

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

Retailing Services Seminar 2009

The TESCO logo is displayed in red and blue. It consists of the word "TESCO" in a bold, sans-serif font, with a stylized graphic of four slanted parallel lines underneath.

The Insurance Opportunity...

Julie Hopes, Commercial Director

Retailing Services Seminar, 19-20 November 2009

The TESCO Bank logo is located in the bottom right corner. It features the word "TESCO" in red and "Bank" in blue, with a stylized graphic of four slanted parallel lines underneath.

What you'll hear today

- A summary of the UK General Insurance market and Tesco's current position
- The opportunity to grow our General Insurance business through deepening our relationship with loyal Tesco shoppers
- Why it makes sense to reward Clubcard customers based on the relationship we have with them
- Why we are setting up a new insurance joint venture and the reasons this will lead to further success

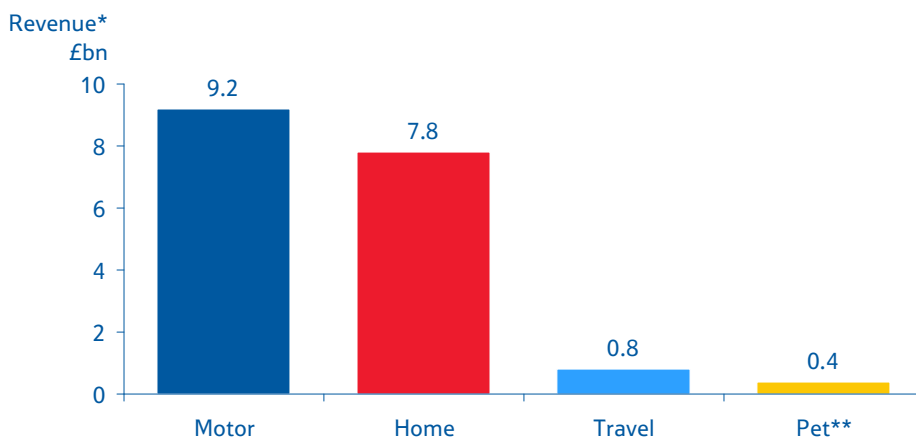
Contents

- UK General Insurance market
- Industry profit levers
- Tesco General Insurance
- Opportunity
- The journey
- Conclusion



The UK General Insurance market

Motor and Home continue to dominate the Personal Lines market



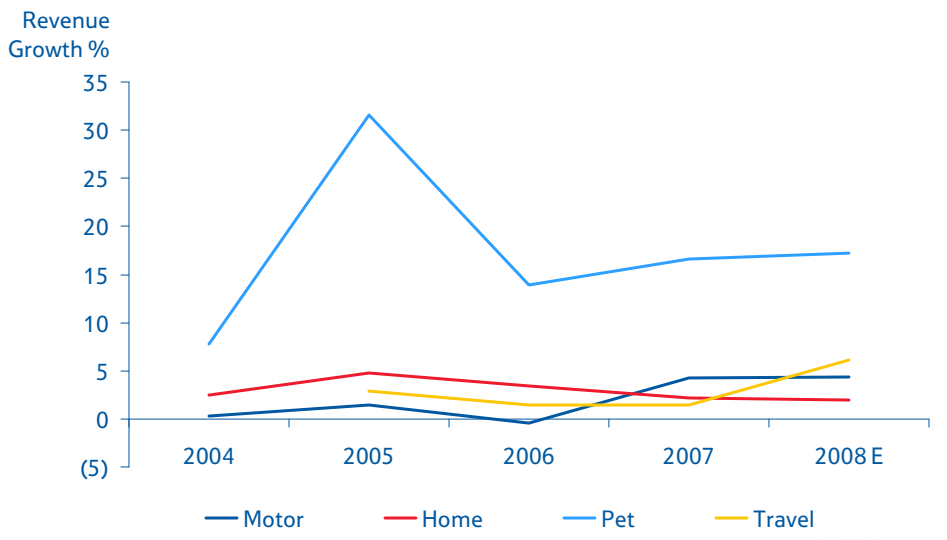
Source: Datamonitor 2009 & 2008

* Figures relate to 2008

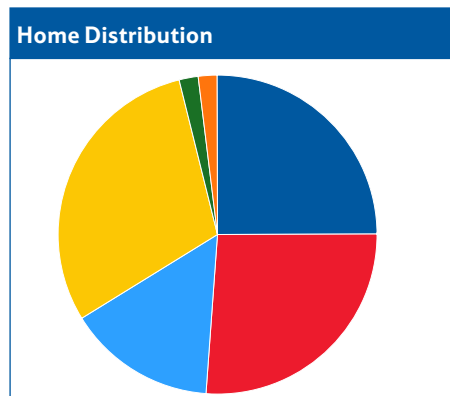
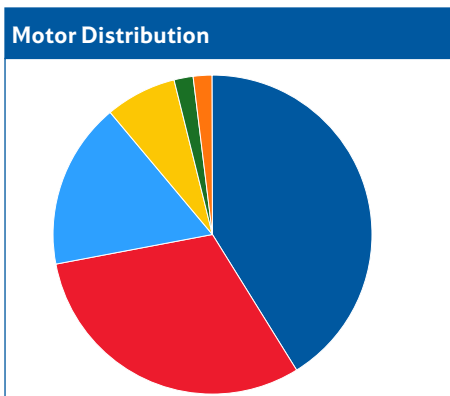
** Pet figures are for 2007

Note: Revenue means: Gross Written Premium

This is a mature insurance market – growth will come from taking market share



Most motor insurance is sold direct whilst home has historically been linked to mortgages



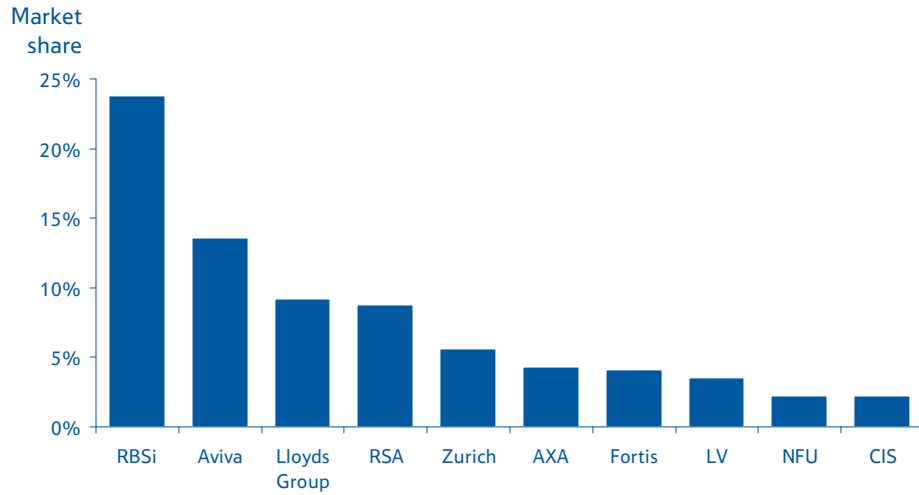
■ Direct
 ■ Brokers
 ■ Affinity (Incl. TESCO)
 ■ Banks & Building Soc
 ■ Tied Agents
 ■ Other company agents

Brand, pricing and distribution are key to success

Source: Datamonitor 2009

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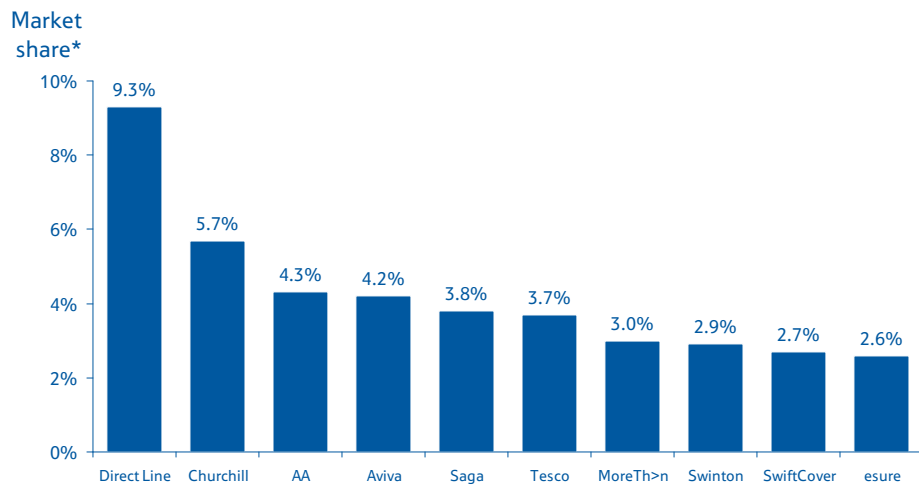
The top ten underwriters



Source: Deloitte
*Consolidated motor & home insurance market share data for 2008

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Brands reach car insurance customers

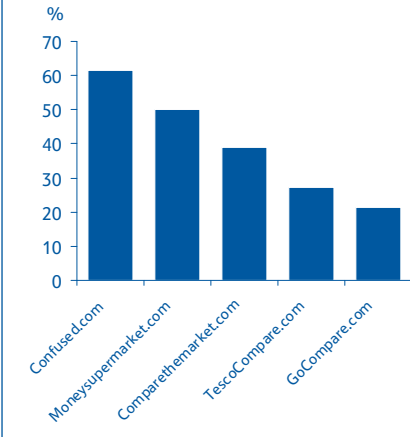


Source: GfK NOP Sept 2009, 3 month rolling
* As at September 2009

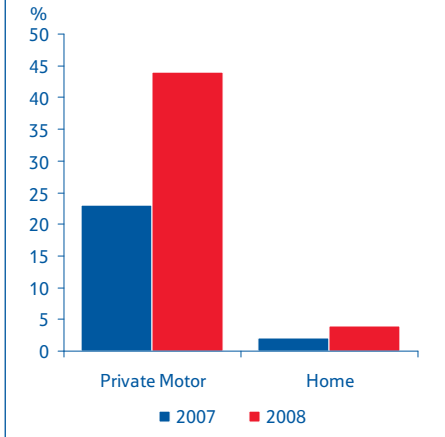
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Aggregators have introduced a new distribution dynamic

Which aggregator did you contact?



Aggregator market share

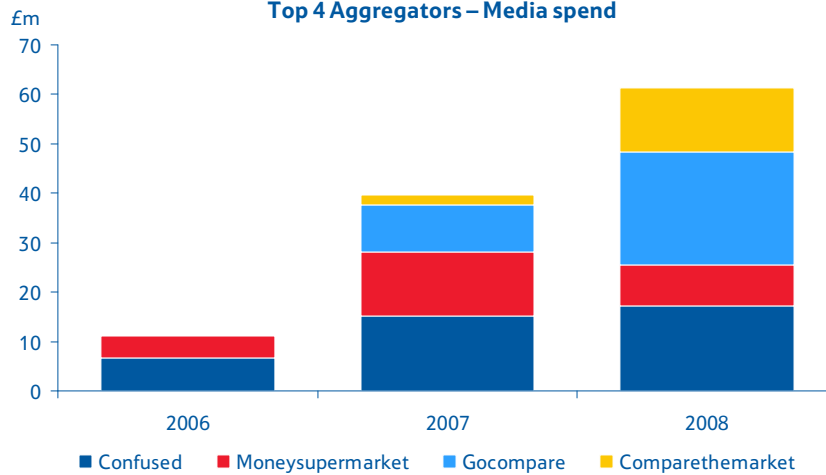


Source: Datamonitor Survey and Estimates Oct. '09

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Rapid growth in marketing spend drives traffic through the aggregators

Top 4 Aggregators – Media spend



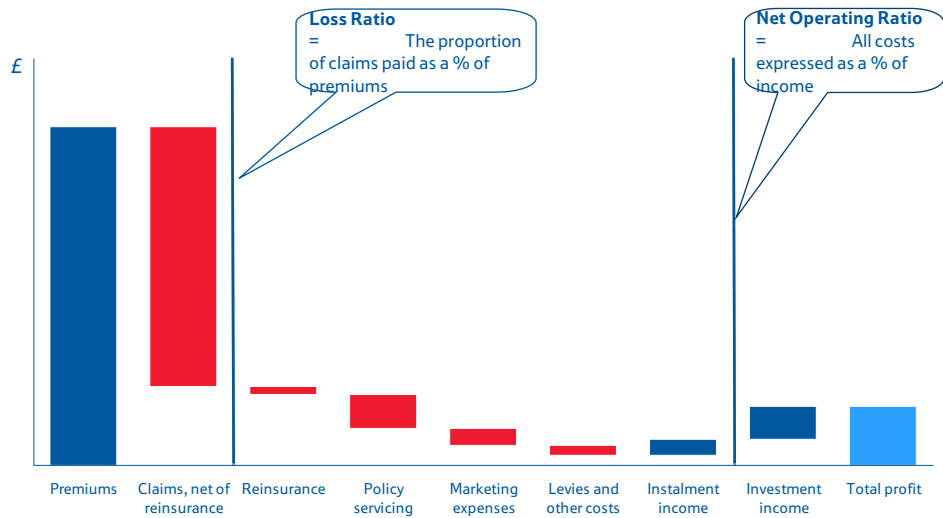
Source: Datamonitor Oct. '09

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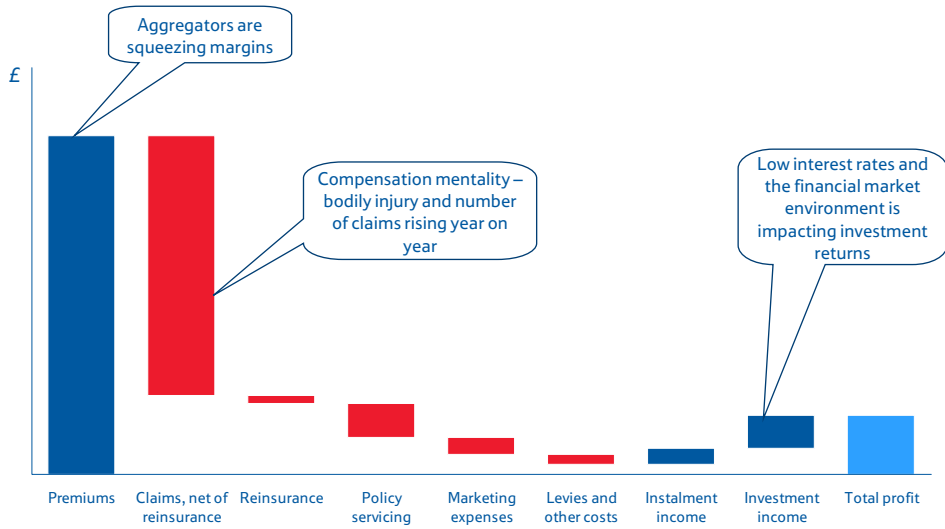


Industry profit levers

Pricing and claims drive profitability (illustrative)

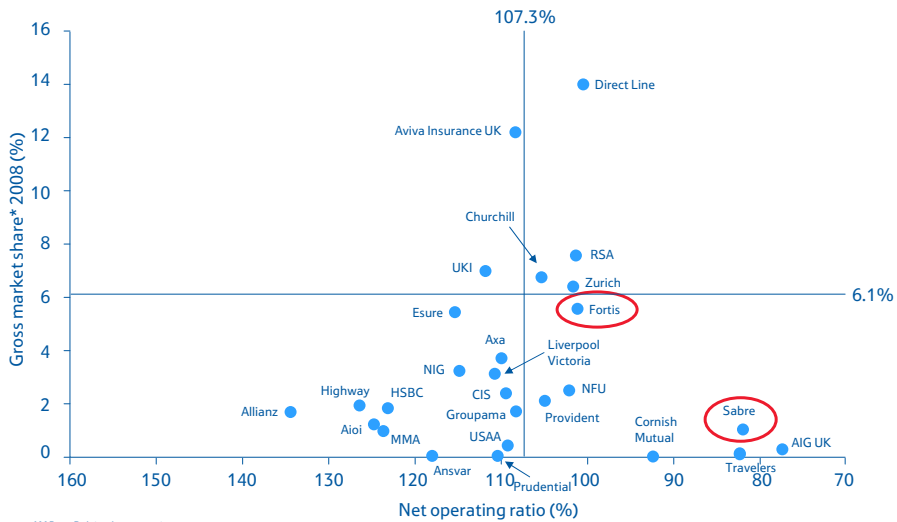


Margin and costs are under pressure from a number of external factors



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The market in aggregate is not profitable but individual insurers do make profits



Source: AM Best, Deloitte Interpretation
* Personal Lines Motor Overview 2008

Note: The underlying data in this schedule has been derived from A.M. Best Europe Ltd's Statement File UK product. While the data has been obtained from sources believed to be reliable, its accuracy is not guaranteed

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Tesco General Insurance

Tesco offers a range of general insurance products

TESCO
Car insurance

FREE £40 Gift Card

SAVE up to £165*

25% off Breakdown Assistance

0845 301 07 65
www.tescofinance.com

Every little helps

*Gift Card offer excluded

TESCO
Home insurance

Save up to £95*

Unwrap a great deal this Christmas

10% extra off Contents cover

50% off Contents cover

Save up to £95 on Buildings and contents cover

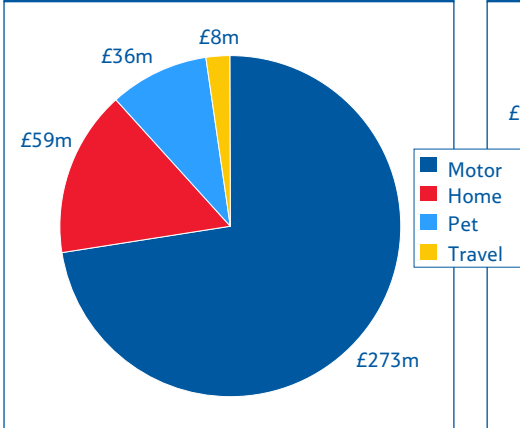
0845 301 09 01
www.tescobank.com

Every little helps

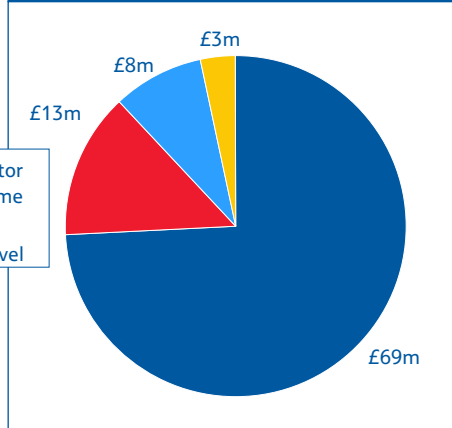
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Motor insurance is our largest product line

Premium
2009 Half Year



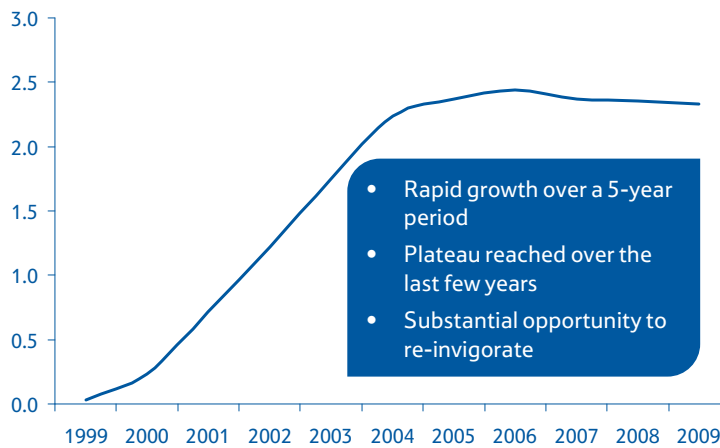
Commission
2009 Half Year



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There is an opportunity to re-invigorate our policy growth

Policies m



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Opportunity

We currently have low Clubcard penetration and brand awareness

Product awareness of Tesco shoppers	Tesco trend H1 06 to H1 09	Market leader
Motor Insurance	17.1% - 20.2%	Direct Line 32.1%
Home Insurance	11.3% - 14.2%	Aviva 25.9%

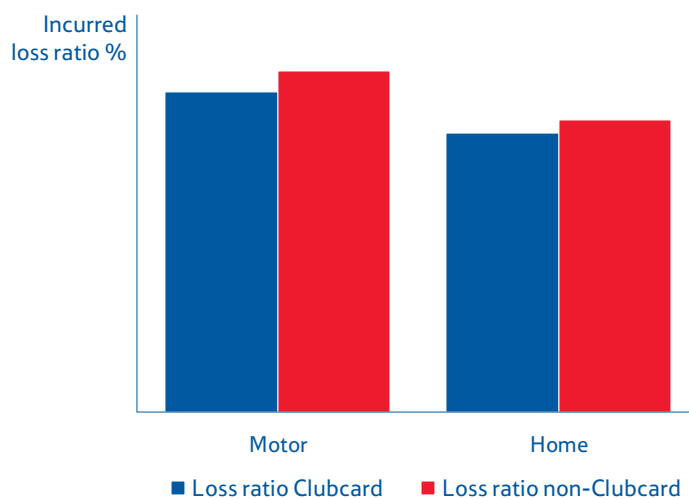
Tesco product	Clubcard penetration
Motor Insurance	4.2%
Home Insurance	2.1%

There is a big opportunity to further develop the relationship with our customers

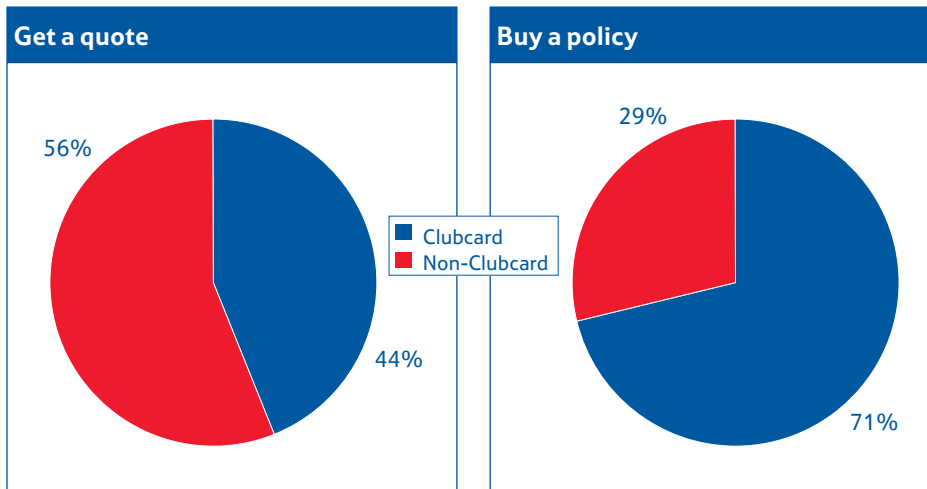
- A 1% increase in Clubcard penetration will generate a substantial increase in revenues

Product	Revenue	Product portfolio
Motor	+£45m	+12.5%
Home	+£32m	+25%

Clubcard customers have lower loss ratios



The cost of acquiring a Clubcard customer is significantly lower than that of a non-Clubcard customer



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Clubcard overview

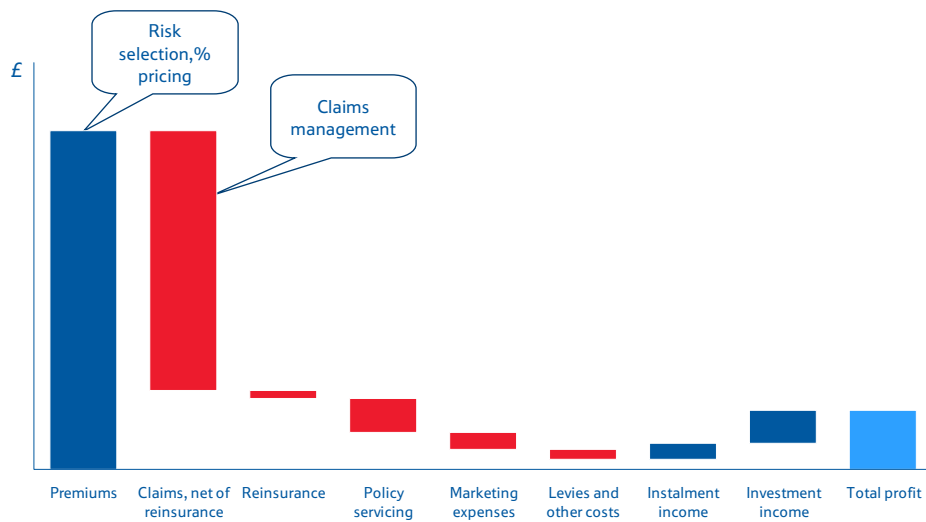
- Clubcard customers...
 - Are more likely to buy
 - Perform better
- So we reward them...
 - Maximum car discount increased from 10% to 15% and now maintained at renewal
 - Maximum home discount increased from 5% to 10% and now maintained at renewal
 - Earn Clubcard points on motor policies

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The journey

A reminder – there are two major levers to value creation



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To be a winner you need technical skills and strong customer relationships

Technical skills ...

Risk selection

Risk pricing

Claims

Customer relationship ...

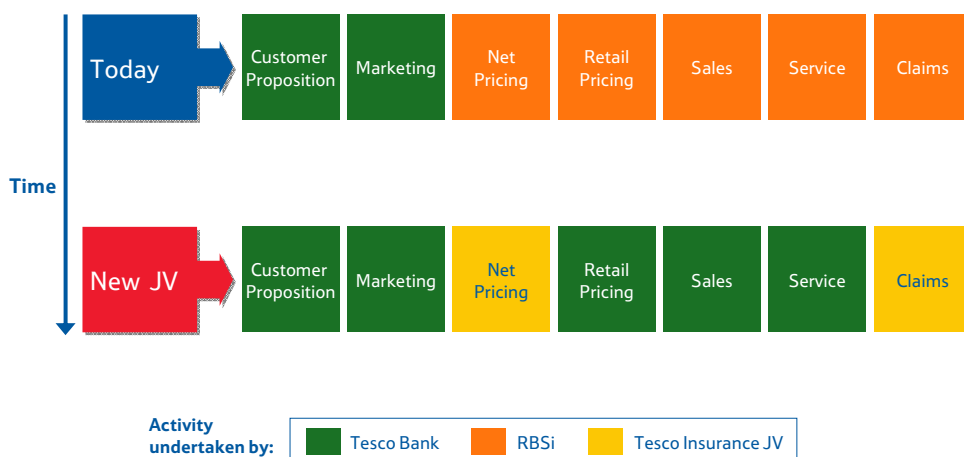
Brand

Marketing

Service

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The journey that will deliver more flexibility and control



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We have a strategy to leverage all of the key components that make a successful insurer

Brand



Marketing



Service



Technical Skills



Conclusion

Conclusion

- There is an opportunity to grow our General Insurance business through deepening our relationship with loyal Tesco shoppers
- There are sound reasons to reward Clubcard customers based on the relationship we have with them
- We are setting up a new insurance joint venture to make the most of this opportunity