's headquarters are located, acts as lead overseer of SWIFT. The issues discussed can include all topics related to systemic risk, confidentiality, integrity, availability and company strategy. SWIFT is overseen because of its importance to the smooth functioning of the worldwide financial system, in its role of provider of messaging services (read more about oversight on page 26).

User representation

National Member Groups and National User Groups help ensure a coherent global focus by ensuring a timely and accurate two-way flow of information between SWIFT and its users.

— The National Member Group comprises all of a nation's SWIFT shareholders, and proposes candidates for election to the SWIFT Board of Directors. It serves in an advisory capacity to Board Directors and SWIFT management, and serves the interests of the shareholders by coordinating their views. The National Member Group is chaired by a Chairperson elected by the SWIFT shareholders of the nation.
— The National User Group comprises all SWIFT users within a country and acts as a forum for planning and coordinating operational activities. It elects a national representative – the User Group Chairperson – who is a prime line of communication between the national user community and SWIFT.

Board nominations

A country can propose a Board Director depending on its ranking, which is determined by the total number of shares owned by the country's shareholders:

a) The shareholders from each of the first six countries ranked by number of shares may collectively propose two Directors for election.
b) The shareholders from each of the ten following countries ranked by number of shares may collectively propose one Director for election.
c) The shareholders of a country which does not qualify under a) or b) may join with the shareholders of one or more other countries to propose a Director for election. The number of Directors proposed in this way shall not exceed three.

The total number of Directors cannot exceed 25.

Oversight of SWIFT

Central banks generally have the explicit objective of fostering financial stability and promoting the soundness of payment and settlement systems. While SWIFT is neither a payment nor a settlement system and, as such, is not regulated by central banks or bank supervisors, a large and growing number of systemically important payment systems have become dependent on SWIFT, which has thus acquired a systemic character.

An open and constructive dialogue

SWIFT is committed to an open and constructive dialogue with oversight authorities. The National Bank of Belgium acts as the lead overseer, supported by the G-10 central banks. The oversight focuses primarily on ensuring that SWIFT has effective controls and processes to avoid posing a risk to the financial stability and the soundness of financial infrastructures.

Because of this, the central banks of the Group of Ten countries (G-10) agreed that SWIFT should be subject to cooperative oversight by central banks. The oversight of SWIFT in its current form dates from 1998, and the most recent strengthening of the practical arrangements took place in 2004.

The National Bank of Belgium (NBB) is lead overseer, as SWIFT is incorporated in Belgium. Other central banks also have a legitimate interest in, or responsibility for, the oversight of SWIFT, given SWIFT's role in their domestic systems.

As is generally the case in payments systems oversight, the major instrument for the oversight of SWIFT is moral suasion. Overseers place great importance on the constructive and open dialogue conducted on a basis of mutual trust with the SWIFT Board and senior management. During these dialogues, overseers formulate their recommendations to SWIFT.

A protocol signed between the NBB and SWIFT lays down the common understanding of overseers and SWIFT about the oversight objectives, and the activities that will be undertaken to achieve those objectives. It can be revised periodically to reflect evolving oversight arrangements.

Objectives, areas of interest and limitations

The objectives of oversight of SWIFT centre on the security, operational reliability, business continuity and resilience of the SWIFT infrastructure. To review whether SWIFT is pursuing these objectives, overseers want to obtain comfort that SWIFT has put in place appropriate governance arrangements, structures, processes, risk management procedures and controls that enable it to effectively manage the potential risks to financial stability and the soundness of financial infrastructures.

Overseers review SWIFT's identification and mitigation of operational risks, and may also review legal risks, transparency of arrangements and customer access policies. SWIFT's strategic direction may also be discussed with the Board and senior management.

This list of oversight fields is indicative, not exhaustive. In short, overseers will undertake those activities that provide them comfort that SWIFT is paying proper attention to the objectives described above. Nevertheless, SWIFT continues to bear the responsibility for the security and reliability of its systems, products and services. It should be understood that the oversight of SWIFT does not grant SWIFT any certification, approval or authorisation.

International cooperative oversight

As lead overseer, the NBB conducts the oversight of SWIFT in cooperation with the other G-10 central banks, that is Bank of Canada, Deutsche Bundesbank, European Central Bank, Banque de France, Banca d'Italia, Bank of Japan, De Nederlandsche Bank, Sveriges Riksbank, Swiss National Bank, Bank of England and the Federal Reserve System (USA), represented by the Federal Reserve Bank of New York and the Board of Governors of the Federal Reserve System.

Oversight structure – oversight meetings

The NBB monitors SWIFT on an ongoing basis. It identifies relevant issues through the analysis of documents provided by SWIFT and through discussions with the management. It maintains a continuous relationship with SWIFT, with ad hoc meetings on a regular basis, and serves as the G-10 central banks' entry point for the cooperative oversight of SWIFT. In that capacity, the NBB chairs the senior policy and technical groups that facilitate the cooperative oversight, provide the secretariat and monitor the follow-up of the decisions taken.

Access to information

In order to achieve their oversight objectives, the overseers need timely access to all information they judge relevant for the purpose of the oversight. Typical sources of information are SWIFT Board papers, security audit reports, incident reports and incident review reports.

Another important channel for gathering information is through presentations by SWIFT staff and management. Finally, SWIFT assists overseers in identifying internal SWIFT documents that might be relevant to address specific oversight questions. Provisions on the confidential treatment of non-public information are included both in the protocol between the NBB and SWIFT, and in the bilateral Memorandums of Understanding between the NBB and each of the other cooperative central banks.

The official description of the NBB's oversight role can be found in *Financial Stability Review 2005*, published by The National Bank of Belgium and available on its website.

www.bnb.be

Board of Directors

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Linda Smith, HSBC Bank plc and Tom Turner, The Royal Bank of Scotland, retired from the Board of Directors in 2005.

25


1 Jaap Kamp
Chairman
The Netherlands
SWIFT Director since 1994 and Chairman of the Board since 2000. Jaap Kamp joined ABN AMRO Bank in 1975 and has held Senior Executive Vice President positions in Wholesale Banking, Payments, Human Resources, Legal & Compliance until his retirement in September 2005.

2 Yawar Shah
Deputy Chairman
Executive Vice President, Global Operations Executive, Worldwide Securities Services, JP Morgan Chase Bank, United States
SWIFT Director since 1995 and Deputy Chairman since 1996. At JP Morgan Chase, responsible for global operations for Worldwide Securities Services. Prior assignments have included Retail Service and Operations Executive, Chief Operating Officer of the Global Private Bank, General Manager of the Treasury Management Services business, as well as Chief Administrative Officer for Geoserve.

3 Roland Böff
Senior Vice President, Bayerische Hypo- und Vereinsbank, Germany
SWIFT Director since 1999. Managing Director and Head of Interbank Clearing and Settlement. Chairman of SWIFT's Pricing Board Task Force and Standards Committee.

4 Arthur Cousins
Director Strategy and Product Development, The Standard Bank of South Africa, South Africa
SWIFT Director since 2003. Joined Standard Bank in 1969. Currently responsible for strategy and product development at Corporate and Investment Banking Division. Previously Head of Treasury Operations, International Banking Operations including Trade Finance, and Custody. CLS Board Member. Previous Board Member of STRATE (national CSD). Member of the JSE Securities Exchange Advisory Committee for Clearing and Settlement. Chairman of Back Office Forum of South Africa. Member of the Money Market Forum. Chairman of national ISO TC68 Standards Committee and a Member of the Global Payments Forum Steering Committee.

5 Pascal Deman
CEO, Fin-Force, Belgium
SWIFT Director since 2002. Master in Applied Economics, University of Louvain (Belgium). Began his career with Kredietbank in 1980. Held various managerial positions, including foreign entities in Australia and France. Appointed CEO and Director of Fin-Force in May 2002. Holds several other directorships.

6 Erik Dralans
Senior Executive Vice President and Head of Operations and IT Banking, ING, The Netherlands
SWIFT Director since 2003. Started his career with Bank Brussels Lambert in 1972 and gained extensive international experience while working in Tokyo, Northeast Asia, Singapore and New York. Currently responsible for the processing of global operations and the related IT applications and platforms for ING Bank. Chairman of the Board of Interpay, Chairman of the European Debit Advisory Committee of MasterCard.

7 John Ellington
Director, Payment Operations, The Royal Bank of Scotland, United Kingdom
SWIFT Director since 2005. Joined The Royal Bank of Scotland (previously NatWest) in 1985 and held several managerial positions in international payment and trade operations. Currently responsible for all non-card payment processing operations and associated customer service functions within the UK, including domestic and international electronic payments, trade services, cheque clearing, cash handling, ATM network and electronic banking support. Director, SWIFT (UK), Director, CHAPS Clearing Company and Alternate Member of the APACS Council.

8 Wolfgang Gaertner
CIO, Deutsche Bank AG, Germany
SWIFT Director since 2001. Joined Deutsche Bank in 1998 and serves as Chief Information Officer. His group provides IT solutions and operations services to the Global Banking, Private & Business Clients and Private Wealth Management divisions. Previous functions included management of Deutsche Bank's cash business for financial institutions, as well as managerial positions in IT at Commerzbank. Holds a degree in economics and technology from the University of Karlsruhe.

9 Günther Gall
Executive Vice President, Division Head of Transactions Services, Raiffeisen Zentralbank, Austria
SWIFT Director since 2001. Joined the Genossenschaftliche Zentralbank, Vienna (formerly Raiffeisen Zentralbank) in 1969. Currently Divisional Head of Transaction Services, which comprise cash management, custody, cards and infrastructure. Represents the Raiffeisen Banking Group on the Supervisory Board of STUZZA, the Austrian platform for non-competitive co-operation in payments and A-TRUST, the accredited Austrian Certification Authority. Internationally, he is Member of the EBA Association Board and the European Payment Council Plenary.

10 Jean-Yves Garnier
Deputy Manager, Natexis Banques Populaires, France
SWIFT Director since 2002. Joined Natexis Banques Populaires (merger of Caisse Centrale des Banques Populaires and Natexis Banque) in 1988 and was appointed Head of Interbank Relationships for Payments. Previously supervised the back-offices for card and payment systems and the project management team. Previously held functions at Banque Internationale pour l'Afrique Occidentale and Société Générale.

11 Finn Otto Hansen
Head, Clearing and Settlement Strategies, DnB NOR Bank ASA, Norway
SWIFT Director since 2004. Joined DnB NOR in 1974. Held various positions in Credit, Payments and Cash Management. Currently heads the department for Clearing and Settlement Strategies. Has represented his institution and Norwegian banks on various national committees over the last two decades, including the SWIFT National Member Group. Member of the CLS Bank Board, the CLS Holding Board and representative of DnB NOR to EBA Clearing. Chairman of SWIFT's Banking and Payments Committee.

12 Takashi Kimori
General Manager of Payment & Clearing Services Division, The Bank of Tokyo-Mitsubishi UFJ Ltd, Japan
SWIFT Director since 2005. Joined The Bank of Tokyo Ltd. in 1978. Responsible for Yen-denominated interbank payment and clearing business and operations as well as implementing and managing new settlement business and managing industry-wide issues, such as developing various insourcing businesses in DVP settlements for Japanese Securities. Held various managerial positions in Foreign Exchange and Treasury in Tokyo Head Office, European Treasury Office in London and Brussels and Paris. Holds a degree in Economics from the University of Kyoto.

13 Yves Maas
Head, International Operations and External Relations, Credit Suisse, Switzerland
SWIFT Director since 2003. Started his career with Credit Suisse in 1999 (Credit Suisse Private Banking). Held positions in Securities, Treasury, IT, Operations as well as managerial positions at Cedelbank in Luxembourg. Member of the Board of SIS SegaInterSettle AG and representative of Credit Suisse at the G30 Clearing and Settlement Monitoring Committee.

14 Jacques-Philippe Marson
President and CEO, BNP Paribas Securities Services, France
SWIFT Director since 2001. Joined Paribas in 1998 as Head of Global Securities Services and Member of the Investment Bank Management Board. Formerly Executive Vice President of State Street. Held managerial positions at Cedel, SWIFT and JPMorgan. Member of the Board of Trustees of the International Charter School of New England, Member of the Board of Omgeo and Member of the ISSA Board.

15 Lynn Mathews
Chairman of the Australian National Member Group and Asia Pacific and Latin American Representative of CLS Services, Australia
SWIFT Director since 1998. Formerly, Head of Payments, Products and Industry Policy and Strategy in the Global Transaction Services Group at Westpac Banking Corporation and General Manager of the Corporate and Investor Services Group at Citibank in Australia. Former Deputy Chairman of Austraclear Ltd.

16 Maurizio Mistura
Interbank Relations Director, SIA Ced Borsa SpA, Italy
SWIFT Director since 2000. Joined Banca Commerciale Italiana (now Banca Intesa) in 1967. He has held various domestic and international responsibilities. Joined SIA, Società Interbancaria per l'Automazione in 2003.

17 Raymond Parodi
Managing Director, Global Transaction Services Group, Citibank, United States
SWIFT Director since 2003. Joined Citibank in 1968 and held several positions in the Investment Management Group, ultimately becoming Head of Global and Domestic Custody Services. Was Chief Administrative Officer for Citicorp's brokerage units and Head of Securities Finance in New York and London. Subsequently, headed the Financial Intermediaries Business in Global Securities Services, after a brief stint in Risk Management. Currently responsible for relationship management, credit and client coverage for Financial Institutions. Vice Chairman of ISSA and Chairman of SWIFT's Securities Committee.

18 Martin Read
Assistant General Manager, The Bank of Nova Scotia, Canada
SWIFT Director since 1990. Assistant General Manager, Electronic Banking at The Bank of Nova Scotia. Previously Head of its International Banking Division. Chairman of SWIFT's Audit and Finance Committee.

19 Alfredo Rodríguez Pinilla
Director, Depositary & Payments, Banco Bilbao Vizcaya Argentaria, Spain
SWIFT Director since 2003. Formerly Head of Operations at Banco Bilbao Vizcaya Argentaria (BBVA) London from 1995 until end 2002. Recently assigned to IT & Operations Division. Board Member at EBA Clearing, Member of the European Payments Council (EPC), Chair of EPC´s Operations, Infrastructure & Technology Standards (OITS).

20 André Roelants
Chairman, Clearstream International S.A., Luxembourg
SWIFT Director since 2003. Joined Clearstream International in 2001 as President and CEO as well as Deputy CEO and Member of the Executive Board of Deutsche Börse. Previously held several managerial positions with Royal Bank of Canada, Chase Manhattan Bank, Bank of America International, and Dexia as Chairman of the Executive Committee of Dexia BIL and Member of the Dexia Group Executive Committee.

21 Marilyn H. Spearing
Head of Sales, Global Transaction Banking, HSBC Corporate Investment Banking and Markets, United Kingdom
SWIFT Director since 2005. Currently responsible for sales across both the Corporate and Financial Sectors of Transaction Banking for HSBC. Global Transaction Banking includes payments and cash management, trade, supply chain, funds administration and custody and wholesale bank notes. Previous roles included Head of HSBC's global payments and cash management; Managing Director of global electronic banking, part of Barclays Global Services Division; Senior Vice President for Barclays de Zoete Wedd in New York. Board Member of SWIFT UK.

22 Roger T. Storm
Senior Vice President, Banking Market Infrastructures, Skandinaviska Enskilda Banken AB (SEB), Sweden
SWIFT Director since 2000. Currently responsible for Banking Market Infrastructures within SEB Merchant Banking, Member of the Board of EBA Clearing S.A. and Member of the Board of Sweden's giro-institute BGC AB. Chairman of the Swedish National Member Group. Joined SEB in 1989. Previous functions within the SEB Group include: Strategic Projects and Planning, Global Head of Trade Services Products, Head of Credits function of SEB Finland, and Senior Credit Analyst at Enskilda in London. Holds a Masters degree in Business Administration from the Stockholm School of Economics and is a Certified Financial Analyst.

23 Jee Hong Yee-Tang
Technology Advisor, The Association of Banks in Singapore (ABS), Singapore
SWIFT Director since 1999. Currently Technology Advisor to the Association of Banks in Singapore and Member of Computerisation Steering Committee of National Health Care Group, Singapore. Previously Managing Director and Head of IT at DBS Bank. As EVP (Corporate Services) had responsibility for risk management and various operational departments, including Finance, Human Resources, Trade Finance, Credit Administration and Settlements. Was Board Member of DBS Asset Management and DBS Card Centre Pte Ltd.

24 Y B Yeung
Assistant General Manager, Information Technology, Hong Kong and Shanghai Banking Corporation, Hong Kong
SWIFT Director since 1994. Chairman of the Hong Kong User Group and the SWIFT Asia Pacific Council. Chairman of SWIFT's Technology and Production Committee.

25 Stephan Zimmermann
COO, Global Wealth Management & Business Banking and Member of the Group Managing Board, UBS AG, Switzerland
SWIFT Director since 1998. Chairman Telekurs Holding AG. Chairman SWIFT's Compensation Committee.

Executive Steering Group

The SWIFT Board of Directors delegates the day-to-day management of the company to the Chief Executive Officer (CEO). The CEO and the Executive Heads of the various divisions form the Executive Steering Group (ESG). The ESG is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other information presented in this Annual Report. The Executive Heads report to the CEO.

The SWIFT divisions

- Marketing
- Banking Industry
- Securities Industry
- IT & Tech OPS
- Customer Operations
- Finance and Administration
- Human Resources

Organisational structure

SWIFT is organised into seven divisions, each led by an Executive:

- Marketing determines market demand and customer requirements for all products and services. It includes the Standards department which coordinates with external standards organisations and develops the requirements for SWIFT message standards.
- The Banking Industry and Securities Industry divisions manage commercial relationships with customers and market infrastructures and promote the SWIFT messaging services and SWIFTSolutions portfolio to prospective customers.
- IT designs and develops all product and internal technology solutions. It is also responsible for the security control framework for the SWIFT enterprise. Technology Operations manages and monitors the services used by customers including the running of SWIFT's operational centres and global network.
- Customer Operations is responsible for customer ordering, service provisioning, global customer support and crisis management.
- Finance and Administration is responsible for financial management, monitoring company performance, billing, purchasing, logistics and general administration services.
- Human Resources recruits, develops, retains and rewards talent and provides the programmes, policies and practices to help achieve business goals through motivated, high-performing employees.

Remuneration of Executives

The remuneration of the CEO and the ESG is designed to:

- Attract and retain high-calibre talent, for which SWIFT competes in the international marketplace;
- Reward achievement of both demanding operational targets and medium-term strategic objectives; and
- Recognise both strong individual contribution and solid team performance.

1 Johan Kestens
2 Jim Donovan
3 Lenny Schrank
4 Lázaro Campos

The composition and the aggregate company cost of the reward package of the CEO and the Executive for 2005 and 2004 are included in the Related Party Disclosures section of this Annual Report (see Note 29 on page 53). The main components of the short-term employee benefits are the base salary and the annual bonus. The annual bonus is linked to the achievement of operational targets. The main benefit in the post-employment benefits is a defined benefit pension plan. This plan provides for a pension calculated on the 'final pensionable salary', which excludes variable compensation. The long-term incentive awards make up the most important element of the benefits reported under long-term benefits. The pay-out under this scheme is determined by SWIFT's performance against a number of key performance indicators which are aligned with the company's strategic plan. In the aggregate amount of base salary, annual bonus and long-term incentives, the fixed component (base salary) represents 38 percent and the variable components (annual bonus and long-term incentives) represent 62 percent.

It is the opinion of the Compensation Committee that the compensation packages provided to the SWIFT executives are in line with the market and represent fair and appropriate recognition and remuneration for the individuals involved.

Leonard H. Schrank
Chief Executive Officer
Has served as CEO since 1992. Career has consisted of managing European and US organisations that provide information services and software solutions to the financial services industry. Upon graduating from MIT, co-founded a software company in Cambridge, Massachusetts that was acquired by Chase/Interactive Data Corporation in 1977. Based in London, headed Chase/IDC's international activities for nearly ten years before joining SWIFT. President, American Chamber of Commerce in Belgium; Director, United Fund for Belgium; Vice President, MIT Club, Belgium; Member of the ICT Advisory Board of GIMV, a Belgian venture capital fund.
American.

Lázaro Campos
Banking Industry Division
Joined SWIFT in 1987, with postings in Education and Standards. Served as Manager, FIN Products and Value Added Services from 1993 until 1995. From 1995 to 1998, was Director of Market Infrastructure Services with responsibility for multiple domestic and international market infrastructure projects, including ECHO, CHAPS Euro, EBA Clearing and TARGET. Served as Director of Treasury Markets, where he managed the CLS project for SWIFT, from 1998 until 2000. He was then appointed Head of Marketing where he led the SWIFT 2006 strategy initiative. In October 2003, he became Head of the Banking Industry Division. Has over 18 years international banking and telecommunications experience. Before joining SWIFT, served in the international division of Banc Agricol.
Spanish.

James P. Donovan
Securities Industry Division
Joined SWIFT in 2005. Before joining SWIFT, worked for Citibank for 17 years where he held responsibility for marketing and sales, strategic planning and business development for the Worldwide Securities Services Division; COO of Global Clearing Services and Managing Director of the American Depositary Receipt business. Most recently based in London as Managing Director/Regional Business Executive-EMEA and Japan for Citibank's Global Securities Services Division. Prior to joining Citigroup, worked for Chemical Bank and Bankers Trust Company.
American.

Joseph Eng
Chief Information Officer
Joined SWIFT in 1999 as Chief Information Officer and Member of the Executive Steering Group. Recognised by CIO Magazine with a 2005 CIO 100 Award. Responsible for security, reliability and resilience of SWIFT's services. Previously, held senior management positions at Ameritech, a worldwide telecommunications provider. These included positions in customer sales/support systems, network operations systems as well as architecture/technology direction for the Ameritech IT enterprise. In addition he was with Bellcore (since renamed Telcordia) where he held management positions in systems and technology for IT and communications.
American.

Brian Haughan
Customer Operations Division
Joined SWIFT in 1988. Has held various IT and management positions at SWIFT. He managed the IT initiatives for strategic customers and market infrastructures, established the Command Centre and led the SWIFTNet Migration Programme. He was appointed Head of Customer Operations Division and joined the Executive Steering Group in 2004. Prior to joining SWIFT, he consulted with Logica.
Irish.

Johan Kestens
Marketing
Joined SWIFT as the Head of New Business Development in December 2001. Became Head of Marketing in October 2003. Oversees product management, portfolio planning, pricing, user documentation, standards and relations with software partners, to help members integrate and leverage the SWIFT offering. Previously with Almanij, the largest Belgian financial holding company, with responsibility for the Strategy and Development Group. Prior to Almanij, was a partner at McKinsey & Company, where he co-founded the European Electronic Payments practice.
Belgian.

Francis Vanbever
Chief Financial Officer
Joined SWIFT in 1988 as Manager, Accounting and Budget. Named Senior Manager, Budget and Control, in 1994 and Director, Financial Planning and Analysis, in 1996. Appointed to current post in 1997. From 1981 to 1988, worked in several financial roles for the Belgian and European operations of Exxon Chemicals.
Belgian.

Mark Waller
Human Resources
Joined SWIFT in April 2001. Previously was with Alcatel Paris where he was Area Director, Resourcing and Development, EMEA. Prior to Alcatel, held senior HR positions at two major UK industrial companies, BOC and GEC.
British.

Francis Remacle
(Retired in January 2006)
Francis Remacle retired in January 2006 after 18 years at SWIFT. His career spanned over 30 years in organisation, data processing and telecommunications in the financial industry. He joined SWIFT in 1987. Served as General Manager of SWIFT Terminal Services from 1989. From 1992 to 2000, he was Head of Global Sales before being appointed to Head of Securities Industry Division in April 2000. Prior to joining SWIFT, he held various management, commercial and technical positions with IBM, for the financial industry.
Belgian.

5 Joe Eng
6 Mark Waller
7 Francis Vanbever
8 Brian Haughan

Financial performance

SWIFT's 2005 financial performance provides a solid basis for it to continue its commitment to reduce transaction costs for customers and fund the implementation of the *SWIFT2010* strategy.

SWIFT continued to demonstrate a strong financial performance in 2005. On 1 July, the company introduced an overall 8 percent price reduction on FIN messaging. In addition, we granted a rebate to our customers for the fourth consecutive year. The 2005 rebate amounted to EUR 23 million, representing 7 percent of the year's FIN traffic revenue. Combined with the mid-year price decrease, this amounted to a total reduction of EUR 37 million. After rebate, profit before tax was EUR 15 million.

FIN traffic grew 9.5 percent compared to 2004. The securities market remained the main growth engine, with a 16.4 percent increase year-on-year, while payment messages continued to increase steadily, at 6.5 percent. The average price of FIN messages decreased by 8 percent year-on-year, demonstrating our continued commitment to reduce transaction costs. In 2005, our customers benefited from both the lower prices applicable to FIN after the migration to SWIFTNet and from the additional mid-year price reduction. Consequently, the revenue from FIN traffic only grew 2 percent compared to last year.

Despite the growth in FIN revenue, total operating revenue before rebate decreased by 4.9 percent, from EUR 588 million to EUR 559 million. This is essentially due to lower interface sales and lower connectivity charges for customers following the end of the migration to SWIFTNet.

Operating expenses decreased by 2 percent compared to 2004. This is essentially due to the impact of the decommissioning of the X.25 network on infrastructure and support costs. In addition, management has initiated a structural cost reduction programme to generate resources to finance new investments without inflating the cost base. This programme will reduce operating expenses by EUR 50 million, or 10 percent of total expenses, by the end of 2006.

In 2005, we generated a net operating cash flow of EUR 95 million, in line with the 2004 performance. This allowed us to fund the 2005 investments while generating a cash surplus of EUR 24 million, bringing the total cash balance to EUR 91 million at year-end. This puts SWIFT in a solid position to fund the future investments that will be required for the implementation of the *SWIFT2010* strategy.

At the end of 2004, the Board invited all Members to convert into equity the advance funds they had paid over time for their FIN traffic. The objective was to strengthen the balance sheet by recognising the permanent nature of these funds. Members holding 92 percent of the advances contributed to the capital increase, adding close to EUR 60 million to equity. This capital increase was ratified by the Annual General Meeting in June 2005.

Key financials

year ended 31 December

(in millions)	2005 EUR	2004 EUR	2003 EUR	2002 EUR	2001 EUR
Revenues before rebate	**559**	588	577	579	515
Rebate	**(23)**	(33)	(25)	(15)	0
Revenues after rebate	**536**	555	552	564	515
Expenses	**(525)**	(536)	(518)	(525)	(516)
Profit before taxation	**15**	18	28	30	(3)
Net profit	**8**	10	16	10	(5)
Net cash flow from operating activities	**95**	94	83	38	72
Capital expenditure of which:	**67**	55	62	157	83
property, plant and equipment	**57**	45	47	65	38
intangibles	**10**	10	15	92	45
Shareholders' equity	**225**	156	145	131	124
Total assets	**402**	406	413	447	402
Number of employees end of year	**1,821**	1,737	1,708	1,647	1,577

Report of the independent financial auditors

To the shareholders of S.W.I.F.T. SCRL

We have audited the financial statements on pages 34 to 54 of S.W.I.F.T. SCRL, which comprise the consolidated balance sheet as at 31 December 2005, and the consolidated income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Reviseurs d'Entreprises SCC
represented by

Marc Van Steenvoort
Partner
Brussels, 17 March 2006

Security audit statement

The Directors and Management acknowledge their responsibility for maintaining an effective system of internal control in respect of the SWIFTNet and FIN services. SWIFT has put in place controls based on the ISO 17799 standard, to support its control objectives in relation to governance, confidentiality, integrity, availability and change management.

Management is satisfied that, for the period 1 January 2005 to 31 December 2005, the control policies and procedures relating to the SWIFTNet and FIN services were operating with sufficient effectiveness to provide reasonable assurance that appropriate governance was in place and the confidentiality, integrity, availability and change management objectives were met. The control objectives were specified by SWIFT Management.

PricewaterhouseCoopers were retained by the Directors to review the control policies and controls, both manual and computer-based, related to the FIN and SWIFTNet messaging services, specified by SWIFT Management for the period 1 January 2005 to 31 December 2005. Their examination was made in accordance with the SAS 70 standard established by the American Institute of Certified Public Accountants and their report covered both controls placed in operation and tests of operating effectiveness, as specified in the standard. The SAS 70 report, which includes the PricewaterhouseCoopers independent report prepared within the SAS 70 framework as well as all noted observations, has been discussed and reviewed by SWIFT's Audit and Finance Committee. The report was provided to all Board members.

Copies of the SAS 70 report are available to shareholding institutions or registered SWIFT users by request to the Board Secretariat of SWIFT.

Consolidated statement of income year ended 31 December

(in thousands)	Note	2005 EUR	2004 EUR
Revenues			
Traffic revenues	3	**346,410**	329,572
One-time revenues		**6,063**	8,439
Recurring revenues	4	**94,685**	86,881
Interface revenues	5	**81,273**	101,970
Other operating revenues	6	**7,480**	28,453
		535,911	555,315
Expenses			
Royalties and cost of inventory		**(13,181)**	(13,500)
Payroll and related charges	7	**(222,695)**	(211,426)
Network expenses	8	**(29,948)**	(50,795)
Rental, maintenance, office and outside service expenses	9	**(151,907)**	(163,713)
Depreciation of property, plant and equipment	13	**(44,129)**	(45,537)
Amortisation of intangible fixed assets	14	**(43,485)**	(43,966)
Other expenses	10	**(19,816)**	(6,764)
		(525,161)	(535,701)
Profit from operating activities		**10,750**	19,614
Financial income and expenses	11	**4,178**	(1,974)
Share of associated companies' gain or loss	15	**0**	0
Profit before tax		**14,928**	17,640
Income tax expense	12	**(7,138)**	(7,950)
Net profit		**7,790**	9,690

The accompanying notes on pages 38 to 54 are an integral part of these financial statements.

Consolidated balance sheet
year ended 31 December

(in thousands)	Note	2005 EUR	2004 EUR
Assets			
Non-current assets			
Property, plant and equipment	13	**144,105**	132,337
Intangible assets	14	**18,555**	52,025
Investments in associated companies	15	**0**	0
Securities investments	16	**0**	7
Deferred income tax assets	17	**11,787**	14,228
Total non-current assets		**174,447**	198,597
Current assets			
Cash and cash equivalents		**90,723**	66,333
Trade receivables	18	**56,113**	78,448
Other receivables	19	**19,147**	15,161
Prepayments to suppliers	20	**27,151**	14,802
Inventories		**6,344**	4,136
Prepaid taxes	21	**28,073**	28,062
Total current assets		**227,551**	206,942
Total assets		**401,998**	405,539
Equity and liabilities			
Equity			
Share capital		**14,022**	10,778
Share premium		**109,663**	53,360
Retained earnings		**100,697**	93,032
Foreign currency translation		**514**	523
Net unrealised gain/(loss) on hedging instruments		**157**	(1,831)
Total equity		**225,053**	155,862
Non-current liabilities			
Long-term employee benefits	22	**37,125**	29,919
Non-current portion of non-interest-bearing deposits	23	**0**	68,071
Deferred income tax liabilities	17	**12,989**	18,646
Total non-current liabilities		**50,114**	116,636
Current liabilities			
Amounts payable to suppliers	24	**16,553**	25,953
Short-term employee benefits	25	**54,574**	45,689
Short-term provisions	26	**4,516**	5,649
Other liabilities	27	**24,515**	34,940
Advance payments from current and prospective members		**1,003**	626
Current portion of non-interest-bearing deposits	23	**6,659**	0
Accrued taxes	28	**19,011**	20,184
Total current liabilities		**126,831**	133,041
Total equity and liabilities		**401,998**	405,539

The accompanying notes on pages 38 to 54 are an integral part of these financial statements.

Consolidated statement of cash flows year ended 31 December

(in thousands)	2005 EUR	2004 EUR
Cash flow from operating activities		
Profit from operating activities	10,750	19,614
Depreciation of property, plant and equipment	44,129	45,537
Amortisation of intangible fixed assets	43,485	43,966
Net loss on sale of property, plant and equipment, and intangible assets	298	557
Net unrealised foreign exchange (gains)/losses*	16,745	(5,104)
Other non-cash operating (gains)/losses	6,994	2,544
Unrealised gain on financial instruments recognised in equity	1,988	1,648
Decrease in current and non-current assets net of realised foreign exchange impact*	5,487	10,355
Decrease in current and non-current liabilities net of realised foreign exchange impact*	(25,266)	(23,309)
Net cash flow before interest and tax	104,610	95,808
Interest received	3,197	1,787
Interest paid	(577)	(611)
Tax paid	(12,629)	(2,539)
Net cash flow	94,601	94,445
Cash flow from investing activities		
Capital expenditures:		
Property, plant and equipment	(57,107)	(44,693)
Intangibles	(9,501)	(9,946)
Proceeds from sale of fixed assets	406	1,357
Net cash flow used in investing activities	(66,202)	(53,282)
Cash flow from financing activities		
(Decrease) in non-interest-bearing deposits	(3,930)	(569)
Net payments for redemption of shares	(297)	(259)
Reimbursement of loans	0	(7,437)
Net cash flow from (used in) financing activities	(4,227)	(8,265)
Increase/(decrease) of cash and cash equivalents	24,172	32,898
Movement in cash and cash equivalents		
At the beginning of the year	66,333	34,264
Increase/(decrease)	24,172	32,898
Effects of exchange rate changes	218	(829)
At end of the year	90,723	66,333

* The net unrealised foreign exchange losses include mainly the reversal of unrealised foreign exchange gains following the final payment for hardware and software delivered in 2002 but invoiced over the period 2002 to 2005 and the capitalisation of non-interest-bearing deposits in June 2005. This is offset by a decrease in the current liabilities due to the impact of the corresponding realised foreign exchange gains.

The accompanying notes on pages 38 to 54 are an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

(in thousands)	Number of shares	Share capital EUR	Share premium EUR	Retained earnings EUR	Foreign currency translation EUR	Net unrealised gain/(loss) hedging instruments EUR	Total EUR
Balance, 31 December 2003	**86,341**	**10,794**	**53,461**	**83,484**	**448**	**(3,479)**	**144,708**
Net profit for the year	–	–	–	9,690	–	–	9,690
Capital increase in cash	35	4	71	–	–	–	75
Capital reimbursement in cash	(157)	(20)	(172)	(142)	–	–	(334)
Foreign currency translation	–	–	–	–	75	–	75
Net unrealised gains on hedging instruments	–	–	–	–	–	1,648	1,648
Balance, 31 December 2004	**86,219**	**10,778**	**53,360**	**93,032**	**523**	**(1,831)**	**155,862**
Net profit for the year		–		7,790	–	–	7,790
Capital increase in cash	32	4	71	–	–	–	75
Capital reimbursment in cash	(158)	(20)	(227)	(125)	–	–	(372)
Foreign currency translation	–	–	–	–	(9)	–	(9)
Net unrealised gains on hedging instruments	–	–	–	–	–	1,988	1,988
Capital increase by contribution in kind of non-interest-bearing deposit (Note 23)	26,078	3,260	56,459	–	–	–	59,719
Balance, 31 December 2005	**112,171**	**14,022**	**109,663**	**100,697**	**514**	**157**	**225,053**

The closing balance of the 2003 and 2004 financial statements has been restated with a reclassification of EUR 39 million from retained earnings to share premium to correct the accounting treatment for share reimbursements between 1989–1999. This adjustment has no impact on the net equity of the Company.

The Annual General Meeting ratified in June 2005 a share transfer value of EUR 2,440, which is applied for all subsequent capital increases and decreases. The nominal value of each share amounts to EUR 125.

Notes to the consolidated financial statements

1 Corporate information

The consolidated financial statements of the Society for Worldwide Interbank Financial Telecommunication SCRL (in abbreviation S.W.I.F.T. SCRL) for the year ended 31 December 2005, were authorised for issuance in accordance with a resolution of the Board of Directors on 16 March 2006 and will be proposed for approval at the Annual General Meeting of 14 June 2006.

The registered office of S.W.I.F.T. SCRL is located at Avenue Adele 1, B-1310 La Hulpe, Belgium.

S.W.I.F.T. SCRL is the financial industry-owned co-operative supplying secure, standardised messaging services and interface software to 7,863 financial institutions. SWIFT's worldwide community includes banks, broker/dealers and investment managers, as well as their market infrastructures in payments, securities, treasury and trade.

S.W.I.F.T. SCRL operated in 204 countries and employed 1,821 employees as of 31 December 2005.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of S.W.I.F.T. SCRL have been prepared in accordance with International Financial Reporting Standards (IFRSs) and are presented in thousands of Euro. The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of derivatives and available-for-sale investment securities as required by IFRSs. The significant accounting policies used in the preparation of these financial statements are set out below and have been consistently applied compared to last year.

Use of estimates

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Changes in accounting standards

Certain new or modified IFRSs became effective for financial statements covering periods beginning on or after 1 January 2005. It was concluded that these have no impact on the financial statements of the Company. Other IFRSs have been consistently applied compared to last year.

New standards and interpretations that have been issued but are not yet effective, have not been applied. The impact of initial application of these standards and interpretations has not yet been determined.

Comparative figures, where appropriate, have been amended in order to reflect changes in accounting standards.

Principles of consolidation

The consolidated financial statements comprise the accounts of S.W.I.F.T. SCRL (the parent company including the branches) and its subsidiaries.

In preparing the consolidated financial statements, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis and all material intercompany transactions are eliminated. Consistent accounting policies are used across the Group.

2 Summary of significant accounting policies (continued)

Principles of consolidation (continued)

The subsidiaries of the Group are listed hereafter:

Name	% ownership	Country of registration
S.W.I.F.T. Services Australia Pty Ltd.	100.00	Australia
S.W.I.F.T. Para A América Latina Ltda.	99.99	Brazil
S.W.I.F.T. Switzerland GmbH	100.00	Switzerland
S.W.I.F.T. Germany GmbH	100.00	Germany
S.W.I.F.T. Iberia SL	99.99	Spain
S.W.I.F.T. France S.A.S.	99.99	France
S.W.I.F.T. Securenet Ltd.	100.00	United Kingdom
S.W.I.F.T. Far East Ltd.	99.00	Hong Kong
S.W.I.F.T. Ireland Ltd.	100.00	Ireland
S.W.I.F.T. Italy S.r.l.	99.99	Italy
S.W.I.F.T. Japan Ltd.	100.00	Japan
S.W.I.F.T. Re (Luxembourg) S.A.	99.99	Luxembourg
S.W.I.F.T. Nordic AB	100.00	Sweden
S.W.I.F.T. Terminal Services Pte. Ltd.	100.00	Singapore
S.W.I.F.T. Pan-Americas Inc.	100.00	United States of America
S.W.I.F.T. SA Pty Ltd.	100.00	South Africa

Investments in associates

Investments in associates over which the Company has significant influence are accounted for under the equity method of accounting. The Company performs impairment analysis in accordance with the provisions of IAS 36, Impairment of Assets, to ensure that the assets are carried at no more than their recoverable amount. The Company's investments in associates consist of a 20 percent ownership in AccuMatch AG (Switzerland). The investment in Bolero.net Ltd. (United Kingdom) has been classified as a securities investment following the dilution of S.W.I.F.T.'s interest from 34.1 percent to 5.4 percent in October 2005.

Securities investments

Securities investments are carried at fair value. This may imply the use of reasonable estimates unless published price quotations or appropriate valuation models are available.

The Company's securities investments include its shareholding of 5.4 percent in Bolero.net Ltd. (United Kingdom) which was previously classified as investment in associates.

Property, plant and equipment

Land and buildings, plant and equipment, leasehold improvements and office furniture and equipment are carried at cost less accumulated depreciation. The rates of depreciation used are described in Note 13.

Leasehold improvements are depreciated over the term of the leases, using the straight-line method commencing in the month of actual use of the asset for the operations of the Company. Government capital grants are deducted from the related fixed assets to arrive at the carrying amount of the asset. The net cost is depreciated using the straight-line method and recognised in the income statement over the useful life of the related assets. Government interest subsidies are recognised in the income statement over the same period as the related interest charges.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where carrying amounts exceed these estimated recoverable amounts, assets are written down to their recoverable amounts.

Notes to the consolidated financial statements

2 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets include acquired software licences and capitalised development costs. Intangible assets are amortised using the straight-line method commencing in the month of actual use of the asset for the operations of the Company. Amortisation rates are detailed in Note 14.

Research and Development costs are accounted for in accordance with IAS 38, Intangible Assets. Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if the conditions as outlined in IAS 38 are complied with. This includes essentially that the technical feasibility of completing the intangible asset for it to be available for sale or use can be demonstrated and that the intangible asset will generate probable future economic benefits. The intangible assets arising from development are amortised over the useful economic lives, generally three years, from the date the product is available for sale or use. At each balance sheet date, the Company assesses whether there is any indication of impairment in accordance with IAS 36, Impairment of Assets. If any such indication exists, the recoverable amount is estimated.

Provisions

Provisions are recognised in accordance with IAS 37 when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Income taxes

Current income taxes are based on the results of the parent company and subsidiaries and are calculated according to local tax rules.

Deferred income tax assets and liabilities are determined, using the liability method, for all temporary differences arising between the tax basis of the assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that apply for the period when the asset will be realised or the liability will be settled based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

Deferred income tax assets are recognised on all temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

No provision is made for taxes which may be withheld on possible future distribution of earnings retained by subsidiaries, as there is no current intention to distribute retained earnings to the parent company.

Financial instruments

The Company uses derivative financial instruments such as foreign exchange forward contracts to hedge its risks associated with foreign currency fluctuations. It is the Company’s policy not to trade in derivative financial instruments. Details of the Company’s financial risk management objectives and policies are set out in Note 31.

The Company adopted IAS 39, Financial Instruments: Recognition and Measurement, effective 1 January 2001. The derivative financial instruments are recognised accordingly at fair value on the balance sheet.

2 Summary of significant accounting policies (continued)

Financial instruments (continued)

For the purposes of hedge accounting, hedges are classified into three categories:

(a) Fair value hedges to hedge the exposure to changes in the fair value of a recognised asset or liability;
(b) Cash flow hedges to hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction; and
(c) Hedges of a net investment in a foreign entity.

In case of fair value hedges that meet the conditions for specific hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the profit and loss accounts. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the profit and loss accounts.

In case of cash flow hedges that meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the Statement of Changes in Equity and the ineffective portion is recognised in the profit and loss accounts.

When the hedged firm commitment or forecasted transaction results in the recognition of an asset or a liability, then at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses, which are recognised in equity are transferred to the profit and loss accounts in the same period in which the hedged firm commitment or forecasted transaction affects the profit and loss accounts (for example, when the forecasted sale actually occurs). Hedges of a net investment in a foreign entity are accounted for similarly to cash flow hedges.

For hedges that do not qualify for specific hedge accounting, any foreign exchange gains or losses arising from changes in the fair value of the hedged item and the hedging instrument are taken directly to the profit and loss accounts for the period.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as bank overdrafts, and are carried at cost.

Inventories

Inventories mainly comprise software licences, encryption and security devices for resale to end customers.

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis. Net realisable value is the amount that can be realised from the sale of the inventories in the normal course of business after allowing for the costs of realisation.

Trade receivables

Trade receivables, which generally have 40–90 days payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An impairment loss is recognised for any difference between carrying amount and recoverable amount. Receivables from related parties are recognised and carried at nominal value.

Notes to the consolidated financial statements

2 Summary of significant accounting policies (continued)

Pension schemes

S.W.I.F.T. SCRL operates a number of defined benefit pension plans covering primarily its Belgian, US and Dutch employees. Plan benefits are based on years of service and the employee's salary during the final years of employment.

The funds are valued by a professional actuary on an annual basis. Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10 percent of the higher of the defined benefit obligation and the fair value of plan assets. These gains and losses are recognised over the expected average remaining working lives of the employees participating in the plans.

In 1999, S.W.I.F.T. SCRL implemented IAS 19 (revised) Employee Benefits and accounted for the transitional liability on 1 January 1999.

In addition to the defined benefit plans described above, S.W.I.F.T. SCRL makes contributions to defined contribution plans covering primarily employees in the UK and Hong Kong.

Details on the annual pension costs and the funded status for the defined benefit pension plans are disclosed in Note 22.

Revenues

Traffic revenues include:

- Amounts billed for messaging services;
- Amounts billed to a specific group of customers for matching services;
- Discounts and rebates on messaging services granted to Members and Participants.

One-time revenues consist of initial joining fees for Members and Participants, which are credited to income when all formalities have been completed, and connection fees.

Recurring revenues consist of fees charged to Members and Participants for the provision of services and equipment other than direct message transmission.

Interface revenues consist of fees charged to Members and Participants for the sale of software which are recognised in income when delivered, as well as software maintenance charges which are recognised in revenues on a pro rata basis over the period of the agreement.

Other operating revenues comprise mainly the recovery of charges incurred on behalf of Members, capital gains on the sale of fixed assets and other non-recurring items.

Foreign exchange differences

The Company's financial statements are presented in Euro. The Euro is also the functional currency for all subsidiaries and branches of the Group except for Securenet Ltd. which has the Pound Sterling as functional currency.

Transactions in foreign currencies are initially translated to the functional currency at the exchange rate applicable at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate which applies at the balance sheet date. All differences are taken to profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates which applied at the dates of the initial transactions.

The assets and liabilities of Securenet Ltd. (monetary and non-monetary) are translated from its functional currency, the Pound Sterling, into the presentation currency of the Company, the Euro, at the exchange rate applicable at the balance sheet date, whereas its income statement is translated at the weighted average exchange rates for the year. The exchange differences arising from this translation are recorded directly in a separate component of equity.

3 Traffic revenues

The increase in traffic revenues from EUR 329.6 million in 2004 to EUR 346.4 million in 2005 is primarily explained by an increase of 9.5 percent in FIN traffic volumes. This increase is partly offset by continued message price reductions amounting to 8 percent compared to 2004 and a rebate on FIN traffic revenues amounting to EUR 23.2 million. The reduction in message prices results from a combination of lower prices for SWIFTNet FIN and a decision by the Board of Directors to lower overall pricing as from July 2005.

4 Recurring revenues

(in thousands)	2005 EUR	2004 EUR
Recurring connectivity revenues	33,077	27,278
Recurring service revenues	27,456	26,600
Documentation and directory services	15,106	16,112
Conferences	13,710	10,900
Education	5,336	5,991
	94,685	86,881

Recurring connectivity revenues increased from EUR 27.3 million to EUR 33.1 million due to the full year impact of the migration to the new SWIFTNet connectivity options. This is compensated by the increase of the related network expenses (Note 8).

Revenues from conferences increased from EUR 10.9 million last year to EUR 13.7 million this year following the higher participation to the annual Sibos conference.

5 Interface revenues

The decrease in interface revenues from EUR 102.0 million last year to EUR 81.3 million in 2005 is driven by the decrease in the number of new interfaces sold as the majority of the interfaces required to migrate to the SWIFTNet platform was delivered to the customers in 2003 and 2004. In addition, the Board of Directors decided in June 2005 to waive the licence fee and the 2005 and 2006 maintenance fees for the SWIFTAlliance Starter Set interface which will ensure customer readiness for SWIFTNet Phase2 and TARGET2.

Notes to the consolidated financial statements

6 Other operating revenues

(in thousands)	2005 EUR	2004 EUR
Recoverable charges	2,250	21,319
Gain on sale of property, plant and equipment and intangible assets	44	143
One-time revenues from SWIFTNet migration	0	3,371
Other	5,186	3,620
	7,480	28,453

The decrease in recoverable charges from EUR 21.3 million last year to EUR 2.3 million in 2005 is explained by the migration to the SWIFTNet platform and the subsequent cancellation of the X.25 and Frame Relay access lines which were invoiced by the different vendors to SWIFT and cross-charged by SWIFT to its customers. This is also reflected in the related network expenses which decreased in 2005 (Note 8).

The increase in other operating revenues from EUR 3.6 million last year to EUR 5.2 million in 2005 is explained by the renewal of the terms and conditions to acquire FIN hardware and software. This impact is partly offset by the increase in other expenses (Note 10).

7 Payroll and related charges

(in thousands)	2005 EUR	2004 EUR
Wages and salaries	149,949	139,278
Termination indemnities	3,925	1,928
Social security costs	28,367	27,362
Pension costs – defined contribution plans	1,591	1,790
Pension costs – defined benefit plans (Note 22)	13,531	14,077
Other post-retirement benefits (Note 22)	2,474	1,604
Insurance, training and other compensation and benefits	22,858	25,387
	222,695	211,426

The increase in wages and salaries is mainly explained by the increase of the average number of employees from 1,675 in 2004 to 1,774 in 2005 and the evolution of the remuneration of employees.

The decrease in insurance, training and other compensation and benefits is mainly explained by the 2004 private PC acquisition programme.

8 Network expenses

The decrease in network expenses from EUR 50.8 million last year to EUR 29.9 million in 2005 follows the migration to the SWIFTNet platform and the subsequent dismantling of the X.25 and Frame Relay network, as well as various cost-saving initiatives and contract renegotiations.

9 Rental, maintenance, office and outside service expenses

The decrease in rental, maintenance, office and outside services from EUR 163.7 million last year to EUR 151.9 million in 2005 is primarily explained by the impact of various cost-saving initiatives and cost reductions resulting from the end of the migration, as well as by the completion of the feasibility studies for SWIFTNet Phase 2, which occurred mainly in 2004. These offset the increase from continued investments in the security and reliability of our systems and the deployment of the SWIFTNet platform.

10 Other expenses

(in thousands)	2005 EUR	2004 EUR
Taxes other than income taxes	4,008	3,378
Loss on sale or disposal of current and non-current assets	368	886
Changes in short-term and voluntary leave provisions	4,639	1,937
Accrued promotional expenses	6,877	0
Other	3,924	563
	19,816	6,764

The changes in provisions from EUR 1.9 million last year to EUR 4.6 million in 2005 relate primarily to a new voluntary leave plan proposed to employees in 2005 and the reassessment of claims resulting from business agreements concluded in the past (Notes 22, 25 and 26).

The accrued promotional expenses include the estimated remaining costs of the SWIFTAlliance Starter Set and ISP local loop promotional offers decided by the Board of Directors in 2005.

The increase in other expenses is explained by the renewal of the terms and conditions to acquire FIN hardware and software, and is fully offset by an increase in other revenues (Note 6).

11 Financial income and expenses

(in thousands)	2005 EUR	2004 EUR
Interest income	3,197	1,787
Interest expenses	(577)	(611)
Net foreign exchange gains/(losses)	1,918	(2,783)
Bank charges	(407)	(423)
Other financial income	47	56
	4,178	(1,974)

The increase in interest income from EUR 1.8 million last year to EUR 3.2 million in 2005 is driven by the increase in the average cash position.

The net foreign exchange impact for the year amounts to a profit of EUR 1.9 million partly resulting from foreign currency hedging operations. This is offset by the negative impact of the strengthening of the USD on the various captions of the income statement.

Notes to the consolidated financial statements

12 Income tax expense

Major components of the income tax expense are as follows:

(in thousands)	2005 EUR	2004 EUR
Current income taxes		
Domestic		
Current year tax expense	(7,276)	(3,058)
Adjustments of prior year tax income/(expense)	(154)	375
	(7,430)	(2,683)
Foreign		
Current year tax expense	(4,849)	(4,843)
Adjustments of prior year tax expense	886	1,739
	(3,963)	(3,104)
Current income tax expense	(11,393)	(5,787)
Deferred income taxes		
Domestic		
Current year tax income/(expense)	3,061	(223)
Adjustments of prior year tax expense	0	0
	3,061	(223)
Foreign		
Current year tax income	2,788	136
Adjustments of prior year tax expense	(1,594)	(2,076)
	1,194	(1,940)
Deferred income tax income/(expense)	4,255	(2,163)
Income tax expense	(7,138)	(7,950)

A reconciliation of the income tax charge calculated at the statutory rate of 33.99 percent to the Company's effective tax rate as applicable to the net result for the years ended 31 December 2005 and 2004 is included in the table below.

(in thousands)	2005 EUR	2004 EUR
Income tax charge at statutory rate	(5,074)	(5,996)
Adjustments of prior year current income tax expense	732	2,114
Adjustments of prior year deferred income tax expense	(1,594)	(2,076)
Effect of different tax rates in other countries	142	(129)
Non deductible items	(1,344)	(1,863)
Income tax expense	(7,138)	(7,950)

The prior year adjustments reflected in the income tax expenses relate primarily to the resolution of pending issues and questions with various foreign tax authorities that allowed to adjust the current and deferred income tax provisions.

13 Property, plant and equipment

(in thousands)	Land and buildings EUR	Plant, machinery and equipment EUR	Work in progress EUR	Total EUR
2005				
Opening net book value	42,534	83,184	6,619	132,337
Foreign currency translation	0	8	0	8
Additions	15,259	18,904	22,944	57,107
Transfers	18,128	7,840	(26,490)	(522)
Disposals	(541)	(155)	0	(696)
Depreciation charges	(7,349)	(36,780)	0	(44,129)
Rates	3–10%	20–33%	0%	–
Closing net book value	68,031	73,001	3,073	144,105
At 31 December 2005				
Cost	194,188	254,619	3,073	451,880
Accumulated depreciation	(126,157)	(181,618)	0	(307,775)
Net book value	68,031	73,001	3,073	144,105
2004				
Opening net book value	42,186	84,712	8,376	135,274
Foreign currency translation	0	10	1	11
Additions	2,104	24,444	18,145	44,693
Transfers	5,185	14,533	(19,903)	(185)
Disposals	0	(1,919)	0	(1,919)
Depreciation charges	(6,941)	(38,596)	0	(45,537)
Rates	3–10%	20–33%	0%	–
Closing net book value	42,534	83,184	6,619	132,337
At 31 December 2004				
Cost	158,531	267,116	6,619	432,266
Accumulated depreciation	(115,997)	(183,932)	0	(299,929)
Net book value	42,534	83,184	6,619	132,337

The acquisition cost of property, plant and equipment is stated after deduction of government capital grants totalling EUR 7.1 million at 31 December 2005 (2004: EUR 7.1 million) and after inclusion of capitalised interest costs totaling EUR 1.8 million at 31 December 2005 (2004: EUR 1.8 million). The capitalised grants and interest costs are depreciated at the same rate as the assets to which they relate.

The additions of the year amounting to EUR 57.1 million consist mainly of investments in premises, hardware investments in the resilience and scaling of the FIN and SWIFTNet systems, and improvements to internal systems.

Notes to the consolidated financial statements

14 Intangible assets

(in thousands)	Concessions, patents and licences EUR	Capitalised development costs EUR	Work in progress EUR	Total intangible assets EUR
2005				
Opening net book value	**50,229**	**0**	**1,796**	**52,025**
Foreign currency translation	**0**	**0**	**0**	**0**
Additions	**8,739**	**392**	**370**	**9,501**
Transfers	**1,887**	**431**	**(1,796)**	**522**
Disposals	**(8)**	**0**	**0**	**(8)**
Amortisation charges	**(43,455)**	**(30)**	**0**	**(43,485)**
Rates	**20–33%**	**33%**	**0%**	**–**
Closing net book value	**17,392**	**793**	**370**	**18,555**
At 31 December 2005				
Cost	**199,941**	**8,483**	**370**	**208,794**
Accumulated amortisation	**(182,549)**	**(7,690)**	**0**	**(190,239)**
Net book value	**17,392**	**793**	**370**	**18,555**
2004				
Opening net book value	85,534	0	330	85,864
Foreign currency translation	0	0	0	0
Additions	8,298	0	1,648	9,946
Transfers	367	0	(182)	185
Disposals	(4)	0	0	(4)
Amortisation charges	(43,966)	0	0	(43,966)
Rates	20–33%	33%	0%	–
Closing net book value	50,229	0	1,796	52,025
At 31 December 2004				
Cost	190,679	7,652	1,796	200,127
Accumulated amortisation	(140,450)	(7,652)	0	(148,102)
Net book value	50,229	0	1,796	52,025

The additions of the year amounting to EUR 9.5 million consist mainly of software investments in the further improvement of the internal systems and in the resilience and scaling of the SWIFTNet platform.

15 Investments in associated companies

The Company has a 20 percent interest in AccuMatch. In accordance with IAS 36, the carrying value of the investment in AccuMatch was reduced to zero in 2002 following the losses that this company incurred due to the bankruptcy of GSTP AG, its sole customer.

16 Securities investments

SWIFT's interest in Bolero.net was diluted in 2005 from 34.07 percent to 5.4 percent following the refinancing of the company by the other shareholders. This did not have any financial impact for SWIFT in 2005 since this investment has been impaired for its carrying amount in 2000. In accordance with IAS 28 and 39, a reclassification from investments in associates to securities investments has been performed in order to reflect SWIFT's reduced influence over this company. SWIFT does not have firm commitments with respect to Bolero.net that would require the recognition of additional provisions under IFRSs.

17 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities at 31 December are detailed as follows:

(in thousands)	2005 EUR	2004 EUR
Deferred income tax assets		
Property, plant and equipment	3,218	3,620
Provisions	7,989	6,557
Other temporary differences	580	4,051
Gross deferred income tax assets	11,787	14,228
Deferred income tax liabilities		
Property, plant and equipment	(2,176)	(3,530)
Provisions	(9,432)	(8,352)
Other temporary differences	(1,381)	(6,764)
Gross deferred income tax liabilities	(12,989)	(18,646)
Net deferred income tax assets/(liabilities)	(1,202)	(4,418)

The decrease in the deferred income tax assets and liabilities results mainly from temporary foreign exchange differences.

18 Trade receivables

The decrease in trade receivables from EUR 78.4 million in 2004 to EUR 56.1 million in 2005 is explained by the impact of the 2005 price reductions and the timing of the FIN traffic rebate reimbursment, which are partly offset by traffic growth and the strengthening of the USD.

19 Other receivables

The increase in other receivables from EUR 15.2 million last year to EUR 19.1 million in 2005 is driven by an increase in recoverable VAT and credit notes to receive, which compensates for the decrease in market value of unrealised hedging contracts.

The increase in recoverable VAT results from important investments made in FIN hardware and software, as well as funds which have been blocked pending the outcome of a litigation with the Dutch VAT administration.

20 Prepayments to suppliers

The increase in prepayments to suppliers from EUR 14.8 million in 2004 to EUR 27.2 million in 2005 is explained by changes to the payment schedules of certain important contracts in order to benefit from additional discounts.

Notes to the consolidated financial statements

21 Prepaid taxes

Prepaid taxes amount to EUR 28.1 million and include mainly funds which have been blocked pending the outcome of a litigation with the Belgian Tax administration.

22 Long-term employee benefits

(in thousands)	2005 EUR	2004 EUR
Retirement benefit obligation	23,434	21,561
Voluntary leave provision	4,360	738
Other long-term employee benefits	9,331	7,620
	37,125	29,919

The retirement benefit obligation recognised on the balance sheet is as follows:

(in thousands)	Pension schemes 2005 EUR	Pension schemes 2004 EUR	Post-employment medical benefits 2005 EUR	Post-employment medical benefits 2004 EUR	Total 2005 EUR	Total 2004 EUR
Defined benefit obligation	176,826	145,390	16,437	12,806	193,263	158,196
Fair value of plan assets	(151,327)	(127,372)	0	0	(151,327)	(127,372)
Unfunded liabilities	25,499	18,018	16,437	12,806	41,936	30,824
Unrecognised actuarial losses	(10,589)	(1,683)	(7,913)	(7,580)	(18,502)	(9,263)
Retirement benefit obligation	14,910	16,335	8,524	5,226	23,434	21,561

The retirement benefit obligation amounts recognised in the income statement are as follows:

(in thousands)	Pension schemes 2005 EUR	Pension schemes 2004 EUR	Post-employment medical benefits 2005 EUR	Post-employment medical benefits 2004 EUR	Total 2005 EUR	Total 2004 EUR
Current service cost	12,473	12,398	1,283	848	13,756	13,246
Interest cost	7,472	7,330	808	543	8,280	7,873
Expected return on plan assets	(6,939)	(6,137)	0	0	(6,939)	(6,137)
Net actuarial loss recognised	525	486	383	213	908	699
Past service cost recognised	0	0	0	0	0	0
Total	13,531	14,077	2,474	1,604	16,005	15,681

Movements in the retirement benefit obligation recognised on the balance sheet:

(in thousands)	Pension schemes 2005 EUR	Pension schemes 2004 EUR	Post-employment medical benefits 2005 EUR	Post-employment medical benefits 2004 EUR	Total 2005 EUR	Total 2004 EUR
At the beginning of the year	16,335	17,286	5,226	4,182	21,561	21,468
Total expense as above	13,531	14,077	2,474	1,604	16,005	15,681
Contributions paid or accrued	(14,692)	(14,855)	(111)	(114)	(14,803)	(14,969)
Exchange differences	(264)	(173)	935	(446)	671	(619)
At the end of the year	14,910	16,335	8,524	5,226	23,434	21,561

22 Long-term employee benefits (continued)

The principal actuarial assumptions applied at 31 December were:

	Belgium		The Netherlands		United States	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Weighted average discount rate	4.50%	5.00%	4.50%	5.00%	5.75%	5.75%
Expected long-term rate of return on assets	4.50%	5.00%	5.00%	5.25%	6.50%	6.50%
Rate of increase in future salaries	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

The actual return on the plan assets amounted to EUR 11.7 million.

The increase in voluntary leave provision relates to a new plan proposed to employees in 2005.

23 Current and non-current portions of non-interest-bearing deposits from Members and Participants

The Board of Directors decided in 2002 to reclassify the advance payments from Members as a long-term non-interest-bearing deposit.

At its meeting of 23 September 2004, the Board has unanimously voted to launch the process to convert the long-term non-interest-bearing deposit into permanent equity. Members representing 92 percent of the long-term non-interest-bearing deposit have subscribed to this capital increase, which was consequently ratified by the Annual General Meeting of shareholders in June 2005. This increased the equity of the Company by EUR 59.7 million, representing 26,078 new shares.

The long-term non-interest-bearing deposit related to Participants has been reimbursed in June 2005. The remaining liability of EUR 6.7 million relates to Members who did not subscribe to the capital increase and will be reimbursed in April 2006.

24 Amounts payable to suppliers

The decrease from EUR 26.0 million last year to EUR 16.6 million in 2005 in the amounts payable to suppliers is the result of a reclassification of certain liabilities from amounts payable to suppliers to accrued liabilities.

25 Short-term employee benefits

(in thousands)	2005 EUR	2004 EUR
Social security and payroll liabilities	52,206	45,471
Voluntary leave provision	2,368	218
	54,574	45,689

The increase in social security and payroll liabilities is mainly driven by the evolution of year-end payroll provisions and the strengthening of the USD compared to the EUR between December 2004 and December 2005.

The increase in voluntary leave provision relates to a new plan proposed to employees in 2005.

Notes to the consolidated financial statements

26 Short-term provisions

(in thousands)	Legal claims	Restructuring	Other	Total short-term provisions
Balance beginning of year	2,307	2,074	1,268	5,649
Additional provision	1,276	243	0	1,519
Reversal of unused accrual	(507)	(264)	0	(771)
Amounts charged to income	3,076	2,053	1,268	6,397
Amounts utilised during the year	0	(1,795)	(71)	(1,866)
Net exchange differences	0	(15)	0	(15)
Balance at end of year	3,076	243	1,197	4,516

The increase in the provisions for legal claims relates to the reassessment of claims that originated in 2004 resulting from business agreements concluded in the past. The provisions represent the Company's prudent estimate of the outcome of the court cases related to these claims.

27 Other liabilities

(in thousands)	2005 EUR	2004 EUR
Accrued liabilities	**22,226**	23,107
VAT and withholding taxes payable	**202**	370
Fair value of financial instruments	**487**	10,456
Other liabilities and deferred income	**1,600**	1,007
	24,515	34,940

The net decrease in the accrued liabilities is explained by the last payment of hardware and software delivered in 2002 but invoiced over the period 2002 to 2005, which is compensated by the reclassification of certain accrued liabilities from amounts payable to suppliers to other liabilities (Note 24) and the increase of accrual for promotional expenses (Note 10).

The fair value of financial instruments relates to the forward and option contracts concluded to hedge foreign currency exposure. The decrease compared to last year is explained by the fact that the average hedging rate of unrealised contracts at the end of December 2005 was close to the closing rate.

28 Accrued taxes

Accrued taxes amount to EUR 19.0 million and include mainly provisions for prior year income and sales tax expenses.

29 Related party disclosures

(a) Compensation of the Executive Steering Group

IAS 24 §16 requires companies to disclose key management personnel compensation. A description of the reward package has been included in the section "Executive Steering Group" on pages 30 and 31. Amounts in USD are converted at the average rate of the year.

(In thousands)	2005 EUR	2004 EUR
Short-term employee benefits		
Salary	2,299	2,012
Bonus	904	822
Car benefits	162	153
Other	182	179
	3,547	3,166
Post-employment benefits		
Pension	1,398	1,295
Post-retirement medical	13	15
	1,411	1,310
Other long-term benefits		
Long-term incentives	2,913	2,592
Other	142	94
	3,055	2,686
Total compensation for the Executive Steering Group	8,013	7,162
Social charges on the above	1,266	1,234
Total cost of compensation for the Executive Steering Group	9,279	8,396

Compensation for 2004 and 2005 is not directly comparable as in 2005 there was a period during which a retiring executive and his successor overlapped for a transitionary period of five months.

(b) Compensation of the Board of Directors

The Members of the Board of Directors do not receive any remuneration from the Company. They are reimbursed for the travel costs incurred to perform their mandate. SWIFT reimburses the employer of the Chairman of the Board of Directors for the share of the Chairman's payroll and related costs representing the portion of the time dedicated by the Chairman to SWIFT.

30 Commitments and contingent liabilities

(a) Capital expenditure commitments

The Company had commitments for capital expenditure at 31 December 2005 amounting to EUR 5.8 million primarily related to the renovation of office buildings.

(b) Contractual obligations and operating leases

The Company has entered into contractual obligations and operating leases covering certain equipment and rental space. These commitments total EUR 217 million, and are estimated to be payable in the following years:

Year	EUR (millions)
2006	104
2007	22
2008	21
2009	25
2010 and beyond	45
Total commitments	217

Notes to the consolidated financial statements

30 Commitments and contingent liabilities (continued)

(c) Contingent liabilities

S.W.I.F.T. SCRL has contractual commitments to reimburse its users up to a maximum amount for specific losses resulting from certain failure of the S.W.I.F.T. SCRL system. S.W.I.F.T. SCRL is insured against these losses. No material claims arose during the year, or the previous year.

The Company is involved in litigations with tax authorities related to the income tax charges for the financial years 1988 through 2002, and with employees. Maximum exposure of these litigations amounts to EUR 114 million. Provisions have been established amounting to EUR 16.4 million and Management is confident that these are adequate.

31 Financial instruments

(a) Derivative financial instruments

In accordance with the foreign exchange policy guidelines of the Company, all material foreign exchange exposures are hedged. The Company does not use derivative financial instruments for speculative purposes.

The derivative financial instruments relate primarily to forward exchange contracts and foreign exchange option contracts that are entered into to hedge firm commitments at the balance sheet date, mainly related to the purchase of hardware and software in USD as well as advance payments from Members in USD, and to hedge budgeted revenues and operating expenses. The derivative contracts have settlement dates that range from 1 month up to 12 months.

The net unrealised gain on hedging instruments at 31 December 2005 on cash flow hedges and fair value hedges amounted to EUR 0.2 million, all recognised through a separate component of equity (before deferred income tax impact).

The fair value of the hedging instruments is recorded on the balance sheet in other receivables/other liabilities. The contracts outstanding at 31 December 2005 are as follows:

(in millions)	2005 EUR	2004 EUR
Amounts to be received under forward contracts		
USD (at rates averaging 1 EUR = 1.1835 USD)	**36**	138
GBP (at rates averaging 1 EUR = 0.68954 GBP)	**4**	11
JPY (at rates averaging 1 EUR = 139.31 JPY)	**4**	4
HKD (at rates averaging 1 EUR = 9.2195 HKD)	**9**	9
Amounts to be received upon exercise of the currency call options purchased		
USD (at rates averaging 1 EUR = 1.1915 USD)	**147**	60
Amounts to be paid under forward contracts		
USD (at rates averaging 1 EUR = 1.1835 USD)	**(88)**	(80)
Amounts to be paid upon exercise of the currency call options purchased		
USD (at rates averaging 1 EUR = 1.1907 USD)	**(20)**	(51)

(b) Credit risk

Financial assets which potentially subject the Company to concentrations of credit risk consist exclusively of cash, short-term deposits and trade receivables.

The Company's cash equivalents and short-term deposits are placed with high-credit-quality financial institutions.

Trade receivables are presented net of the allowance for doubtful receivables. The concentration of credit risk with respect to trade receivables is limited due to the large number of users and their dispersion.

The Company did not have any material securities investment at 31 December 2005.

(c) Interest rate risk

The Company has no interest-bearing loans.

(d) Fair values

The carrying amounts of cash and cash equivalents, trade receivables, accounts payable and other liabilities approximate to their fair values due to the short-term maturities of these assets and liabilities.

Calendar of SWIFT events

2006	
22–25 May	SWIFT regional conference – Africa
	Maputo, Mozambique
14 June	Annual General Meeting of shareholders
	La Hulpe, Belgium
3–5 July	SWIFT Regional Conference – Latin America
	Santiago, Chile
15–16 July	SPIN 2006 – EuroMed Banking Conference
	Rome, Italy
9–13 October	**Sibos 2006**
	Sydney, Australia
November	SWIFT Regional Conference – India and the Subcontinent
	Mumbai, India
2007	
13 June	Annual General Meeting of shareholders
	La Hulpe, Belgium
1–5 October	**Sibos 2007**
	Boston, USA
2008	
11 June	Annual General Meeting of shareholders
	La Hulpe, Belgium
15–19 September	**Sibos 2008**
	Vienna, Austria

Shareholder information

The Annual General Meeting of shareholders of S.W.I.F.T. SCRL will be held on 14 June 2006, at 11.00am at SWIFT's headquarters in La Hulpe, Belgium. Shareholders unable to attend the meeting can give their proxy to the Board Member of their country, if any, or send it to the Board Secretary to give to the Board Member of their choice with voting instructions, if required.

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