

The TESCO logo is displayed in white, bold, uppercase letters. Below the letters are four slanted, parallel lines of the same color, creating a stylized underline effect.

Retailing Services Seminar 2009

The TESCO logo is shown in red, bold, uppercase letters. Below the letters are four slanted, parallel lines in blue, creating a stylized underline effect.

Banking proposition for Tesco customers

David McCreadie, Commercial Director, Banking

Retailing Services Seminar, 19-20 November 2009

The TESCO Bank logo features the word "TESCO" in red, bold, uppercase letters, followed by the word "Bank" in a smaller, black, sans-serif font. Below "TESCO" are four slanted, parallel lines in blue.

Contents

- Overview of our banking proposition
- Explanation of our existing products and services
- Growth opportunities
 - Customer awareness
 - Clubcard penetration
 - Market share
 - Product range

Our banking proposition

Products

- Credit cards
- Personal loans
- Instant access savings

Services

- Travel money
- ATMs

Our banking proposition

Products

- Credit cards – 1 in 10 transactions in the UK on a Tesco credit card
- Personal loans
- Instant access savings

Services

- Travel money
- ATMs

TESCO Bank

Our banking proposition

Products

- Credit cards
- Personal loans
- Instant access savings

Services

- Travel money
- ATMs – £1 in every £8 withdrawn from a Tesco ATM

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We have a large and growing banking business

Products	Accounts*	Annual Growth
Credit cards	2.34m	+10%
Personal loans	0.25m	+19%
Instant access savings	0.51m	+28%
Services	H1 09 Transactions	Annual Growth
Travel Money	0.76m	+124%
ATMs	163m	+6%

* As at end August 2009

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Credit cards

Proposition

- Best way for customers to collect Clubcard points
- Works as a Clubcard too
- Rewards for spend at Tesco and elsewhere
- Competitive interest rate
- Attracts spenders more than borrowers
- Most used credit card at Tesco
- 7.9% market share of accounts and 10.5% of transactions*

TESCO CLUBCARD credit card

0% on all purchases for 12 months

The fastest way to collect Clubcard points

Typical **16.9%** APR (variable)

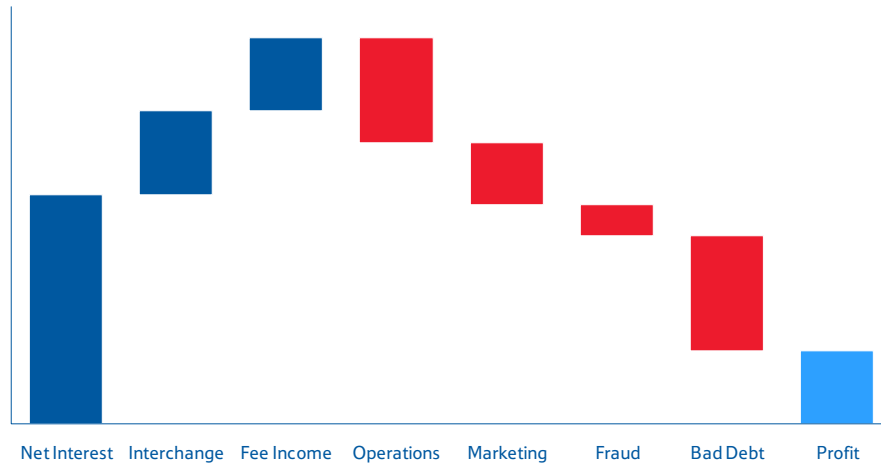
0800 40 60 50
www.tesco.com

Every little helps

* Sources – GfK NOP and UK Cards Association

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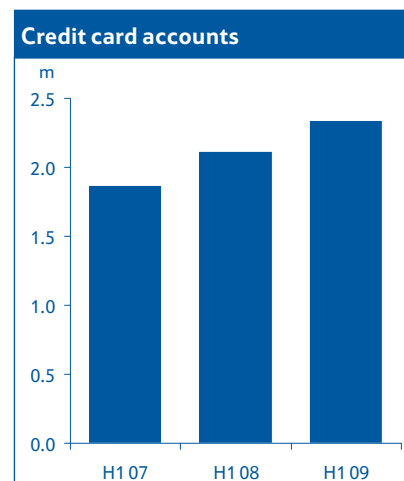
Credit cards – industry profit levers (illustrative only)



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Credit cards

- Strong performance with clear opportunity for further growth
- 10% penetration of Clubcard customers
- Customer accounts increased by 10% in the last year
- Spend on cards increased by 17%
 - Market decline of 2.2%*
- Some banks now only issuing credit cards to customers with a current account relationship



* Source – UK Cards Association

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Credit cards – Clubcard synergy

- Customers earn more Clubcard points
- Customers spend more at Tesco
- Using Clubcard for credit assessment
- Reduces cost outflow from Tesco group

The Tesco Clubcard credit card – how will you use your extra Clubcard points?

Across Tesco
You can spend your Clubcard vouchers on items at Tesco petrol filling stations, online at Tesco.com and at Tesco Direct.

Clubcard Rewards
Your vouchers are worth up to four times more with Clubcard rewards. Every £2.50 gives £10.

Airmiles
Every £2.50 in Clubcard vouchers gives you 60 Airmiles. Every £2.50 gives 60 miles.

TESCO Every little helps

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Personal loans

Proposition

- Unsecured loan of £3,000 to £25,000
- Fixed interest rate
- Fixed repayments
- Terms of two to ten years
- Price competitive
- 1.7% market share*

TESCO
Loans

Borrow £3,000 to £25,000

Helping to manage your finances

0845 600 60 16
www.tescofinance.com

Every little helps

* Source – GfK NOP

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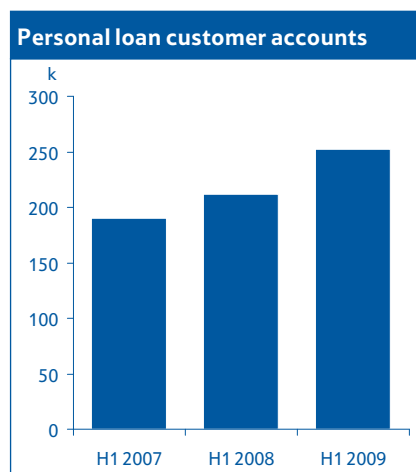
Personal loans – industry profit levers (illustrative only)



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Personal loans

- Good growth momentum
 - Customers
 - Lending
- Industry wide removal of single premium payment protection insurance
- Our price position has improved
- Margins improving



TESCO Bank

Instant Access Savings Account

- Tiered interest rate structure
- Deposits at over 550 Tesco stores
- Online and telephone banking
- No restrictions on withdrawals
- Regular savings options

TESCO
Instant Access Savings Account

Up to **1,500** Clubcard points

Up to **1,500** CLUBCARD points

Deposit and withdraw in store 7 days a week

0845 710 40 10
www.tescobank.com

Every little helps

TESCO Bank

Internet Saver Account

- Flat interest rate structure
- Price competitive
- Online banking
- Regular savings options

Tesco Internet Saver

Make your money work harder.

Up to **3%** Gross/AER (variable)

• Earn up to 3% Gross/AER (variable) on your money - includes a fixed 1.75% bonus for 12 months on balances up to £100,000

• 24 hour access to your account with online banking

• No restrictions on the number of withdrawals and no hidden charges

www.tesco.com/savings1

TESCO *Every little helps!*

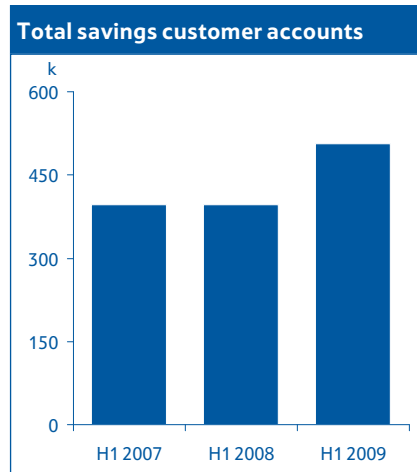
We have a 1.0% market share of instant access deposits*

* Source - GfK NOP

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Savings

- Little historic focus on savings growth in the joint venture
- Deposit strategy has evolved to support lending to customers
- Stable instant access customer base
- Increased competition for deposits



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Savings retention

Instant access savings account

- Consistently offered good rates to customers
- Built a stable book of customer balances
- Very loyal customer base

Internet saver account

- Rewarding existing customers with a new bonus rate for a further 12 months
- Same rate as for new customers
- Immediate impact on retention

Expect to offer a wider range of savings options to customers in future

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ATMs

Proposition

- Free to customers
- Convenient locations
- Availability
- Safety and security
- Number 3 provider of ATMs in the UK
- Six million cash transactions every week dispensing over £400m
- 13.5% market share*



* Source – LINK

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Travel Money

Proposition

- 0% commission
- Convenience – store and direct
- Competitive rates
- Over 60 currencies
- 130 Travel Money bureaux in store

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Travel Money

Collect 600 Clubcard points

Wish you were here!

Collect 600 points when you spend £600 on Travellers Cheques (excluding Sterling)

0845 600 66 67 Every little helps

* Source – Mintel

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The TESCO logo is displayed in red, bold, uppercase letters. Below the letters are three horizontal blue lines of varying lengths, creating a stylized underline effect.

Banking proposition: Growth opportunities

Opportunities for further growth

- Increase customer awareness
- Serve customers' needs in store
- Increase Clubcard penetration
- Expand product range and introduce relationship proposition

Raise awareness among Tesco customers

- Awareness has improved in recent years
- Increased focus and impetus following full Tesco ownership
- Growing external commentary on Tesco Bank is helping
- More targeted marketing to Tesco customers
- Use Tesco assets – stores, Internet, Clubcard, advertising

Awareness of product by Tesco customers	Tesco trend H1 06 to H1 09	Market leader*	
Credit cards	10.8% to 15.3%	Barclaycard	50.9%
Personal loans	8.0% to 10.7%	Barclays	44.3%
Savings	2.1% to 4.9%	Lloyds	45.2%

* Source – GfK NOP

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Expand channel choice for customers

- Internet is the main new business sales channel today
- In-store presence is important to serve more customers' needs
- Develop our face-to-face proposition in store
 - Including branches, advocates, Travel Money bureaux, use of tills
 - Capture more from the significant number of customer visits to Tesco

Sales channel	Tesco Bank	Market*
Face-to-face	<5%	65%
Phone	30-35%	5-10%
Internet	65%	25-30%

* Sources – GfK NOP, eBenchmarkers, MINTEL, Datamonitor

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Potential new products – current accounts

- We want to service our customers' main banking relationship
 - We want customers to say “I bank with Tesco”
- Product proposition needs to appeal to loyal Tesco customers
- Still listening to customers about their needs
 - Simple, transparent, fair
 - Service delivery is as important to customers as product features
 - Expect to be rewarded for use with Clubcard points
- Many customers would like the option to open an account in store
 - For some, branches demonstrate a commitment to reassure them
- Will take time to develop the right proposition

Potential new products – mortgages

- The most significant financial purchase in a customer's life
- We would bring a Tesco approach to meet our customers' needs
 - Simple – use customer language; a suitable, limited product range
 - Service expectation is high
 - Value proposition – good for existing as well as new customers
 - Rewarding – don't punish inertia
- Customers expect a simple, good value product but not one which is dramatically different from others in the market
- Would require development of a broader source of funding

Other potential new products

- Wide range of potential propositions to serve more customers' needs

Savings and investments

- Fixed rate bonds
- Individual Savings Accounts (ISAs)
- Investment funds

Payment cards

- Debit cards
- Prepaid cards

Deposits – market size*

- | | |
|-------------------|--------|
| • Instant access | £467bn |
| • Notice accounts | £262bn |
| • ISA | £164bn |

Payment cards – market size**

- | | |
|-----------------|----------|
| • Credit cards | £126bn |
| • Debit cards | £245bn |
| • Prepaid cards | emerging |

* Deposit Source – BoE, October 2009. ** Payment Card Source – UK Cards Association/APACS for 2008

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Summary

- Good progress on existing products and services
 - Customer account and transaction growth
 - Market share improvements
- We have many opportunities for further growth
 - Develop customer awareness
 - Increase Clubcard penetration
 - Develop our proposition in stores
 - Expand our range for customers
 - Serve customers' core banking needs

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