



Delivering the customer experience

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Our operating principles

- We will aim to get things right first time and avoid re-work
- We will design systems and processes and channel solutions to maximise first point of contact resolution and straight through processing
- Our management focus will be to understand customer demand and continuously improve our customer processes
- We will reward staff performance on a range of objectives across our 'Steering Wheel'
- Proven, low risk suppliers, solutions and partners
- Shared development costs through use of software packages



TESCO Bank

In 2009 we've focused on

- Mobilising a highly-skilled programme team
- Selecting key solution suppliers and partners
- Development of the future operating model
- Detailed process and solutions design
- Leveraging Tesco relationships when possible
- Recruitment of our management teams

We have selected key partners

Why we selected Fortis as our insurance partner?

- A leading insurer in our markets 6.7m UK customers⁽¹⁾
- Market leading claims handling capability
- Efficient business model = cost effective for Tesco Bank
- Willingness to enter a 5 year JV for motor and home
- Fortis infrastructure will be cloned and owned by JV company

Why we selected CDL as our insurance platform?

- Used by >80 leading UK intermediaries, 7 of top 10⁽²⁾
 - Capita, AutoDirect, Admiral, Hastings,
 - Saga, AOM, AA.com, AIG
- Front-end system to Fortis' own claims handling system
- Flexible platform allows customer switch from web to phone and full aggregator linkages

(1) Response to RFI from Fortis. Also supported by third party sources incl Data Monitor 2008, EMB Analysis of FSA Returns from 2007 Strong relationship



FORTIS 😩



Solutions and partners



- Banking platform with existing UK clients including Egg and Cahoot
- Strong Fiserv team with UK banking process knowledge
- Agile, cost effective to bring new products to market more rapidly
- Previous experience of data migrations



steria

- Platform used today by RBS to process Tesco Bank credit cards
- TSYS knowledge of Tesco Bank credit card data
- · Largest UK credit card platform provider
- Cost effective commercial deal



- Good UK customer base including Lloyds, BT, NATS
- Strong B2B and B2C capabilities
- This benefits Tesco Compare Customers
 - Serving a broader range of customers than previous solution
 - Enabling a faster time to market for new partners
 - Improved customer communications and interactions
 - Platform allows easier servicing of our customers

Locations

Banking Operations will be in Glasgow

- Existing location for c.500 current RBS staff who will join Tesco Bank Scottish Enterprise
- Excellent pool of skilled financial services resources
- Full support of Scottish Enterprise, £5m grant awarded
- Large labour market priced in low-med range cost to hire
- Excellent transport infrastructure, flexible with multiple options



Insurance Operations will be in Glasgow and Newcastle

- Very attractive commercial deal over 15 years
- Full support of OneNorthEast and landlord, contributions of c.£2.5m
- Take advantage of highly skilled regional resource pool
 - More Than, AA, Virgin Money, M&S, Barclays, Fusion, B&B, Northern Rock



- Excellent transport links e.g. Metro links
- Excellent capacity for expansion



TESCO Bank

In 2010 and 2011 we'll complete the changes

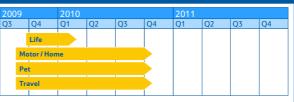
Banking programme – high level schedule

Migrate savings, loans and credit cards by mid-2011



General insurance programme – high level schedule

- New business 3Q 2010
- 12 months of renewals completed by 3Q 2011



Why Tesco Bank Operations will work for our customers

- Our processes are designed with our customer in mind
- Our systems are robust, scalable and cost-effective to run
- Our systems are less complex, making them easier, faster and cheaper to change
- Our branches are convenient for customers the stores network
- Our locations are optimal for skills and cost effectiveness
- Our people put the customer first

