

PRESS RELEASE

Friday 26th January 2007

Retailer Financial Services in Europe

Europe's retailers are expanding into banking and insurance

Introduction

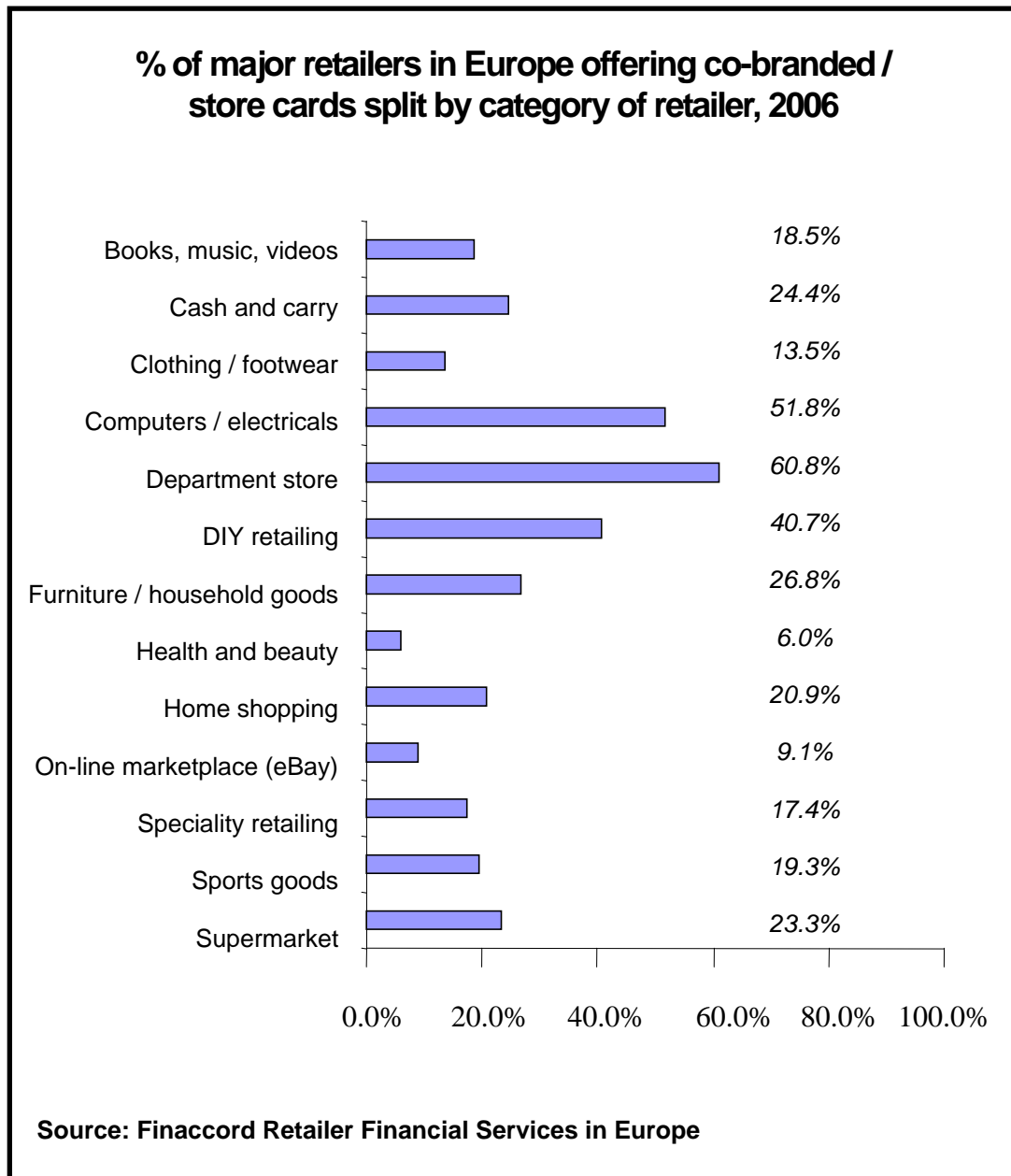
The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Retailer Financial Services in Europe*. Based on a survey of 1,895 high profile retail brands in 25 European countries, the report deals with the activity and partnerships of major retailers in areas of financial services including co-branded and store cards, consumer finance, retail banking and mainstream insurance policies, namely motor insurance, household insurance, accident insurance, health insurance, travel insurance, pet insurance and life insurance. In addition, the study also covers retailer loyalty cards with no payment function.

The credit card markets of many European countries are growing rapidly and retailers can take advantage of this through co-branded or store card programs. Indeed, the experience of card issuers is that the profitability of successful co-branded card schemes, including retailer programs, usually exceeds that of standard credit cards. Moreover, once private label store cards have built up a substantial customer base, these can potentially be converted into international payment cards. In addition, the successful precedent of retailer insurance in the UK indicates that significant potential exists for retailers to have a serious impact in this field which, thus far, has barely been realised in continental Europe.

Meanwhile, dynamics in the retailing market itself also give rise to increasing rationale for retailer financial services. Retailer consolidation is helping to produce national champions with the branding, muscle and general profile needed to succeed in financial services in any given country. Furthermore, increasing internationalisation is paving the way for cross-border alliances between retailers and providers of financial services as epitomised, for example, by the link between Carrefour and Cetelem. Finally, the rapid growth in the Internet sales of many major retailers means that they are capturing the volumes of traffic necessary to participate successfully in the burgeoning market for on-line insurance.

Over 60% of department stores have launched their own co-branded or store card

With respect to the provision of co-branded and store cards by category of retailer, Finaccord's research, summarised in the following graphic, shows that across Europe, cards achieve the highest penetration among department stores (60.8%), computers / electricals retailers (51.8%) and DIY retailers (40.7%). In contrast, and excluding the category of on-line marketplaces which is composed exclusively of the various European operations of eBay, the sectors in which retailer cards are least likely to have been launched are health and beauty (6.0%), clothing / footwear (13.5%) and speciality retailing (17.4%). However, it should be noted that this analysis takes no account of loyalty cards without a payment function that are offered by many retailers lacking a fully-fledged payment card. In point of fact, as many as 50.9% of the health and beauty retailers surveyed were operating a loyalty card with no payment function, thereby making this the sector in which penetration for this type of card is highest.

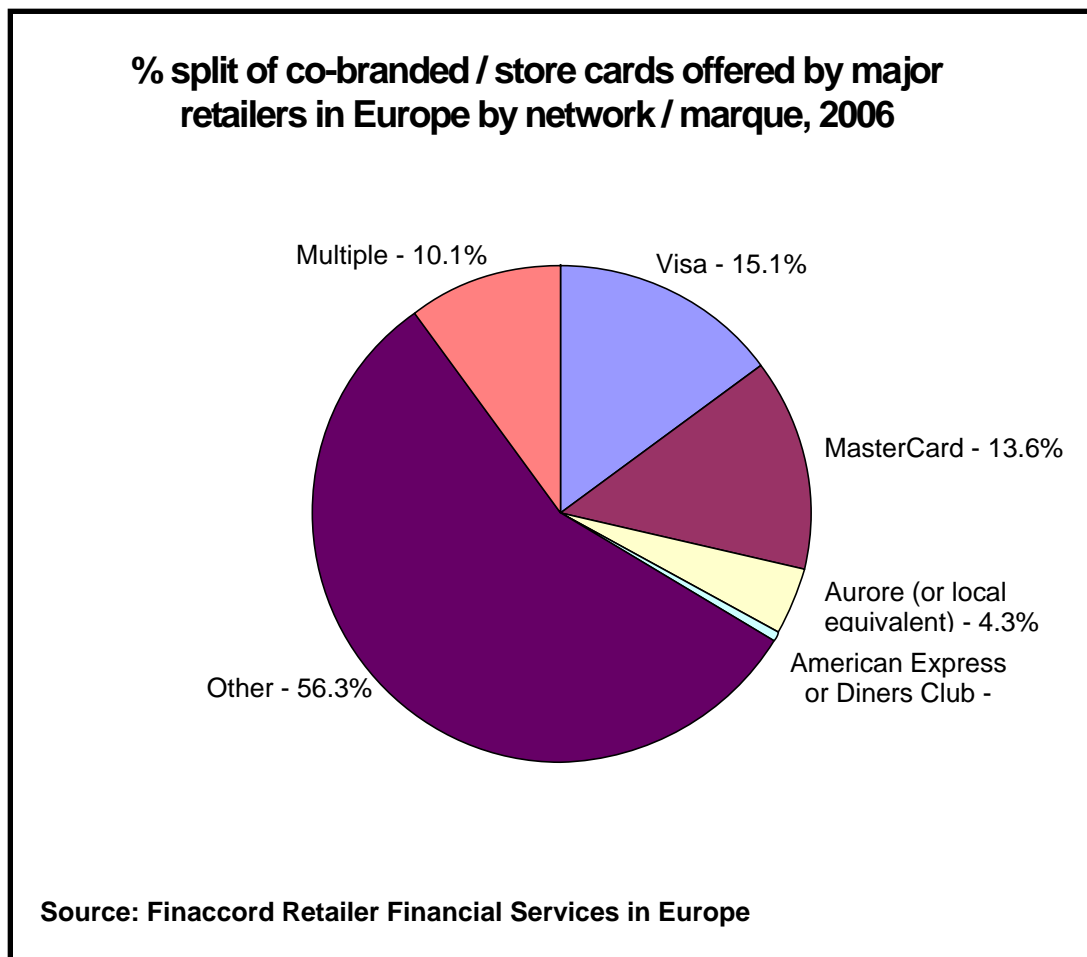


Well over 50% of cards are classifiable as private label or belong to local networks

The 485 retailers offering their own payment cards can also be segmented by network or marque as illustrated in the following pie chart. This shows that 15.1% of cards are affiliated on an exclusive basis to the Visa network, 13.6% make sole use of the MasterCard marque and 4.3% carry only the Aurore brand or a local equivalent such as Aura in Italy. However, 10.1% of the retailers offering payment cards promote cards that are linked to more than one of these three networks. This can occur either by means of the fact that they offer two separate cards or because a single card carries more than one marque.

As for the American Express and Diners Club brands, it can be seen that these are rarely present in the market for retailer cards with Finaccord having traced only three examples across the 25 countries, thereby constituting 0.6% of the total.

Indeed, well over 50% of retailer cards in Europe are either classifiable as private label cards, that can be used only at the retailer in question, or are affiliated to a local network such as those run by a number of Groupe Laser's subsidiaries including Cofinoga in France, Sygma Bank in Poland and Creation Financial Services in the UK, and by Comfort Card in Austria, Belgium, Germany and the Netherlands. Clearly, an implication of this is that there is plenty of scope for retailers with local network or private label cards to internationalise their program by linking it to one of the major global payment brands.



Retailer distribution of mainstream insurance is now a reality in 12 of the markets surveyed

In contrast to co-branded or store cards, as well as loyalty cards and consumer finance, the involvement of major European retailers in mainstream lines of insurance - sometimes known as 'brandassurance' - is currently much more limited. In the context of the report, mainstream insurance is defined as including motor insurance, household insurance, accident insurance, health insurance, travel insurance, pet insurance and life insurance but not product insurance or warranties or payment protection insurance linked to lending products.

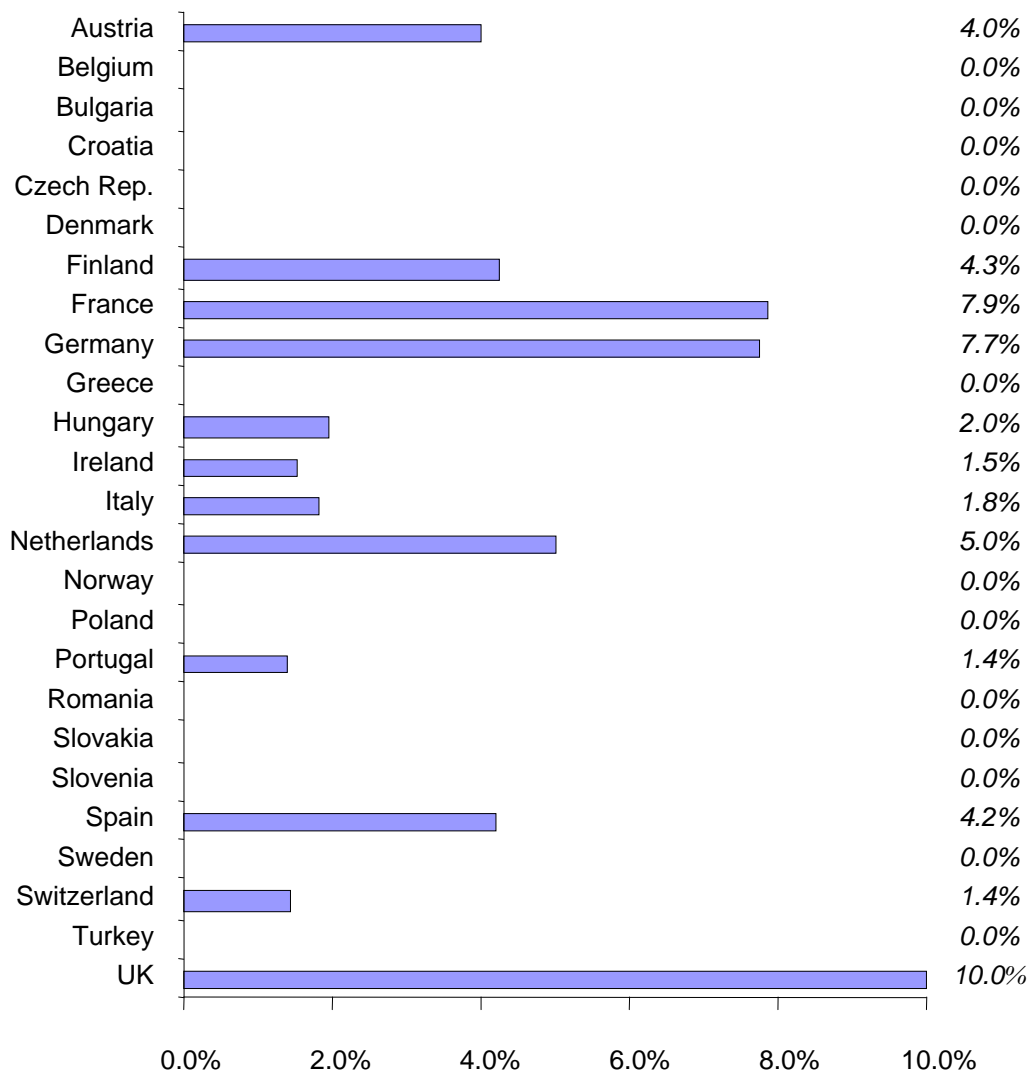
Finaccord's research traced no evidence whatsoever for the involvement of retailers in distribution of these types of insurance in 13 of the 25 countries investigated: Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Greece, Norway, Poland, Romania, Slovakia, Slovenia, Sweden and Turkey. Nevertheless, 67 of the total universe of 1,895 major retailers surveyed were found to offer at least one of the insurance policies considered, thereby producing a pan-European penetration rate of 3.5%.

Indeed, the rate of penetration among retailers is substantially higher in Europe's three largest insurance markets, namely France (achieving an equivalent data point of 7.9%), Germany (7.7%) and the UK (10.0%). In these countries, the number of important retailers found to be active in the distribution of mainstream insurance reaches 11, 12 and 22, respectively.

Examples of major European retailers that had initiated 'brandassurance' activities by the beginning of 2007 are: 3 Suisses, Auchan, Carrefour and Casino in France; C&A, Karstadt, Otto and Tchibo in Germany; Halfords, Hema, Kruidvat and V&D in the Netherlands; Alcampo, Carrefour, El Corte Inglés and Eroski in Spain; and ASDA, John Lewis, Marks & Spencer, Sainsbury's and Tesco in the UK.

In the UK, in particular, the involvement of major retailers as insurance intermediaries is now an established feature of the market and it is reasonable to suppose that a similar evolution may occur elsewhere in Europe, especially where there are retailers, such as major supermarkets, that control a significant proportion of the annual expenditure of local consumers.

% of major retailers in Europe offering any form of mainstream insurance split by country, 2006



Source: Finaccord Retailer Financial Services in Europe

Commented a Finaccord spokesperson:

“We believe that partnerships with large, successful retailers will constitute a key aspect of the development strategy of banking institutions and insurance companies, especially those with international aspirations, for the foreseeable future. Over and above traditional retailer financial services, such as co-branded or store cards and consumer finance, there will also be opportunities to create relationships for broader banking and insurance initiatives. Indeed, as Europe’s retailing markets become increasingly concentrated among the largest organisations, especially in the supermarkets sector, there is every reason to believe that the leading retailers can become significant protagonists in financial services as has occurred already, in fact, in the UK.”

Retailer Financial Services in Europe was published in January 2007 and is available from Finaccord at a cost of £2,495.

About Finaccord

Established in 2002 by a team of professionals with an extensive background in financial services, Finaccord specialises in the provision of market research, consulting services and published reports on the financial sector in the UK and Europe. By offering a focused service, Finaccord aims to be the marketing services consultancy of choice for organizations with an interest in financial services in the UK and Europe and to provide insights that are sharper, more actionable and which represent better value for money than those of generalist consultancies.

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