

PRESS RELEASE

2 April 2007

Co-operative Financial Services expands Outsourcing partnership with Xansa

Co-operative Financial Services (CFS) and Xansa, the outsourcing and technology company, are pleased to announce that CFS is extending and expanding its outsourcing partnership with Xansa. In a contract which could be worth up to £100 million over five years, Xansa will work with CFS to create a unified Application Development and Support (ADS) service across the whole of the business.

Xansa has been working in partnership with CFS since May 1994 when it signed a £22 million seven year agreement to develop and support the Co-operative Bank's applications. This contract was extended in May 1998 and again to May 2007. The new contract represents a broadening of the partnership to encompass the Insurance side of the business in addition to the current banking relationship. As at present, Xansa will provide the service from a blend of locations in the UK and India.

CFS currently faces the twin challenges of a highly competitive market place and an increasing regulatory environment. Creating the unified ADS service will enable CFS to respond to the regulatory pressures in a cost effective, timely manner. In addition the technology enabled business services will allow CFS to expand and enhance its product lines, improving speed to market and thereby respond quickly to competitive challenges. In selecting Xansa, CFS is able to build on the existing Banking service operation and carry out a fast-track transformation to a unified CFS-wide service.

Commenting on the announcement David Anderson, Chief Executive, Co-operative Financial Services, said:

"Xansa has been successfully delivering to Co-operative Financial Services for 12 years. Their approach suits us well with their integrated delivery capability. This will support our business change agenda which is driving us towards the vision of becoming the UK's most admired Financial Services business."

"Xansa's commitment to the UK Retail Banking and Insurance sector means that they understand our market and regulatory environment. In addition Xansa's transformation expertise will enable us to create a best in class, unified application development and maintenance service under the controlling direction of our IS department."

Commenting on the announcement Alistair Cox, Chief Executive, Xansa said:

"We are delighted that Co-operative Financial Services continues to choose Xansa as its partner for applications management, IS transformation and web based development. CFS represented Xansa's first ever financial services outsourcing contract and our second ever outsourcing deal, and this expansion and renewal is a clear endorsement of our excellent and longstanding relationship. It also demonstrates our commitment to long term relationships which means that CFS can count on Xansa to help deliver its vision for the future."

Contacts

Gordon Stuart
Finance Director, Xansa
Tel : + 44 (0)8702 416181

Dave Smith
CFS Press Office
Tel: + 44 (0)161 827 5614

Giles Sanderson, James
Melville-Ross
Financial Dynamics
Tel : + 44 (0)20 7831 3113

About Xansa

Xansa is a UK-based outsourcing and technology company with over 8000 people in the UK and India.

With a 45-year history of sustaining long-term relationships and pioneering better ways of working, Xansa drives real and long-term cost reductions and performance improvements. Committed to delivering guaranteed business outcomes through a combination of technology and process expertise, Xansa gives clients across the private and public sectors the freedom to do more.

Xansa is listed on the London Stock Exchange (XAN.L) with revenues for 2006 of £357.3 million.

Further information on Xansa can be found at: www.xansa.com

About Co-operative Financial Services (CFS)

Co-operative Financial Services (CFS) is an Industrial and Provident Society, which brings together the Co-operative Insurance Society (CIS) and The Co-operative Bank under common leadership. It is owned by the Co-operative Group, which is, in turn, the largest consumer co-operative in the UK, democratically run for the benefit of its members.

Although both financial services organisations shared identical underlying co-operative values and principals, traditionally CIS and The Co-operative Bank followed their own successful, yet distinctly different, paths.

In 2002 the decision was taken to ensure that both companies began to work more closely together under the umbrella of CFS. The benefits of which are now being seen through more and varied distribution channels being developed through which products can be sold. In addition to the historic home service channel both CIS and Bank products can be purchased through a CIS financial adviser, bank branches or direct either by telephone or via the web.

With 6 million customers and over 10,000 colleagues, CFS is on course to achieve the objective of ensuring that it achieves its ten year vision to become the 'UK's most admired Financial Services provider'.

Further information on Co-operative Financial Services can be found at: www.co-operativefinancialservices.co.uk