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## **Local Prices for Banking Services Decline 1.5%** **-- Regulation drives pricing convergence in eurozone banking but biggest cuts seen in highly competitive US marketplace --**

**March 15, 2006** - Prices for banking services fell 1.5% for active users worldwide during the past year with the average price for active users of banking services now €76, down from last year's figure of €78. These are among the key findings from the third edition of the World Banking Report from Capgemini, ING and the European Financial Management and Marketing Association (EFMA), which presents an annual index of pricing for basic consumer banking services across national markets. This year the report covers 142 banks in 20 countries and includes Ireland for the first time.

A key finding from this year's Spotlight study, a feature of the annual report, shows retail bankers are looking seriously at the potential for internet and other remote channels with 41 leading banks saying they expect to make a third of sales outside their traditional high street branches by 2010.

The segmentation of customers into three categories of usage patterns is a new feature for The 2006 World Retail Banking Report and highlights tremendous variations in how much those customer groups pay for banking services, particularly in mature and competitive markets such as the US. The three categories are typically spread across the customer base of a bank as follows: less-active (20% of the customer base), active (60%) and very-active (20%).

Bertrand Lavayssière, managing director, Global Financial Services at Capgemini, comments: “A number of trends continue in this year’s report, including the decline of prices in the US that is driven by a highly competitive marketplace. Meanwhile regulation such as the Single Euro Payments Area (SEPA) initiative continues to encourage convergence of pricing in the eurozone. Banks in European countries outside the eurozone - including the UK - are more in line with the ‘tailored’ approach to pricing adopted in the US, compared with the ‘one-size fits all’ approach that is common in the eurozone.”

Prices in the eurozone vary the least between customer categories where least-active users paid a multiple of 2.1 more compared with very-active users. This compares to multiples of 4.3 in the US and 4.6 in Asia Pacific.

The price for services paid by "very-active users" fell more than 3% on a worldwide average. For very-active users prices in non-eurozone European countries fell by 4.1% between 2005 and 2006 compared with a fall of 3.9% in eurozone countries, but

the annual weighted price of core services by geographic area was €84 in non-eurozone countries compared with €73 in the eurozone.

The biggest lever for cheaper banking services in the eurozone was a sharp cut in the price of online banking (-28%). In the US, a reduction of 27% in means of payment was driven by a cut in fees for direct debits.

In Asia-Pacific, an overall rise of 3.4% in local profile prices for active users was driven by an increase in account management fees. In particular, China began to charge for online banking.

Despite those regional differences, the report shows significant reductions in multiple channels and payment methods including direct debits (-12%), call centres (-20%) and online banking (-23%). The biggest increases were for services such as stop payment services (up 22% for cheques and 16% for debit cards).

These findings are underlined by a parallel Spotlight study into remote channels carried out by Capgemini with executives in 41 leading retail banks across the globe. The Spotlight study found that retail customers worldwide increasingly buy products and services through remote channels rather than in branches. Banks now expect to make 33% of sales through remote channels by 2010 – compared with just 6% in 2000. The trend holds true for all products, from simple current accounts through to more complex mortgage and insurance products.

Bertrand Lavayssière comments: “This demonstrates excellent conditions for flexibility in customer service and multiple channel approaches. Some banks are visibly trying to redefine their interactions with customers, directing them towards automated channels for common operations and reserving branches for more advanced services. A new customer relationship model is emerging, which means that bankers must re-think and re-affirm their global distribution model around three key points: continue to develop competitive remote sales and service offerings; craft outbound operations with greater precision while leveraging inbound customer contacts; and adapt branches to deliver key ‘account moments’ and enhance relationships.”

Hans Verkoren, Global Head of ING Direct and Member of the Executive Board of ING Group said: “With more countries surveyed and a breakdown of customers based on usage patterns, the 2006 World Retail Banking Report offers an even more detailed view of the prices of basic banking services. As a global financial services company, ING is pleased to be involved in this in-depth study of retail banking across national markets.”

**-ENDS-**

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