

The TESCO logo is displayed in white on a dark purple background. It consists of the word "TESCO" in a bold, sans-serif font, with four slanted parallel lines underneath.

Retailing Services Seminar 2009

The TESCO logo is displayed in red on a white background. It consists of the word "TESCO" in a bold, sans-serif font, with four slanted parallel lines underneath.

Putting Tesco into banking

Benny Higgins, CEO Tesco Bank

Retailing Services Seminar, 19-20 November 2009

The TESCO Bank logo is displayed in red on a white background. It consists of the word "TESCO" in a bold, sans-serif font, with four slanted parallel lines underneath, followed by the word "Bank" in a smaller, sans-serif font.

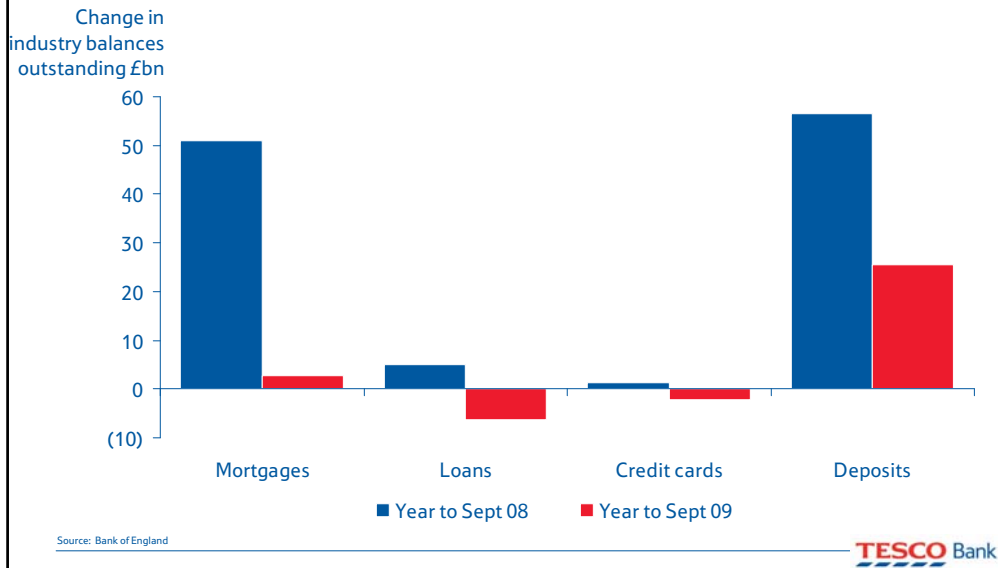
Agenda

- Market context
- Our vision
- Our customers
- Tesco Bank today
- Our challenges
- Conclusion

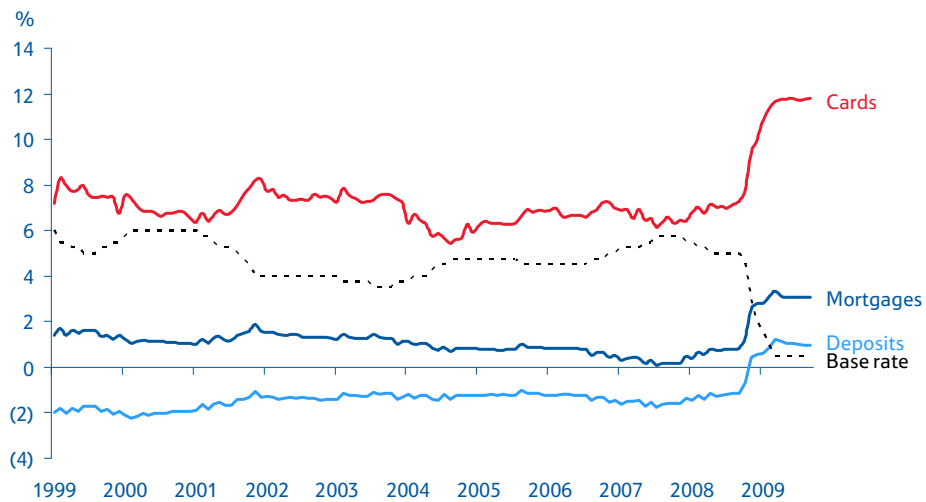
Market context

- Activity levels falling
- Subdued wholesale markets
- Bank disposals / competition
- Regulatory backdrop

Market context - customers are borrowing less



Market context - margins over base rate



Market context

- Activity levels falling
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Our strengths

- Brand
- Loyal Tesco customer base
- Clubcard insight
- Strong physical and online presence

The Tesco Way

- Tesco Core Purpose
 - Create value for customers to earn their lifetime loyalty
- Tesco Values
 - No-one tries harder for customers
 - Treat people how you like to be treated

Customer Video

Vision for Tesco Bank

- Focus on loyal Tesco customers
- Our shopping trip
 - ✓ Trusted and fair
 - ✓ Prices are good
 - ✓ Easy to deal with
 - ✓ Staff are great
 - ✓ Rewarding loyalty

Vision for Tesco Bank

- Focus on being simple, straightforward and rewarding loyalty
- A full service financial services business
- 'Every little helps'
- How we serve our customers will be our core strength

Vision for Tesco Bank

"When I saw the Tesco savings envelope, my first thought was 'Here we go again; they're putting the rates down'. What a pleasant surprise to hear I'm going to get a bit more and at the same rate as new savers – that's never happened to me before- usually new savers get better rates than loyal customers! So well done Tesco!"



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Focus on Tesco customers

- 15 million Clubcard customers
- Six million core loyal households
 - covering all socio-demographic groups
 - especially strong in families

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Clubcard opportunity

Tesco Bank product	% with active Clubcard	% penetration of Clubcard base
Credit cards	76	10.0
Loans	55	1.0
Savings	66	2.2
Car	55	4.2
Home	61	2.1
Pet	61	2.1

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Reaching our customers

- Tesco UK store network

Extras	182
Superstores	450
Metros	178
Express	1,027
Petrol filling stations	430

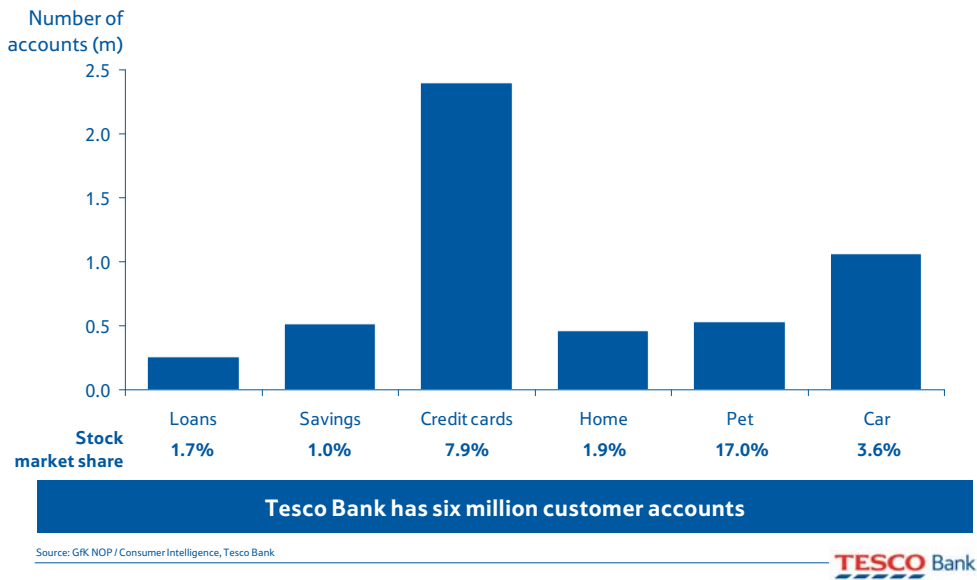


- 65% of our business is done online
- 70% of customers welcome an opportunity of transaction banking in store
- Six branch pilots

Customers will choose how they want to do business

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Tesco Bank's customer accounts today



The starting point – 19th December 2008

- 220 'joint venture' staff
- Small Risk, Finance, Operations and Change teams
- No Legal, Treasury or IT teams
- Complete infrastructural dependency on RBS

Transformation

- Senior executive recruitment
- 486 permanent staff and 213 contract staff
- Key functional teams recruited for Risk, Finance, Treasury, Legal, IT, Operations and Change Management
- Key IT platform decision made for Banking and Tesco Compare
- Fit for purpose deal with Fortis

The challenges

- Scale of IT build and migration
- Low awareness of Tesco Bank
- The Industry's Standard Economic Model

Conclusion

- Strong brand
- Loyal Tesco customer base
- Clubcard insight
- Strong physical and online presence
- Tesco Values in financial services
- Fit for purpose operational platforms
- Strong and experienced top team