

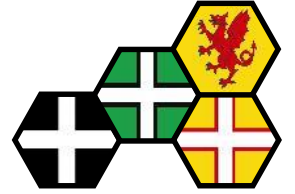


South West Mutual

Regional banking for inclusive growth



Introducing South West Mutual

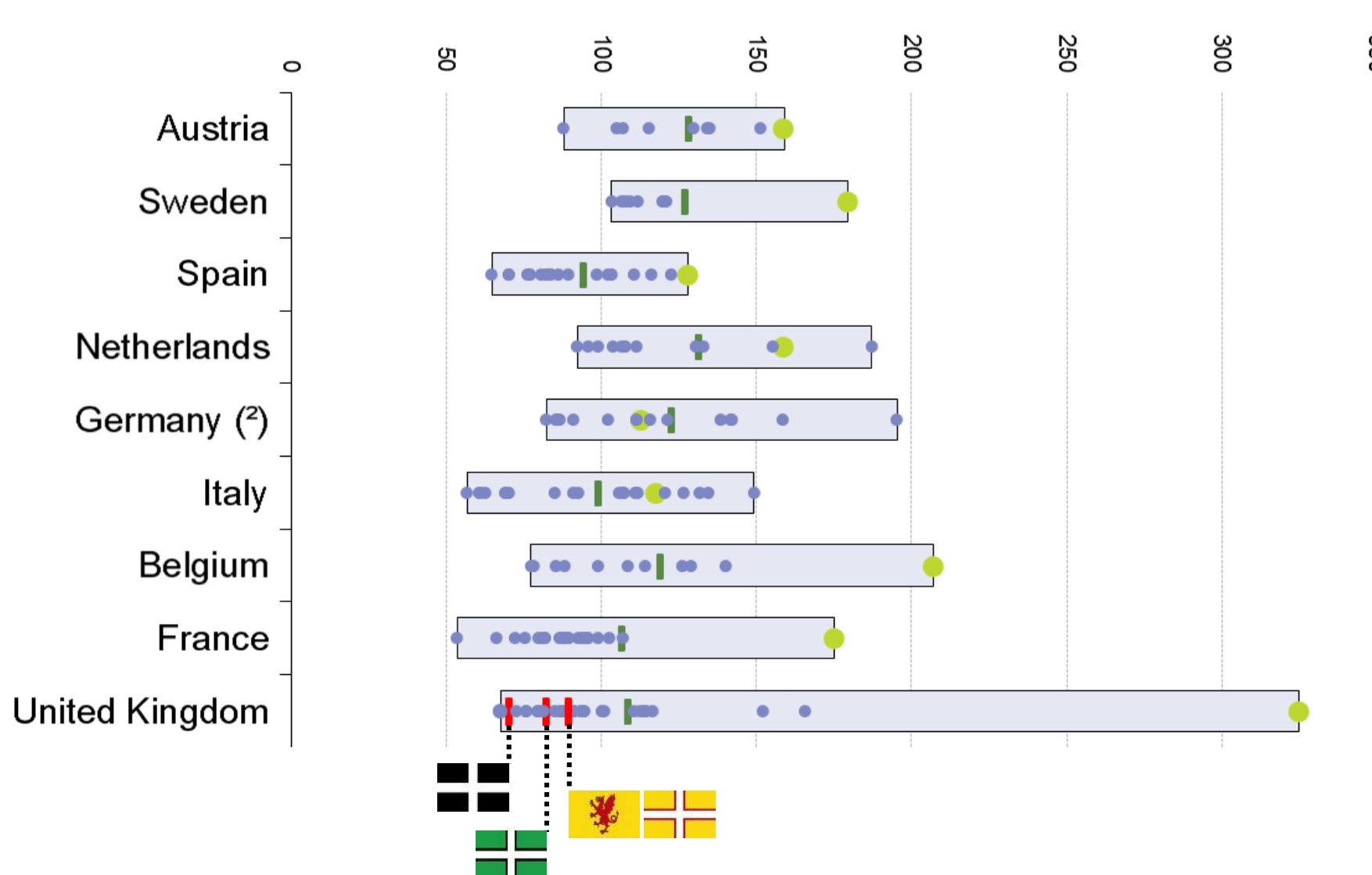


Mission-led business promoting sustainable and equitable prosperity for the South West

- First **customer-owned** full service bank
- **Financial inclusion** in the rules
- **SME and social enterprise** focus
- Multi-channel, committed to **branches** and **relationship banking**
- **Scale and efficiency** – part of the CSBA network
- **Financial strength**: Profits £15m pa / loan book £380m by year 9



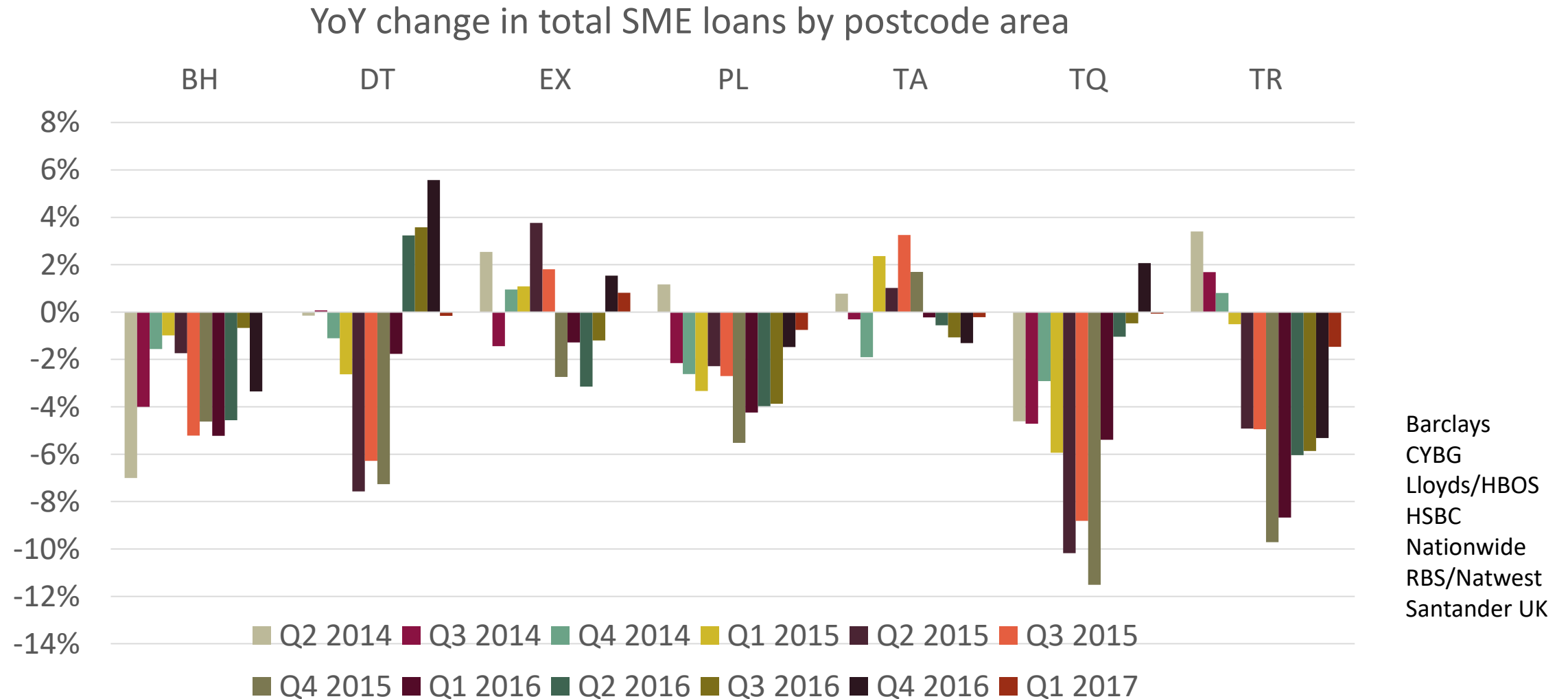
Helping tackle regional inequalities



SWM is an anchor institution

Supporting equitable and sustainable prosperity for the South West is our mission

SME finance is an ongoing issue



Lending to the real economy where you live

SME deposits and loans in
Devon districts

Deposits **£853m**

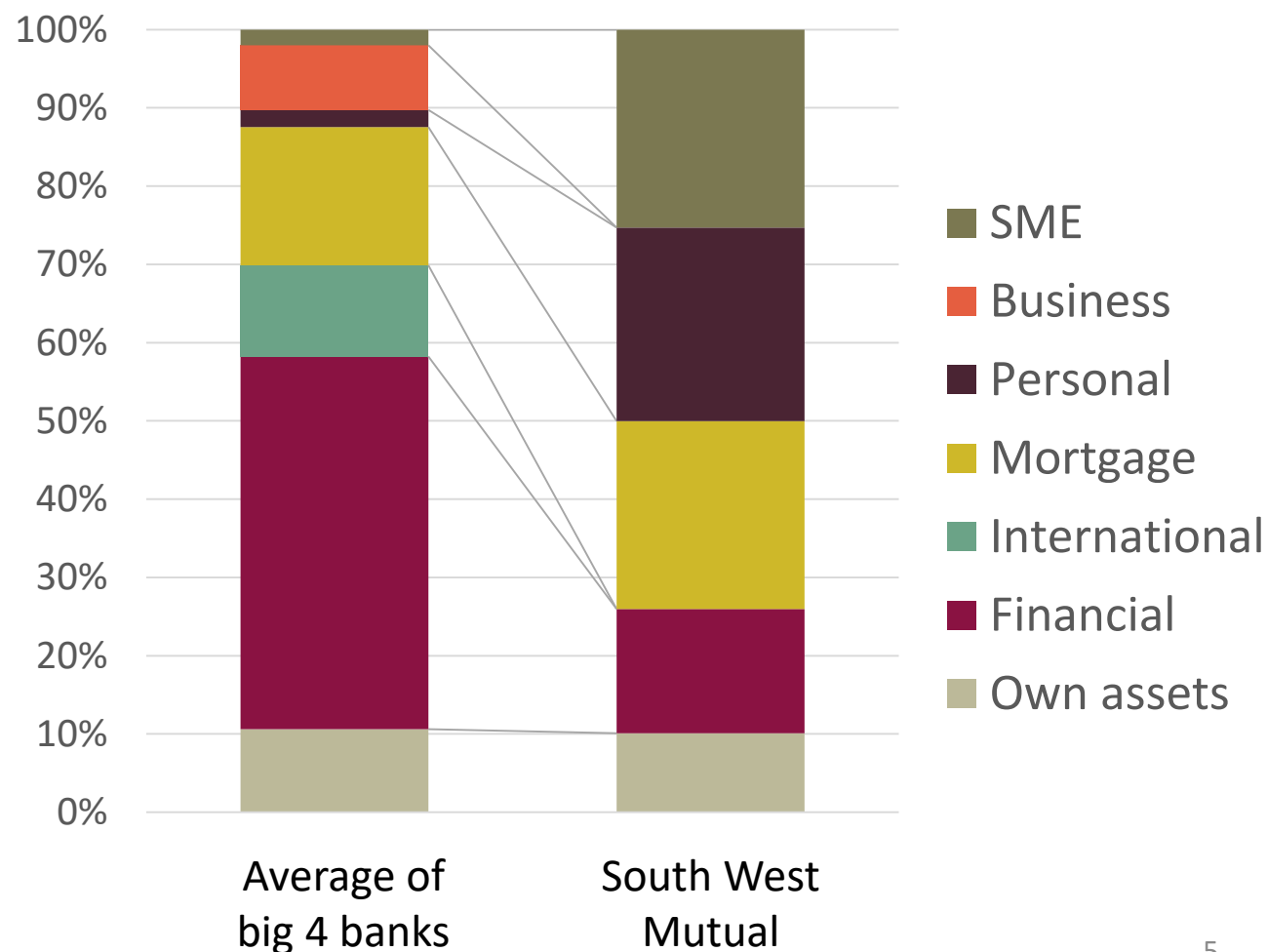
Loans **£462m**

Net outflow **£390m**



**SWM keeps money
flowing within the
region's economy**

Real economy impact – SWM lending vs UK Big 4



Commitment to financial inclusion

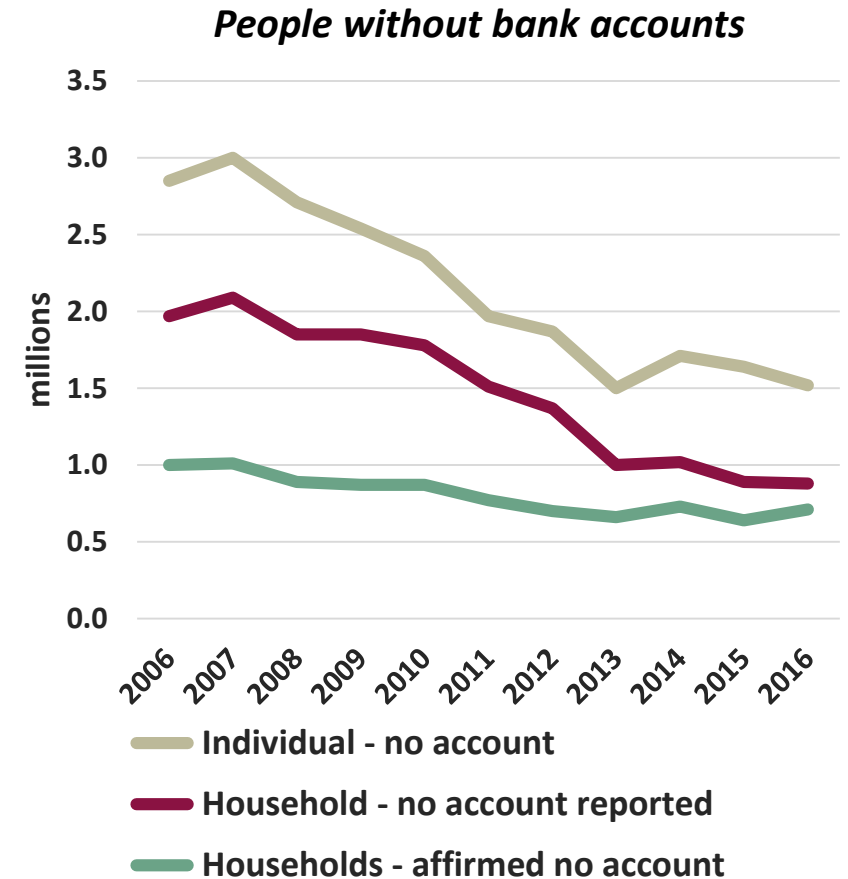
In Devon districts there are approximately*:

- 21,000 individuals without bank account
- 106,000 non-users of the internet
- 33,000 entirely dependent on cash
- 46% uncomfortable using digital only banks
- £8 million poverty premium



SWM will provide full current account to any resident

**Source: Pro-rata on population of 642,000 adults , from HMT report on cash March 2018, and CHASM Financial Inclusion Report 2016*



Source: FINANCIAL INCLUSION
ANNUAL MONITORING REPORT 2017

Branches and local managers

- Losing 60 branches / 300 cash machines a month
- Branch access still important for many customers
 - eg trading businesses; some older/vulnerable people
- Evidence confirms 'soft information' is vital for safe local lending



- **SWM has Branch Directors and staff with decision making power**
- **We use modern technology to deliver a low-cost branch solution**

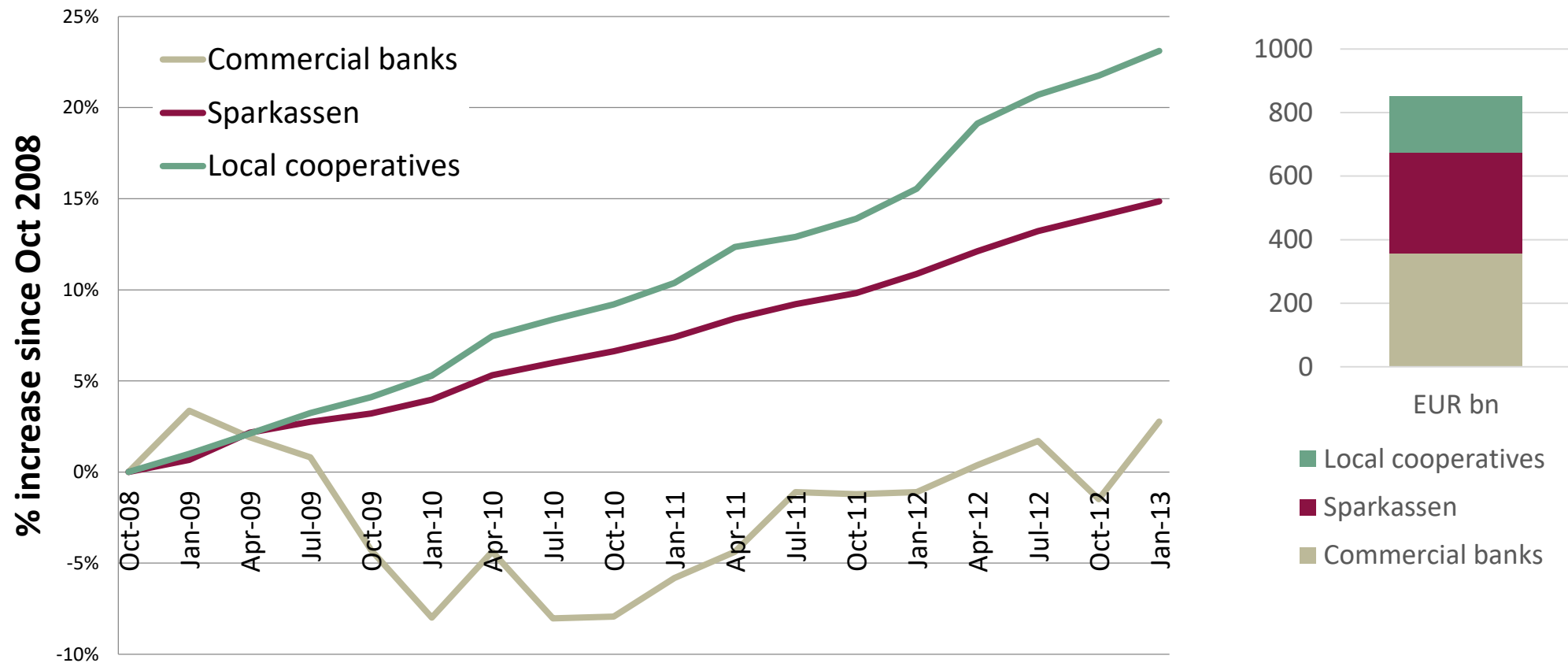
Branch Closures 2015-18



	RBS/ NW	Lloyds	Barclays	HSBC	Co-Op	Other	Total
East Devon	5	2	3	1	1		12
Exeter	2	4		1		1	8
Mid Devon	2	1	2				5
North Devon	3	4	1	2	1		11
South Hams	4	4	1	2		2	13
Teignbridge	3	4		1	1		9
Torridge	3	1	2				6
West Devon	3	1	1	1	1		7
Grand Total	25	21	10	8	4	3	71

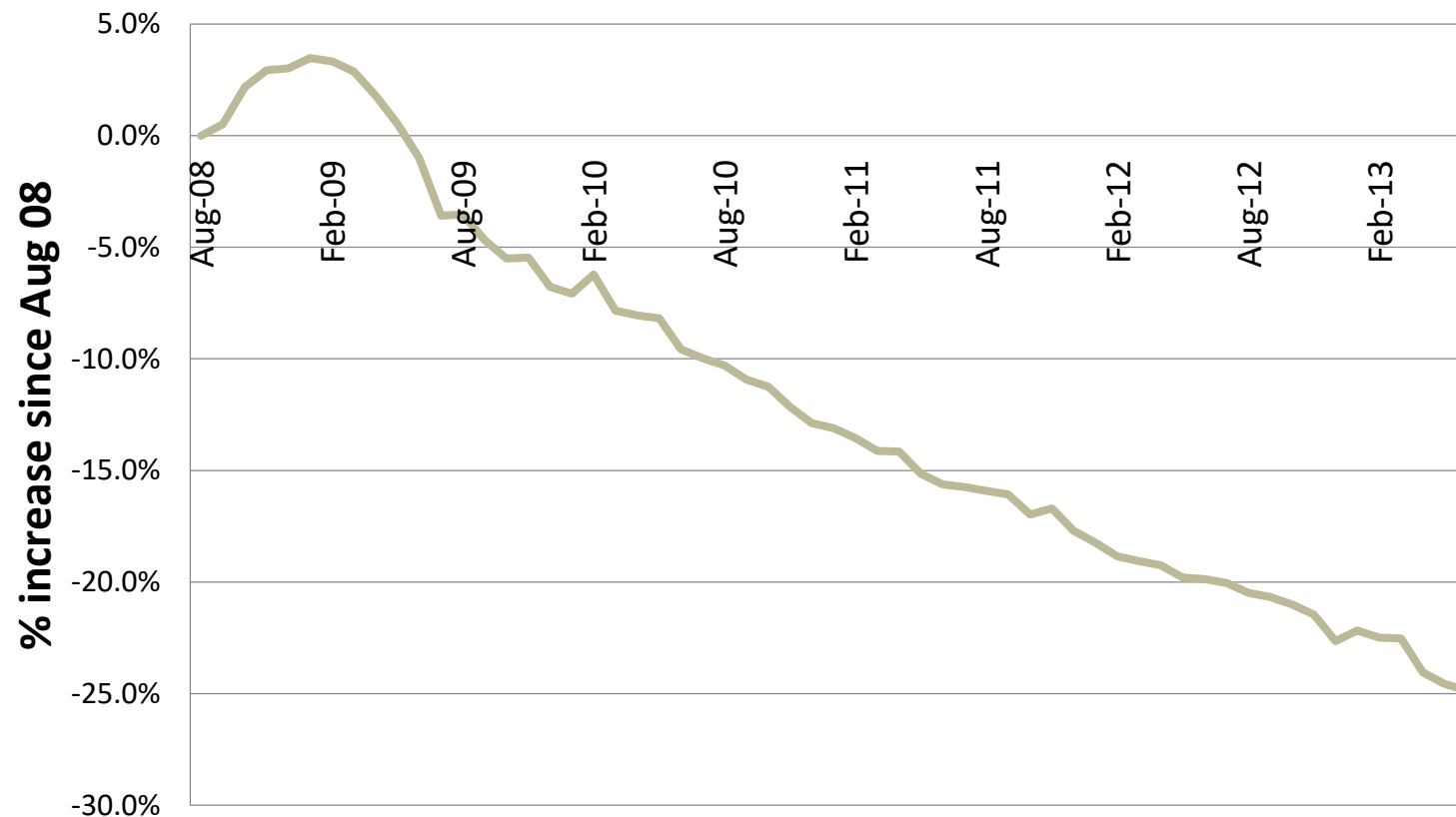
Economic resilience: 'no more boom and bust'?

German bank lending to domestic enterprises and self-employed



Economic resilience: the UK's Achilles heel?

Total UK bank lending to non-financial corporates



SWM is committed to the region. We won't chase the booms so we are still there during the busts.

Restoring trust in banking

GOVERNANCE

- Our customers are our shareholders
- One member one vote
- Board directly accountable to members

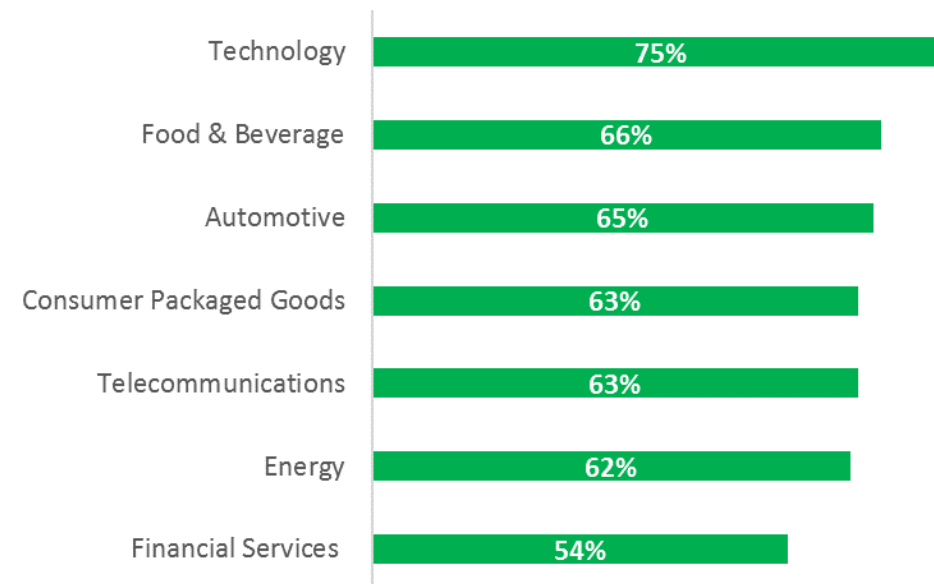
BUSINESS MODEL

- No financial trading or speculation
- No bonuses or sales incentives
- No pressure to cross-sell financial products
- Simple, honest, transparent charging structure

PRACTICING FAIRNESS

- Living wage employer
- Maximum 10x pay ratio

Edelman Trust Barometer
2017 Results

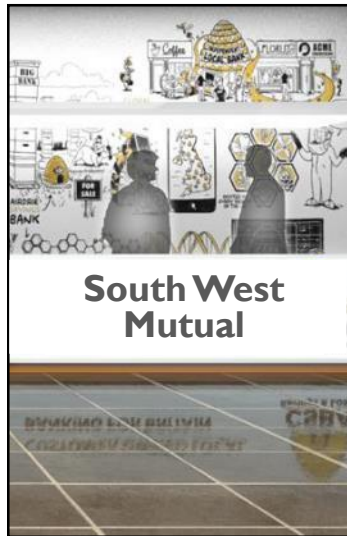


Do you trust your bank?	TRUST
Keeping my money safe	48%
Protecting my personal and financial information	43%
Providing me with truly unbiased advice suited to my needs	25%
Telling me if there is a better product for my needs/ situation even it means less money for them	21%

Source: EY Global bank survey 2016: Without it you're just another bank

Full range of services competing with high street banks

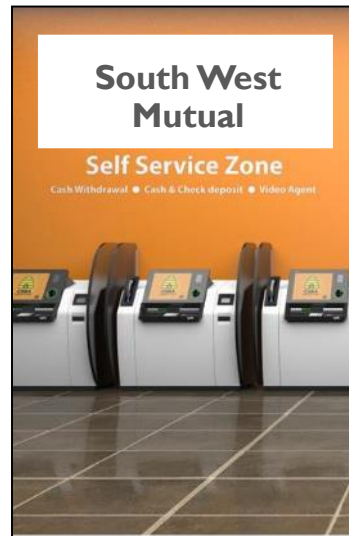
Local HQ



Sub-regional hub
with staff and
Branch Director.

Safety deposit boxes.

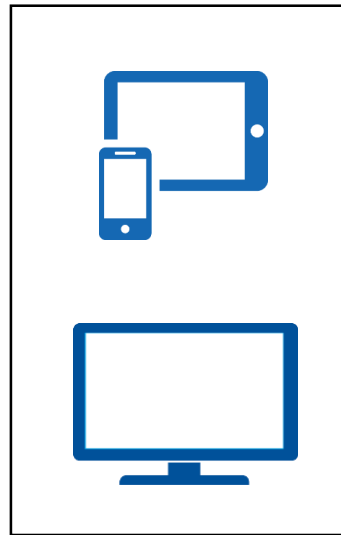
Satellite branches



24/7 video linked
full service
automated branch.

Some staffed times

Digital channels



Online and
app.

Current accounts



Fixed, transparent and
simple membership fee:

Personal: £5 pcm
Organisation: £10 pcm

- Expense analysis
- 'Jam jar' functionality
- Interest on whole balance
- Additional member benefits tbc

Why a monthly charge? Free banking does not exist

- Free-if-in-credit (FIIC) accounts are NOT free
- 90% of customers with FIIC accounts effectively pay charges
- Our model simple, transparent and honest
- Allows us to be inclusive
- and to maintain branch access
- Better value for money for many customers

“I do not advocate the ending of free-if-in credit banking. Why? Because there is no such thing to start with, so it cannot be abolished as such.

Nothing in life is free
– sorry to disappoint.”

Andrew Bailey, Chief Executive FCA
29th June 2017



Bank	SWM	Lloyds	NW
		Classic	Select
Monthly membership fee	(5.00)	-	-
Interest on £1,000 in current a/c	1.22	-	-
Interest on £4,000 in current a/c	4.88	-	-
Cost of £500 overdraft for 15 days	(1.94)	(10.65)	(9.74)

- 44% of Free-If-In-Credit accounts attract overdraft charges
- 80% of consumers do not know what their overdraft charges are
- £2.9 billion paid in overdraft fees in 2014
- £4.3 billion interest foregone in 2014

Community Savings Bank Association

- Highly experienced Board
- 'Bank in a box' service
- 18 regional banks
- Test and training facility



An experienced banking and business team



TONY GREENHAM

EXECUTIVE DIRECTOR

Chartered Accountant with over 25 years' experience as a banker, company director and banking policy expert, including roles at Barclays, Credit Suisse and PwC.



JOHN ARTHUR

HEAD OF OPERATIONS, RISK AND COMPLIANCE

Over 40 years' experience in all aspects of retail banking including senior roles in branch and operational management and compliance at Alliance & Leicester and Capital One.



JANE DUMERESQUE

NON-EXECUTIVE DIRECTOR

Chartered Accountant with over 25 years' experience in financial services, over 10 years at Board level. She was formerly the CEO of Cornish-based Peer2Peer lender Folk2Folk.



PAUL MANNING

NON-EXECUTIVE DIRECTOR

Paul is an Associate of the Chartered Institute of Bankers, CEO of Blue Cedar Print Works, Chair of Glastonbury Chamber of Commerce and a former manager at Lloyds Bank.



ROGER CAWSE

NON-EXECUTIVE DIRECTOR

Fellow of the Chartered Institute of Bankers with over 40 years of banking and insurance experience with the Trustee Savings Bank, as Chief Executive of Exeter Friendly Society and in a number of non-executive positions.



MARK DREWELL

NON-EXECUTIVE DIRECTOR

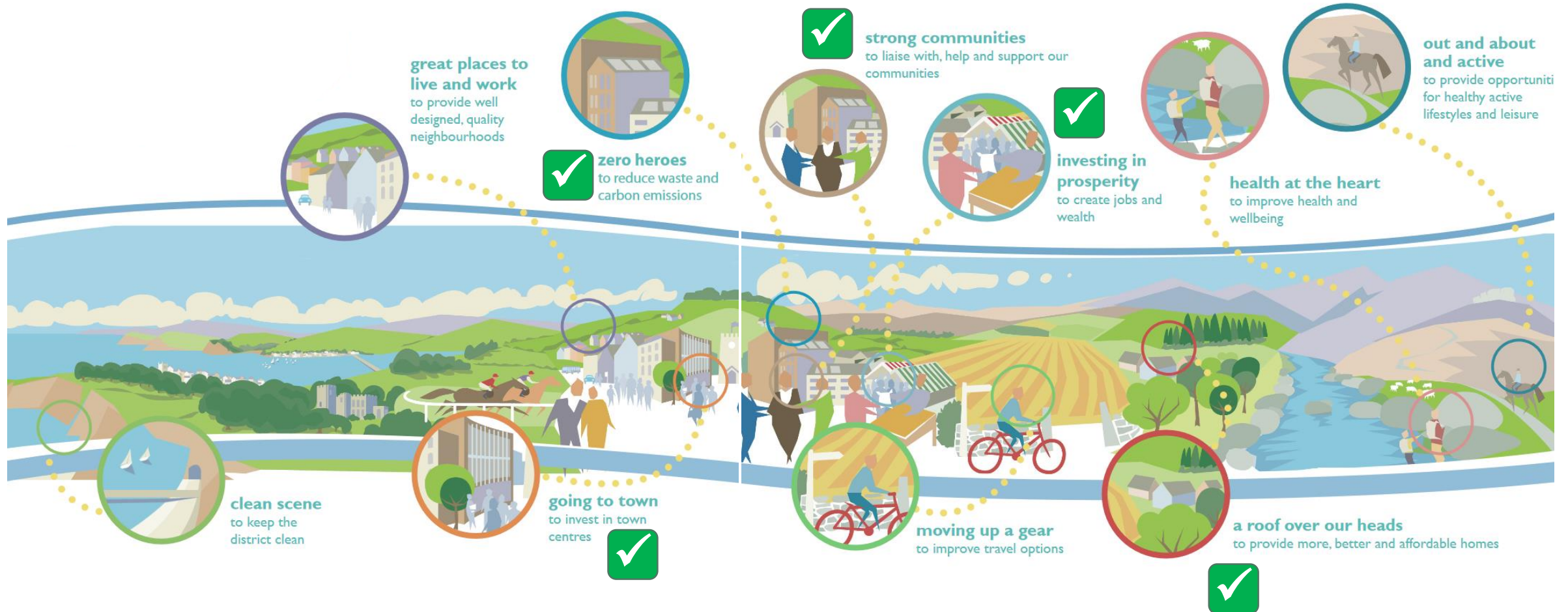
Mark is Senior Partner at The Foresight Group, a global management consultancy, and has over 30 years corporate experience in communications and responsible leadership.

Investment in Shares of South West Mutual

RETURNS	Financial	Dividend of 7.5% by year 6 – illustrative IRR of >19% for Founder Shares Growing dividend yield as profits rise Moderate share price growth over the medium term
	Economic	Supporting local enterprises, business rates and employment Boosting economic resilience during recessions, protecting jobs and incomes Inclusive growth: spreading opportunities for locally driven business and employment Recycling more spending and savings back into the Devon economy
	Social & environmental	Tackling financial exclusion and problem debt Improving financial capability and wellbeing Restoring trust and building civic participation Improved environmental and social performance
EXIT ROUTE		Trade with approx. 90,000 members projected by year 9 on a share trading platform

This is not investment advice; it is non-binding and it is subject to T&Cs that are to be agreed separately

Strategic alignment – Teignbridge 10 super projects



Local authority investment

Guidance from Arlingclose (Treasury Advisors)

Local Government Act 2003

“Investments made by local authorities can be classified into one of two main categories:

- Investments held for treasury management purposes; and
- Other investments”

“Local authorities should disclose the contribution that all **other investments** make towards the **service delivery objectives** and/or **place making role** of that local authority.”

Localism Act 2011

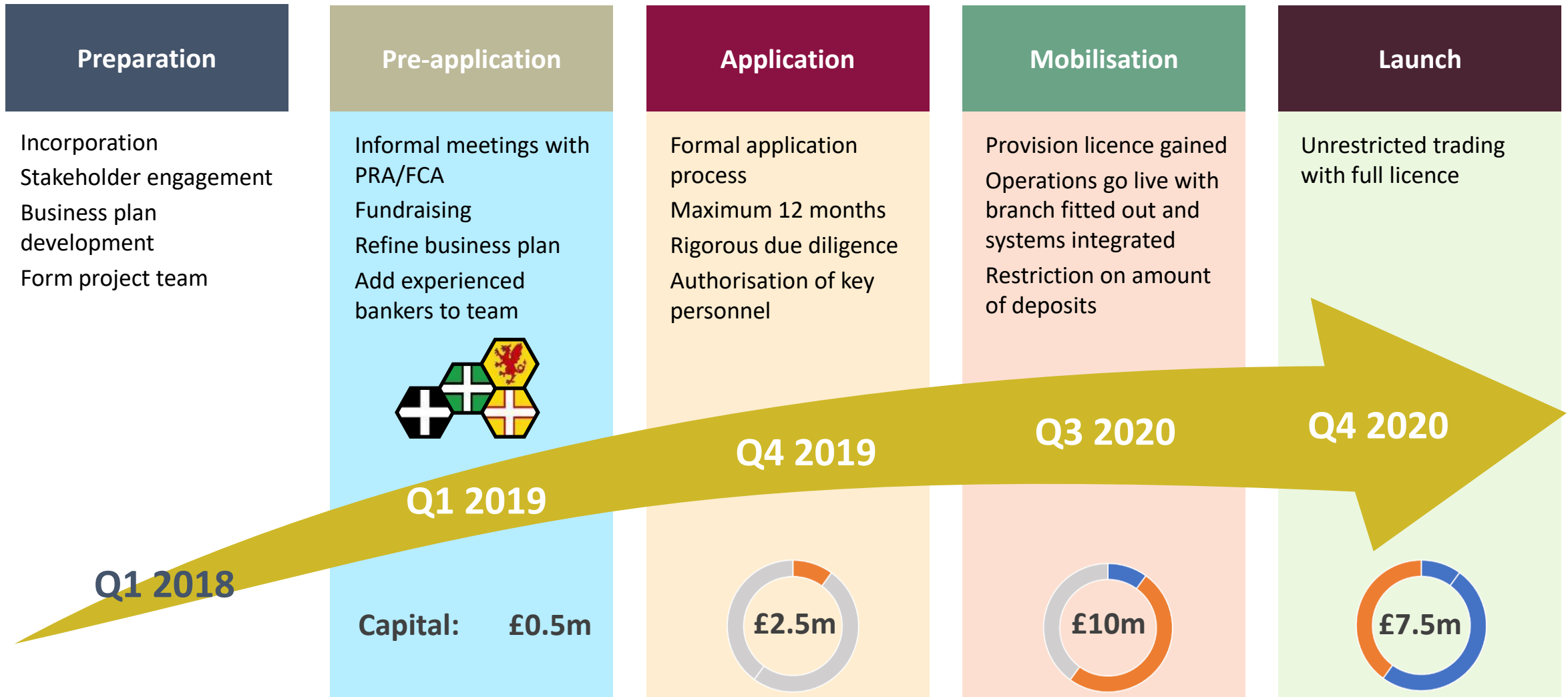
The general power of competence allows local authorities in England to do “**anything that individuals generally may do**”

Local authority investment - precedents

Bank	Authority	Notes
South West Mutual	West Devon Borough Council - £50k	Approved on 4 Dec 18
	South Ham DC - £50k	Approved on 5 Dec 18
Hampshire Community Bank (Note 1)	Portsmouth BC - £5m Winchester - £250k Test Valley - £500k	Capex funded by unsupported Prudential Borrowing / Capital receipts reserve. 'Spend to save' project. Economic development powers / general power of competence in S1 Localism Act 2011
Cambridge and Counties Bank	Cambridgeshire Local Government Pension Scheme	£8m in deferred shares for 50% 50:50 with Trinity College Cambridge
Cambridgeshire Building Society		£15 million core capital deferred shares carrying only 1 vote
Redwood Bank	Warrington BC £30m	Bank will open a northern regional office in Warrington. Shortlisted in 'Innovation in Finance' category of 2017 MJ Local Government Achievement Awards

Note 1 – Hampshire Community Bank is not part of the CSBA network and has not been licensed yet. It is possible that the regulators consider it to be too small scale as a stand alone bank.

Timeline for banking licence and launch



In conclusion...



South West Mutual

www.southwestmutual.co.uk