



Fixed Interest



Tesco Personal Finance Plc 5.2% 24/08/18

8th July 2011

Price	104p
Credit Rating	N/A
Risk Rating	Medium
Running Yield	5.00%
Gross Redemption Yield	4.53%

Credit Analysts View:

The bank has no stand alone rating but is a wholly-owned subsidiary of its parent Tesco Plc, which carries a A- rating from S&P. As Tesco Bank is a relatively new entity it will not carry the level of arrears or bad investments of its more established peers.

Fundamentals:

Tesco Bank (the trading name of “Tesco Personal Finance Plc”), originally a joint venture between Tesco Plc and RBS, is now in sole ownership of Tesco Plc. The supermarket group’s banking division is a small player but is growing organically by opening in-store banks and leveraging on its vast customer base.

Tesco Bank is principally funded by retail deposits and plans to add mortgages in due course.

Summary:

This bond ticks all the right boxes for retail investors - a good name, a low minimum size (£100), a straightforward “vanilla” structure and a good yield (the GRY of the benchmark Treasury Gilt 5% 07/03/18 is just 2.57%). The bond also pays interest twice a year - in February and August.

Additionally, the bond trades on the London Stock Exchange’s “Order book for Retail Bonds”, an open and transparent market for trading in bonds, similar to the order-driven model already established for share dealing. A fairly narrow spread (currently 103.5p to 104p) increases its attractiveness, particularly should investors wish to sell before maturity.

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