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- While Banking Prices Vary Significantly Across the Globe, Consumers Pay Average €77 for Banking Services

- New Study Indicates Trends towards Global Operating Models for Long Term Strategic Value

Holland (March 28th, 2007) - The average price paid for banking services by active users now stands at €77 globally, a decrease of 0.3% since last year. However this global stability hides price variations which are strikingly different across the world, from a 1.8% decrease in the Europe eurozone to a 2.9% increase in Asia Pacific. These are among the key findings from the fourth edition of the World Retail Banking Report* from Capgemini, ING and the European Financial Management and Marketing Association (EFMA).

Pricing strategies to influence consumer interaction rather than drive revenue
Bertrand Lavayssière, managing director, Global Financial Services at Capgemini, comments: “One of the key trends to come out of this year’s report is that banks appear to be using day-to-day pricing strategies to influence consumer behaviour rather than to increase revenues. For the second year running, banks are actively trying to redefine their interactions with customers, directing them towards automated channels for common operations, such as checking statements, and reserving branches for more advanced services like financial services advice. Many banks have raised their fees for operations at desks and cut fees for online banking and call centre services.”

Banking prices vary significantly across the world

While local active users pay an average of €77 a year for their day-to-day banking needs, the price levels vary amongst regions, ranging from €44 in Asia Pacific to €84 in the Europe non-eurozone.

With regards to local price changes, Spain emerges this year with the largest decrease, with a 31% drop in average price per customer. SCH, the largest retail bank in Spain launched ‘zero commission’ campaigns (in 2005) and decreased its price levels by 65%. This started a trend that was swiftly followed by competitors. In turn, fees in account management and payments have been cut sharply. The changes in Spain impacted the whole of the Europe eurozone, which saw a price fall of 1.8%. This is significant because without Spain, the eurozone price actually increased by 1.9%.

Breaking down the price structure

The price structure changed in 2006 compared to 2005. Account management prices decreased by 7% but payments went up by 1%, cash utilisation went up by 4%, and exceptions handling increased by as much as 7%.

Varying packages across the countries

The research revealed packages are being offered at an average of 23% below the price a consumer would pay if buying the same products and services separately. This discount varies by country, and ranges from a small fraction in Poland to 50% in Italy. The products and services that makeup the package accounts differ greatly across countries. Austria, Belgium and Poland, for example, have the lowest proportion of ‘extras’ on their accounts whereas Italy, Slovakia and France have the packages that contain the highest proportion of extra products and therefore receive the largest discounts. However, consumers in these countries might only be using these extra products and services infrequently.

Dick Harryvan, Global Head of ING Direct and Member of the Executive Board of ING Group said: *“ING Direct wants to be the lowest cost provider and offer its clients good value for money in each country it is active. As the World Retail Banking Report offers a more detailed view of the prices in basic banking services it helps us to benchmark our own strategy. This report is a must.”*

From trans-national to more global models in five years

Included in the report is the Spotlight study, which this year examines how retail banks are seeking ways to optimise their operating models. Retail banks will increasingly globalise their operating models over the next five years, with two-thirds of them targeting either an ‘intermediate’ or ‘global’ model. An intermediate model is one that has part of its organisational (management, marketing, back-office, IT and support functions) efforts driven at a cross-country level and some on a global level. A global model is one where most of the organisation is driven on a global basis.

One of the other key findings is that retail banks have set three primary objectives for transforming their operating models: increasing revenue growth, improving customer service and cutting costs.

The Spotlight study also reveals whilst less than 10% of the banks studied have a global operating model today, retail banks will increasingly globalise their operating models over the next five years.

Operating models: globalisation starts with IT Services and Management

Today, IT and management seem to be the first levers retail banks use to globalise their models. Of the 41 international banks in the survey, nearly 60% have already consolidated their IT systems at a cross-country level and 40% have a common IT architecture, a modular application suite and a ready-to-go modular approach to IT implementation. Over the next five years, whilst globalisation will keep IT a priority it will also have a significant impact on the way retail banks develop their marketing strategies. While only 28% of surveyed banks have global marketing practices today, more than 50% expect to have them in five years.

Bertrand Lavayssière comments: *“Globalisation is forcing retail banks to re-evaluate their growth strategies and the structure of their operating models. Our research shows there are four main drivers behind a retail bank’s decision to transform their operating models: stock market and competitive pressures, regulation, the Internet and Web 2.0 technologies. For example, in the eurozone, the creation of a Single Euro Payments Area (SEPA) by 2010 in which retail payments in euros will be treated everywhere as domestic payments, will have a major influence on a bank’s strategy and organisation.”*

Trends in outsourcing and offshoring

Retail banks consider outsourcing and offshoring as key ways to transform their operating models. Among the banks surveyed, 77% currently outsource and 47% offshore at least one function of their operating model – from their back-office, IT or support functions. Approximately one third of the IT and support function staff is outsourced globally. Over the next five years, this proportion for IT will jump to 52% (from 39% in 2007), and the rate for support functions will also increase but more slowly. However this growth will come from those already outsourcing – findings indicate that banks not outsourcing today are unlikely to do so in the next five years.

Almost half the retail banks studied have offshoring practices, mostly in back-office and IT functions. In the future, banks expect to have approximately one third of their IT and support function staff outsourced. Offshoring is also predicted to grow rapidly, especially in IT (from 32% in 2007 to 44% in 2012).

The World Retail Banking Report 2007 concludes that top retail bank managers must focus on five key success factors to globalise their operating models: develop international governance, ensure consistency with market and product strategies, invest upfront in IT transformation, build a very thorough HR vision and focus on execution quality.

*** The World Retail Banking Report 2007**

For the fourth consecutive year, the World Retail Banking Report provides the financial services community with overviews and insights into the industry's dynamics, including an annual index of pricing for basic consumer banking services across national markets. This year the number of banks studied has increased to 180 and been expanded to include five new countries: Croatia, India, Japan, Romania and South Africa. The research is now conducted across a total of 25 countries. For a copy of the 2007 World Retail Banking Report, visit www.wrbr07.com.

About Capgemini

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The European Financial Management & Marketing Association

EFMA is the leading association of banks, insurance companies and financial institutions throughout Europe. On a non-for-profit basis, EFMA promotes innovation and best practices in retail finance by fostering debate and discussion among peers supported by a robust array of information services and numerous opportunities for direct encounters. EFMA was formed in 1971 and gathers today more than 2,100 different brands in financial services worldwide, including 80% of the largest European banking groups. Visit www.efma.com for more information.