



*Creating a more sustainable and equitable regional banking sector*

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- 1. Whats wrong with our banking sector?**
- 2. Can we imagine something different?**
- 3. Impact and investment case: the benefits for the region**



# 1. Whats wrong with our banking sector?

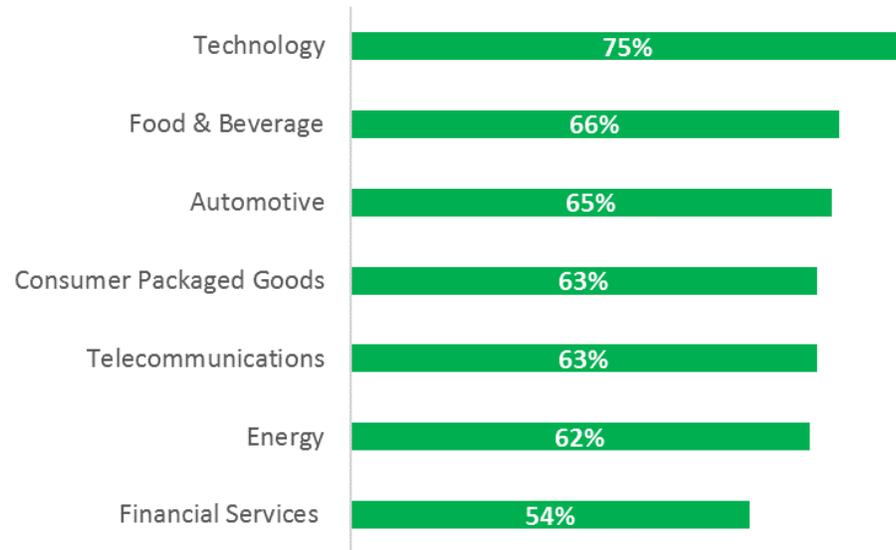


# Banking has a image problem.....



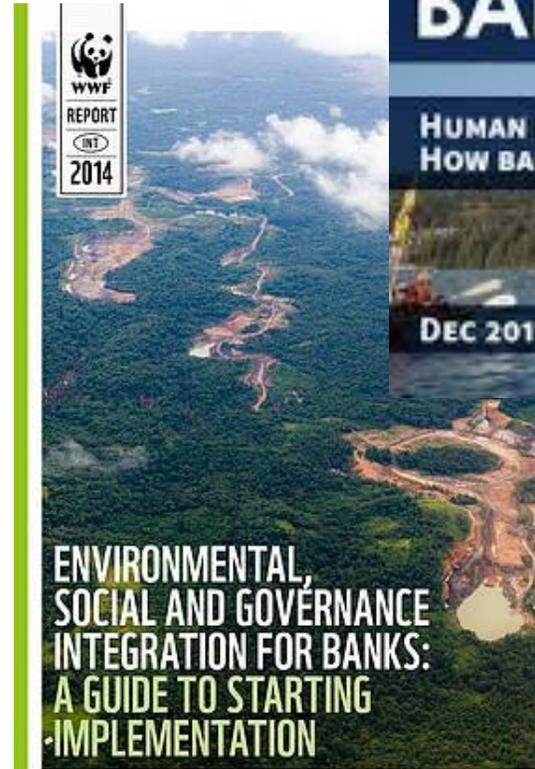
# The crisis of trust in banking

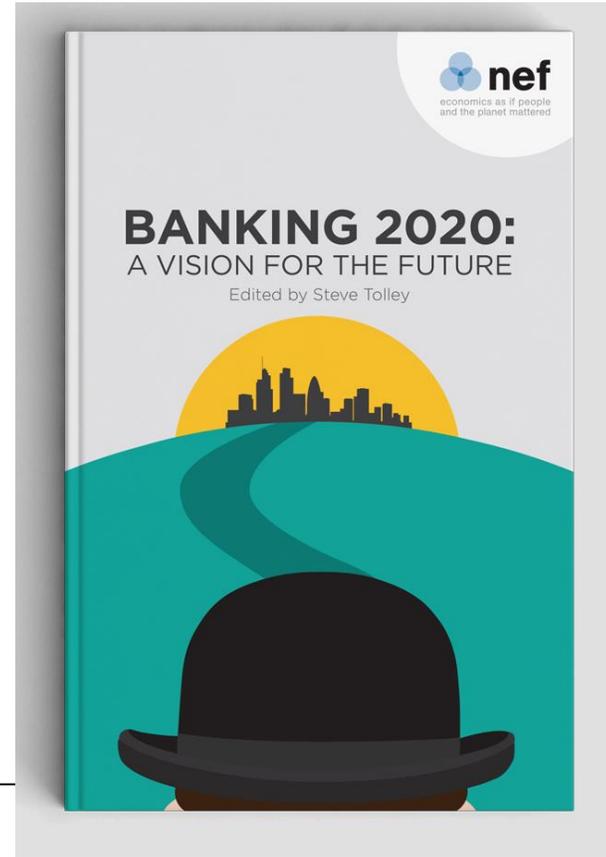
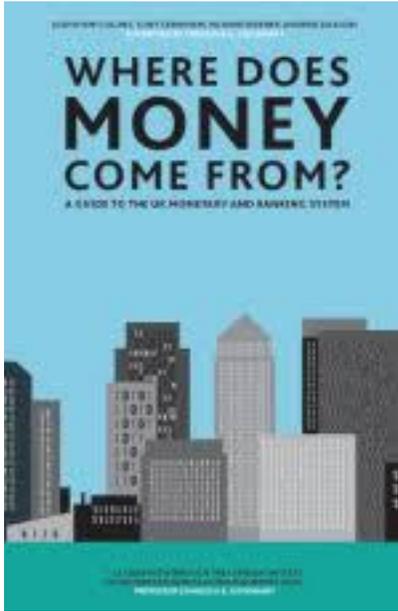
Edelman Trust Barometer  
2017 Results



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%

# My journey – from anti-bank campaigner to banker....





 LATEST  SIGN UP

NEW  
**ECONOMICS**  
FOUNDATION

## A LOCAL BANKING SYSTEM

OUR MISSING LOCAL BANKING INFRASTRUCTURE, WHY IT MATTERS AND WHAT CAN BE DONE ABOUT IT

12 MARCH, 2011 |  PUBLICATIONS

*“Central government should explore and encourage the establishment of regional banks... including community banking models such as the CSBA.”*

The screenshot shows the RSA website's page for the Inclusive Growth Commission. At the top left is the RSA logo with the tagline "21st century enlightenment". A search bar is in the top right. The main navigation menu includes: HOME, ABOUT US, DISCOVER, FELLOWSHIP, EVENTS, ACTION & RESEARCH, SUPPORT US, RSA HOUSE VENUE HIRE, CONTACT, and MY RSA. A secondary menu lists: PUBLIC SERVICES & COMMUNITIES, CREATIVE LEARNING & DEVELOPMENT, ECONOMY, ENTERPRISE & MANUFACTURING, RSA PROJECTS, and FELLOWSHIP PROJECTS. The main content area features a large orange header with "INCLUSIVE GROWTH COMMISSION" and "ACTIVE" below it. To the right is the commission's logo. Below the header are social media sharing options (Twitter, Facebook, LinkedIn, Google+, Email) and a "SAVE TO MY RSA" button. A secondary navigation bar includes: HOME, ABOUT, BLOG, REPORTS, PAPERS, MAPS, EVENTS, EVIDENCE, MEDIA, VIDEOS, and CASE STUDIES. The main text reads: "The Inclusive Growth Commission was an independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous." This is followed by a paragraph discussing economic challenges in the UK and internationally. To the right is a video player titled "Inclusive Growth Commission: Stephanie Flanders from The RSA" showing a woman speaking. The video player includes a play button, a progress bar at 04:39, and a Vimeo logo.

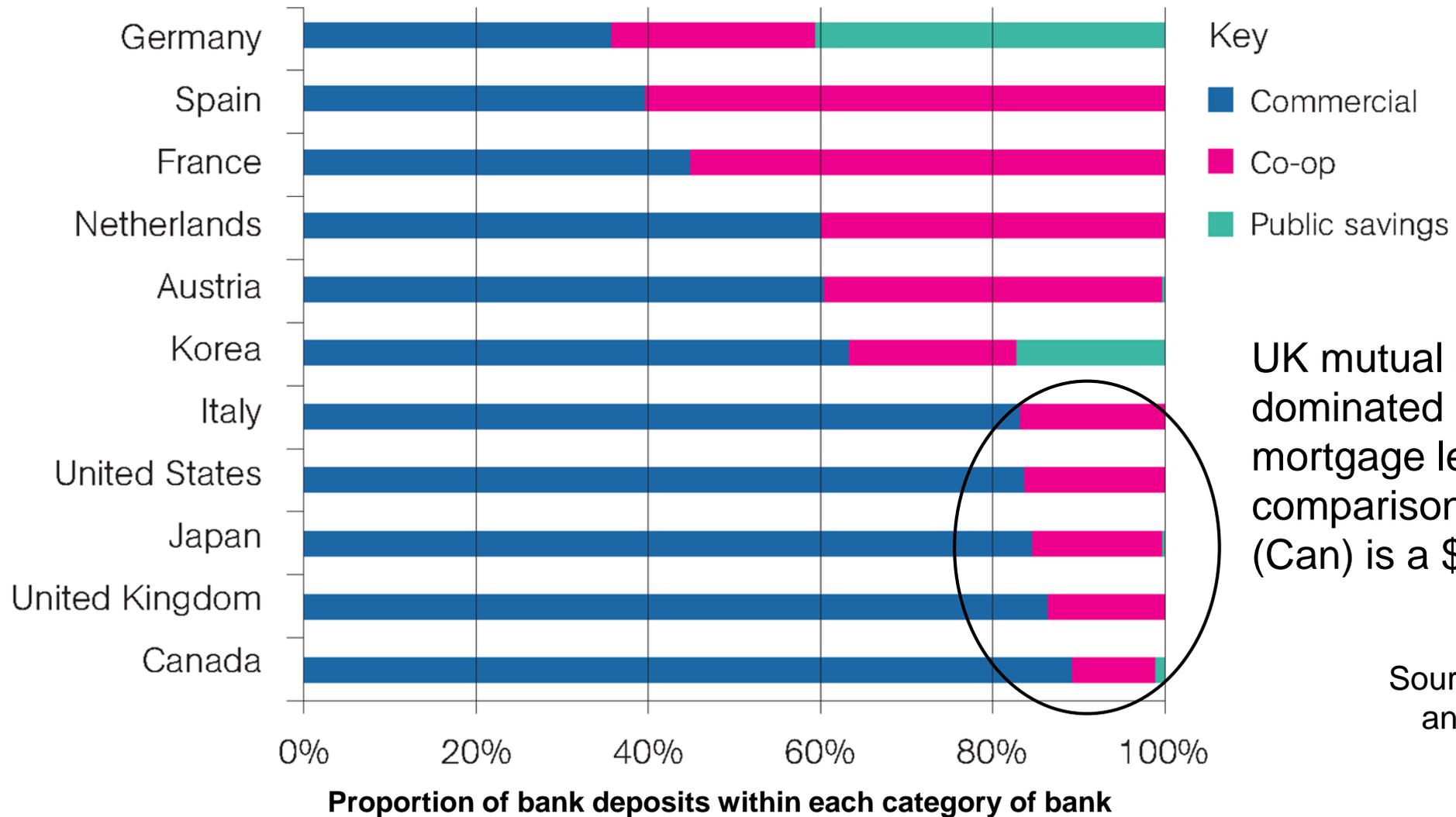
NEW  
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## A LOCAL BANKING SYSTEM

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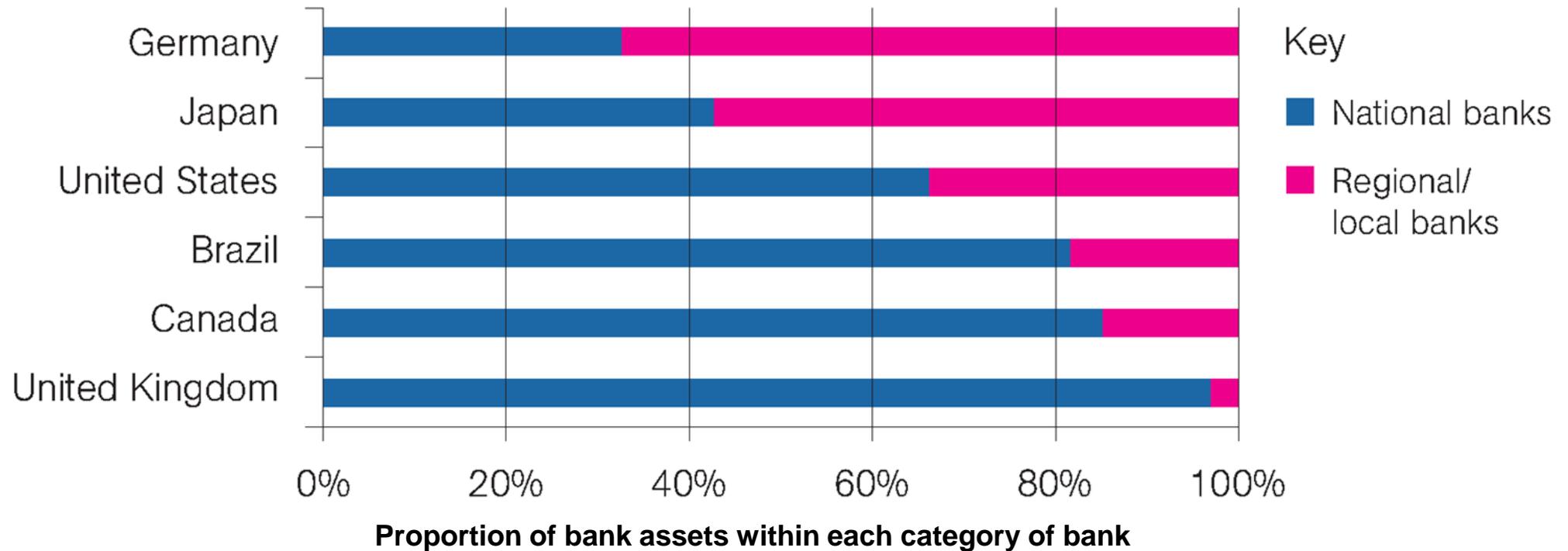
# The UK's lonely path – our unusual banking system



UK mutual sector is dominated by residential mortgage lending. By comparison Vancity (Can) is a \$26bn bank

Source: Greenham and Prieg (2015)

# Particularly with local/regional banks



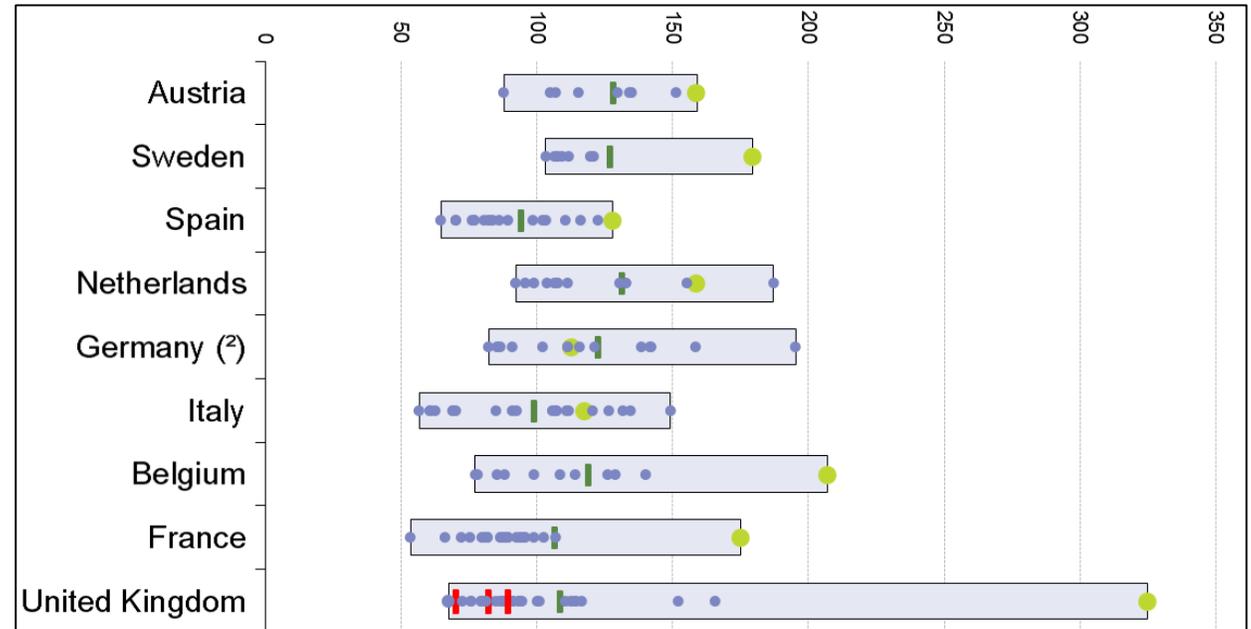
Source: Greenham and Prieg (2015)

# Why is this a problem and why is a regional and mutual bank the answer?

1. Redressing regional inequalities
2. Commitment to financial inclusion
3. Higher proportion of SME and 'real economy' lending
4. Building economic resilience
5. Putting customer service first
6. Rebuilding trust in banking

# (1) The UK has the most unequal regional economy in Europe

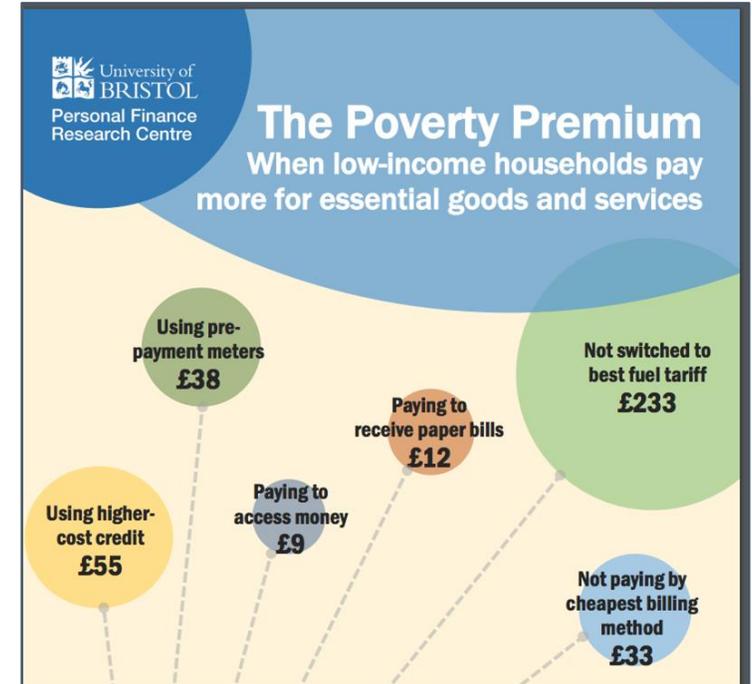
- London sucks wealth and economic power from the regions - UK regional GVA is highly skewed towards the capital compared to other countries.
- European cooperative banks help reduce this 'capital drain' to urban centres and capital cities thus regional inequality, most probably because of their strong SME lending.



The light purple shaded bar shows the range of the highest to lowest region for each country. The dark green bar shows the national average. The light green circle shows the capital city region. The dark purple circles show the other regions.

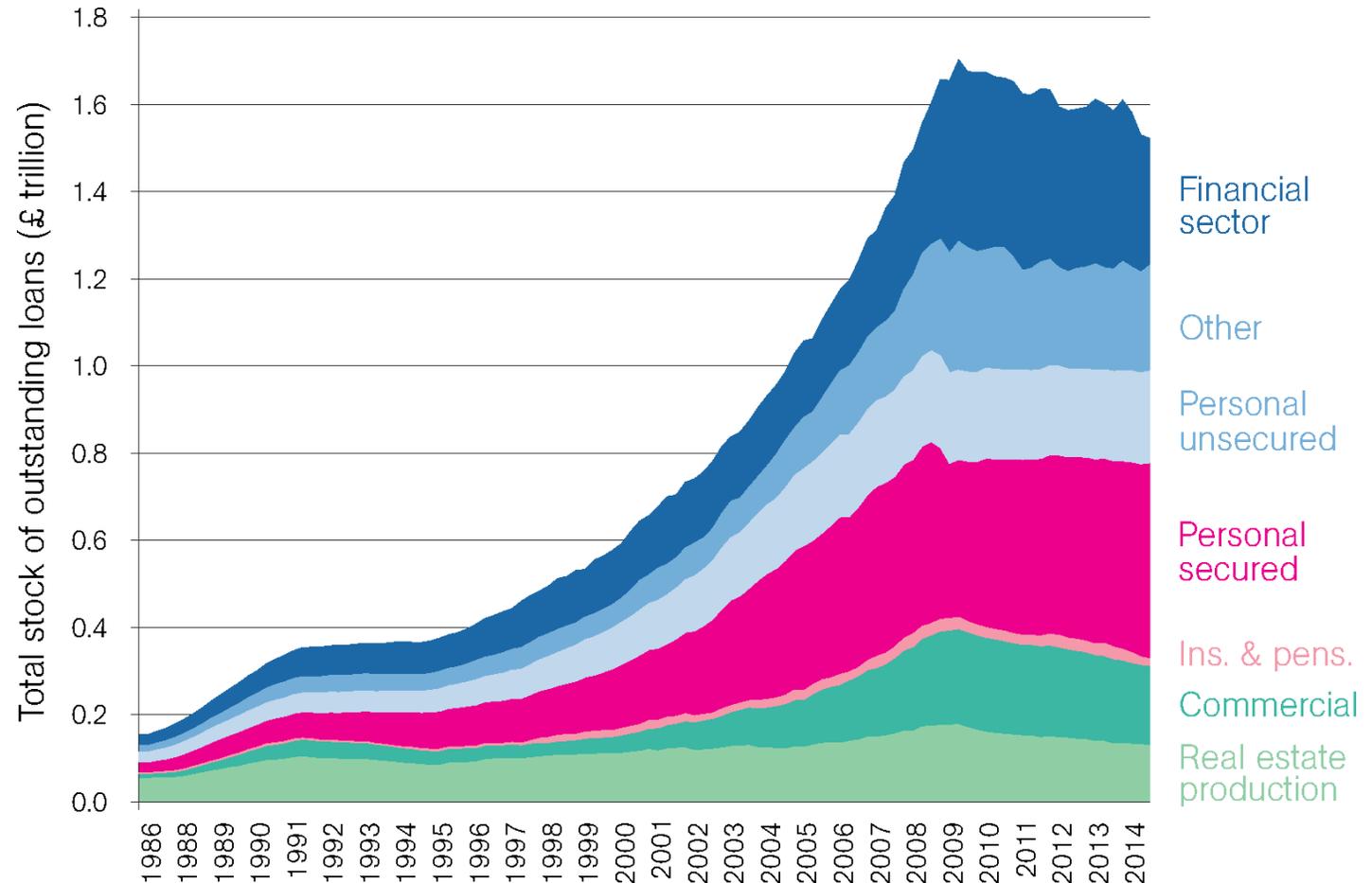
## (2) Too many face exclusion from the banking system

- There are **1.7m citizens without a bank account** in the UK.
- Having no direct debit facility these poorest citizens suffer a **'poverty premium'** of **between £480-£2250 pa**
- Bristol University estimate that the **elimination of the poverty premium could potentially release an extra £4bn per year into the local communities** and economies that need it the most.



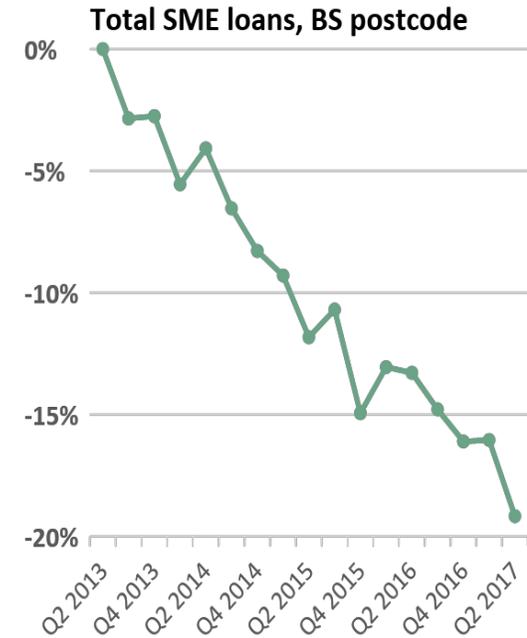
### (3) Banking supports speculation not the real economy

83% of UK bank lending goes towards activities that do not directly support productivity or the majority of household incomes (Finance, Insurance, and Real Estate).



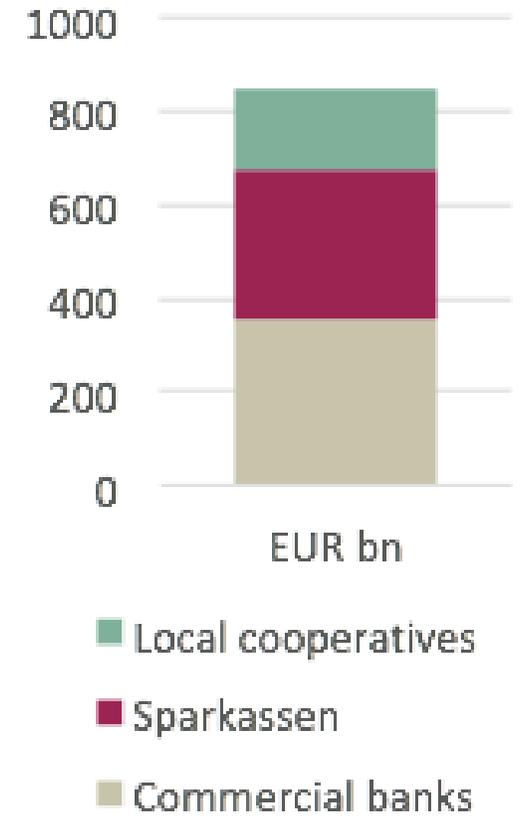
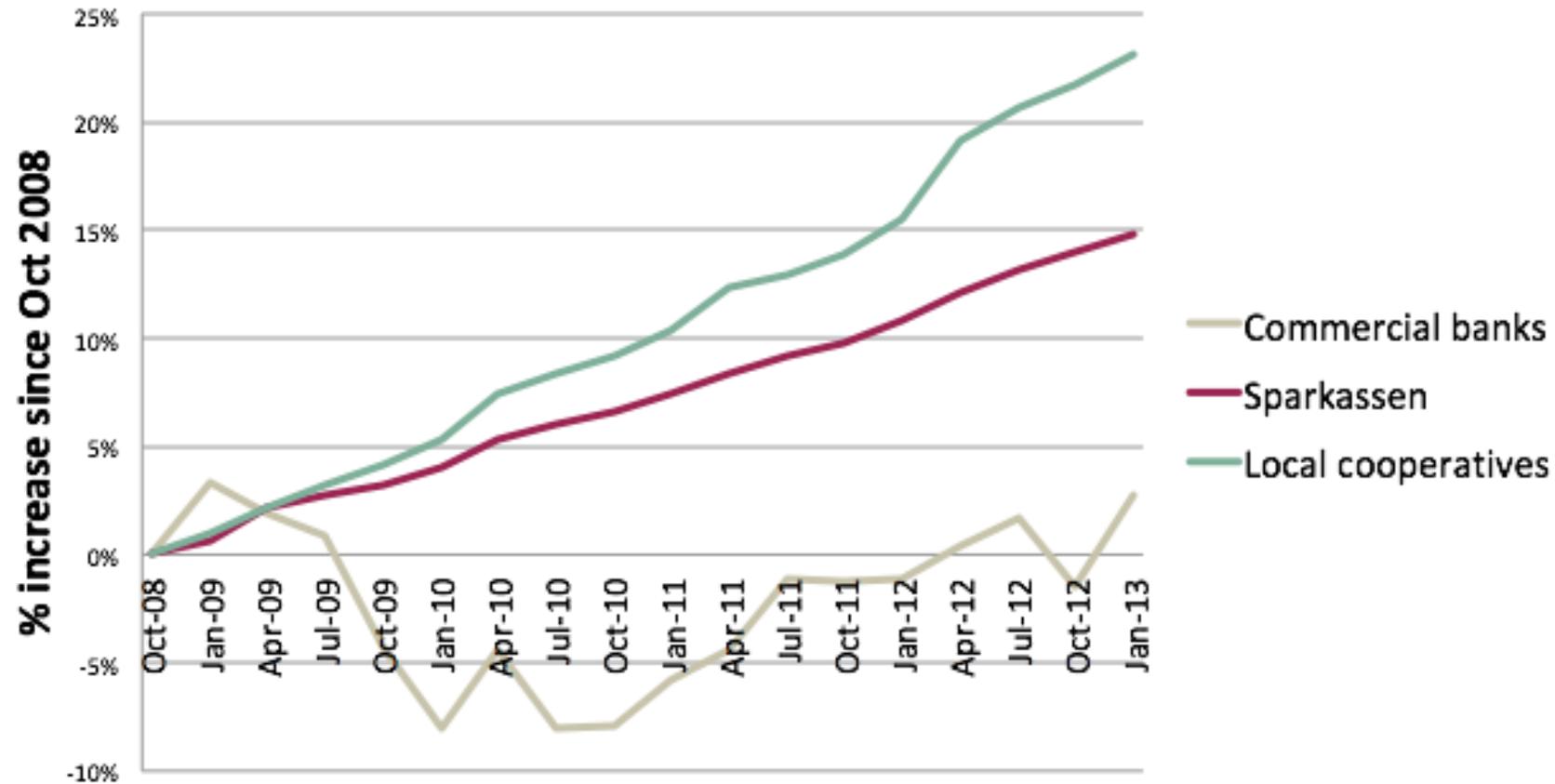
# (3) The impacts on SME's and the real economy

- **Only 2-3% of total bank lending in the UK goes to SMEs** - despite SMEs accounting for 99.9% of all businesses, 60% of employment, and 40% of annual turnover (or GDP) in the UK.
- SME lending is far higher in many EU countries where stakeholder banks account for nearly 50% of SME lending.
- Lower rates of SME lending **correlate with higher rates of SME failure**.



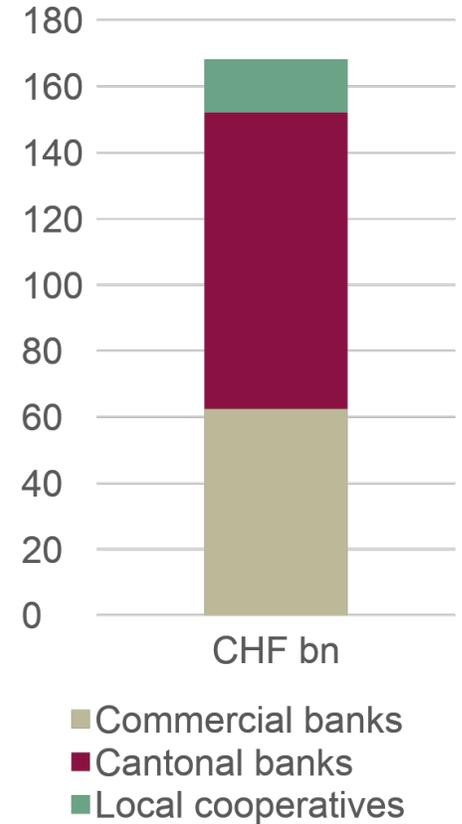
## (4) Who can we count on in a crisis?

**German bank lending to domestic enterprises and self-employed**

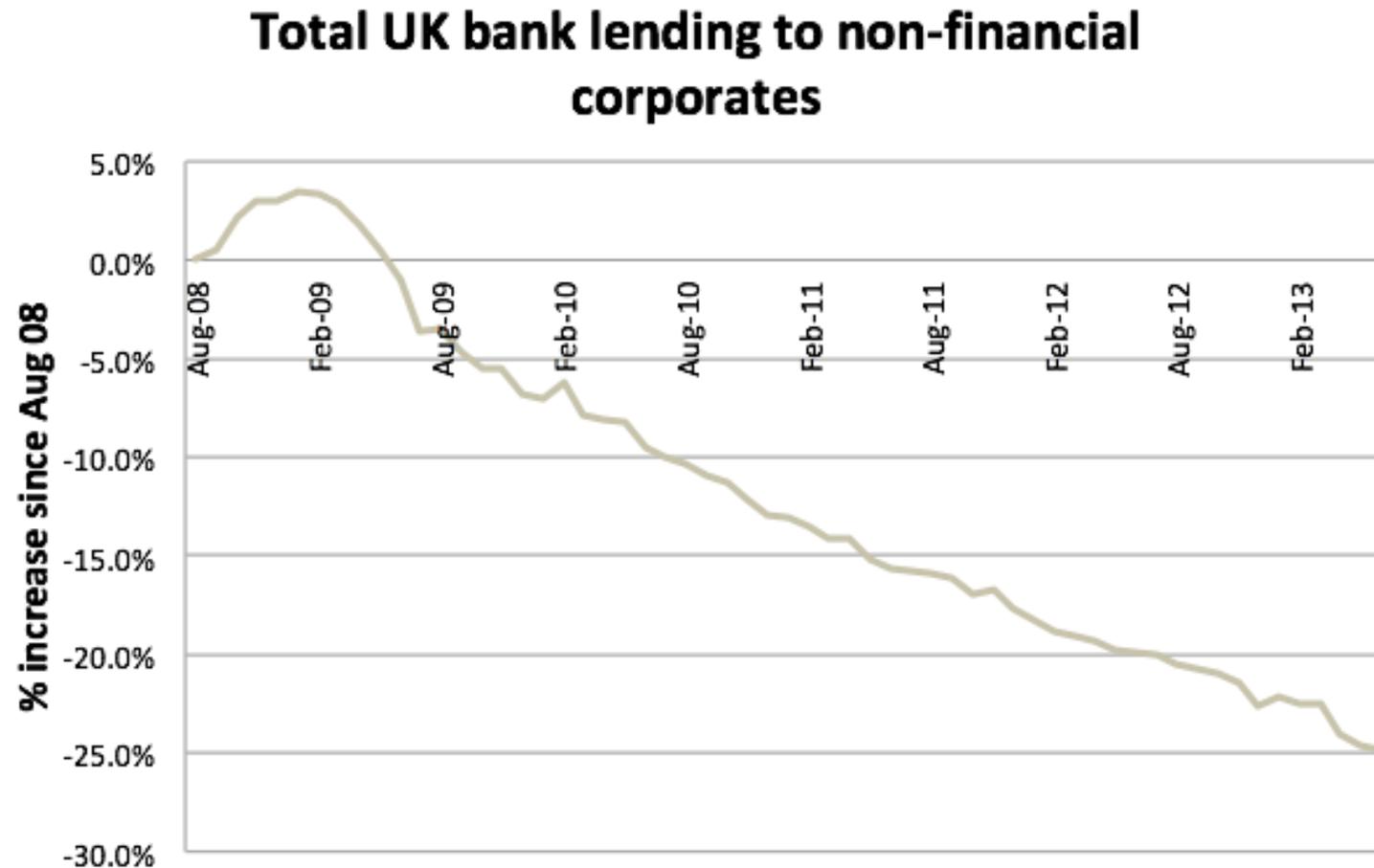


## (4) Who can we count on in a crisis?

### Swiss bank lending to non-financial corporates



## (4) Economic resilience – the UKs Achilles heal



## (5) The customer service crisis

### Branch access is still important for customers

- UK losing 60 branches and 300 cash machines a month often in the poorest areas - this does not include reduced hours.
- Vulnerable customers and small businesses are reliant on branch facilities for banking takings and have to travel further for banking facilities.

### Customers value relationships and managers with power to take decisions

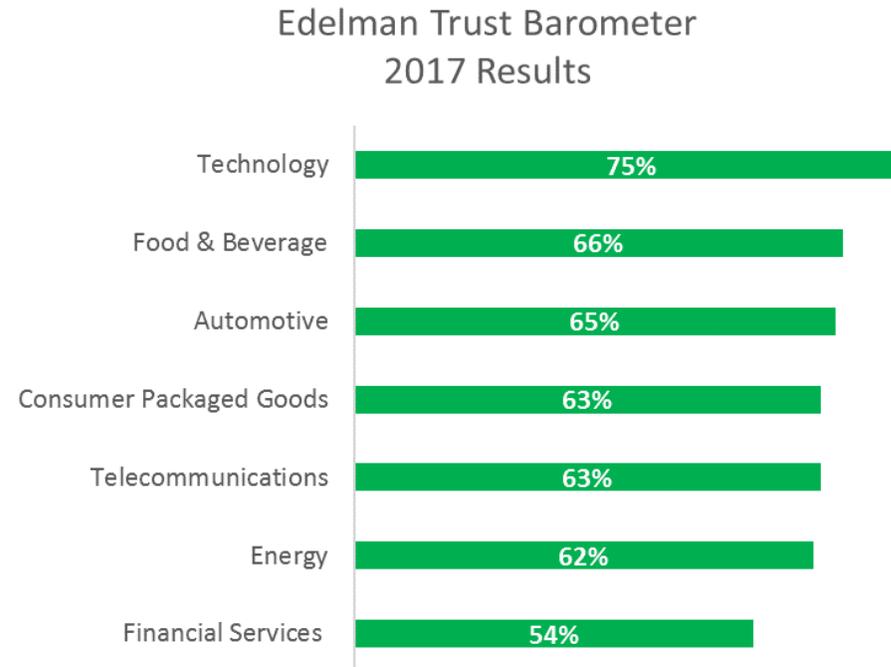
- **Human judgement has been replaced with algorithms, chatbots and systems.**
- This means that any person that does not fit the system is rejected, leaving many potential customers unserved or underserved.

Branch closures in Bristol (2015-17)



- Lloyds/Halifax (6)
- HSBC (5)
- RBS/Natwest (5)
- Barclays (3)
- Co-Op (1)
- Santander (1)
- TSB (1)
- Yorkshire Building Society (1)

## (6) The crisis of trust in banking

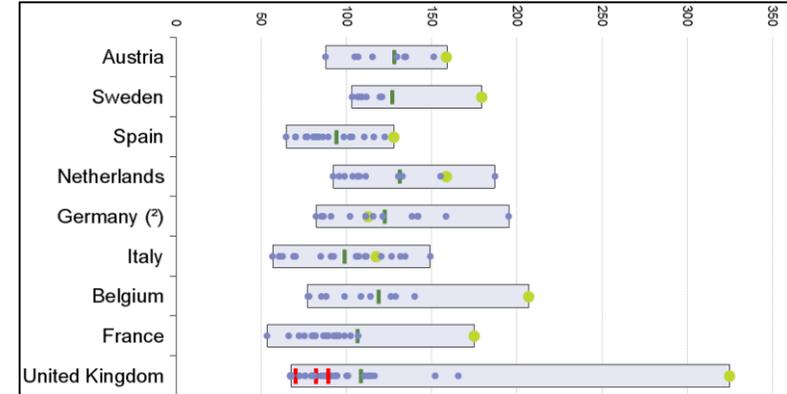




**Can we imagine something better? Yes -we have**

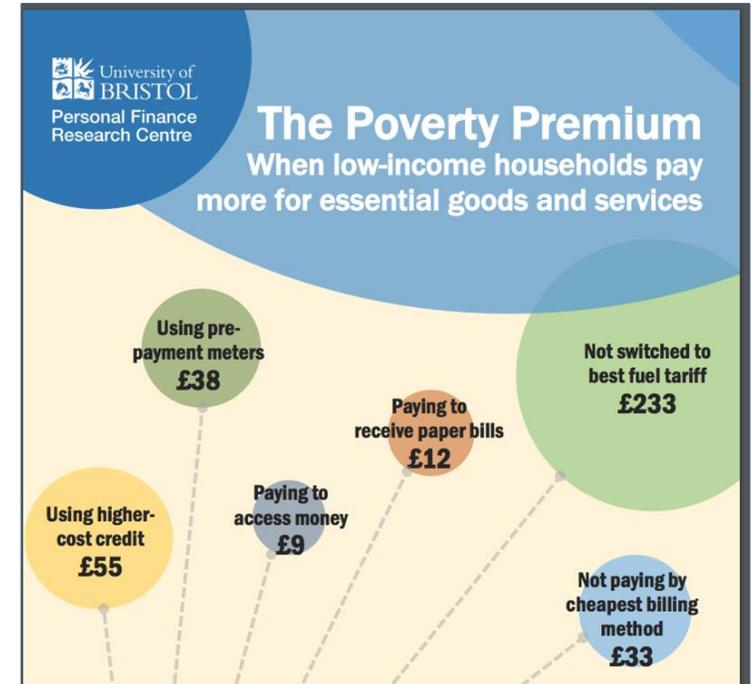
# (1) Redressing regional development

As in so many other countries around the world, regional mutual banks will keep local money investing in local initiatives and prevent capital drain and help **create jobs and encourage people to stay in their local area.**



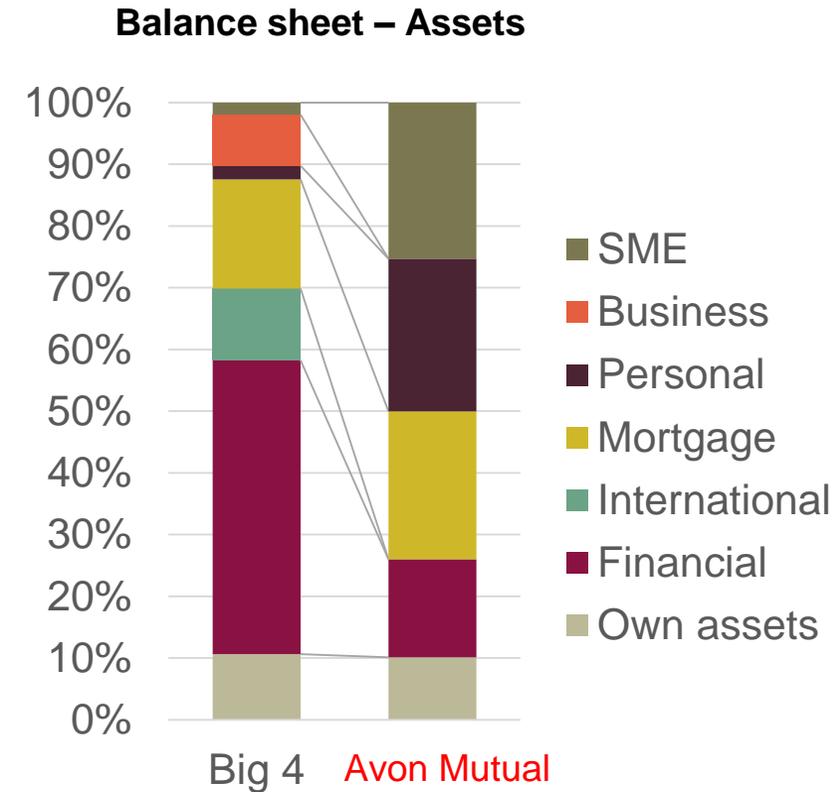
## (2) Ending the poverty premium

Mutual banks can commit to giving everyone a bank account and jam jar accounts help with financial management and literacy to help people build a credit rating



# (3) Supporting the real economy not speculation

Regional mutual banks lend to the real, local economy not the 'financial' and speculative economy.



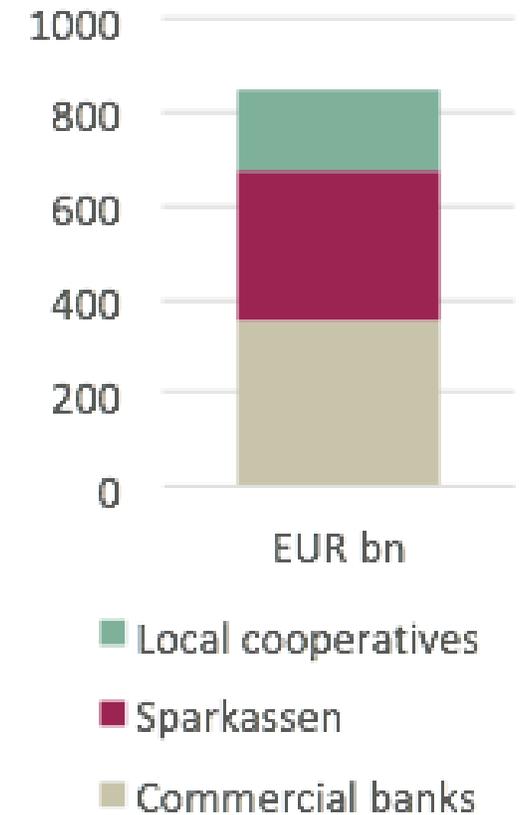
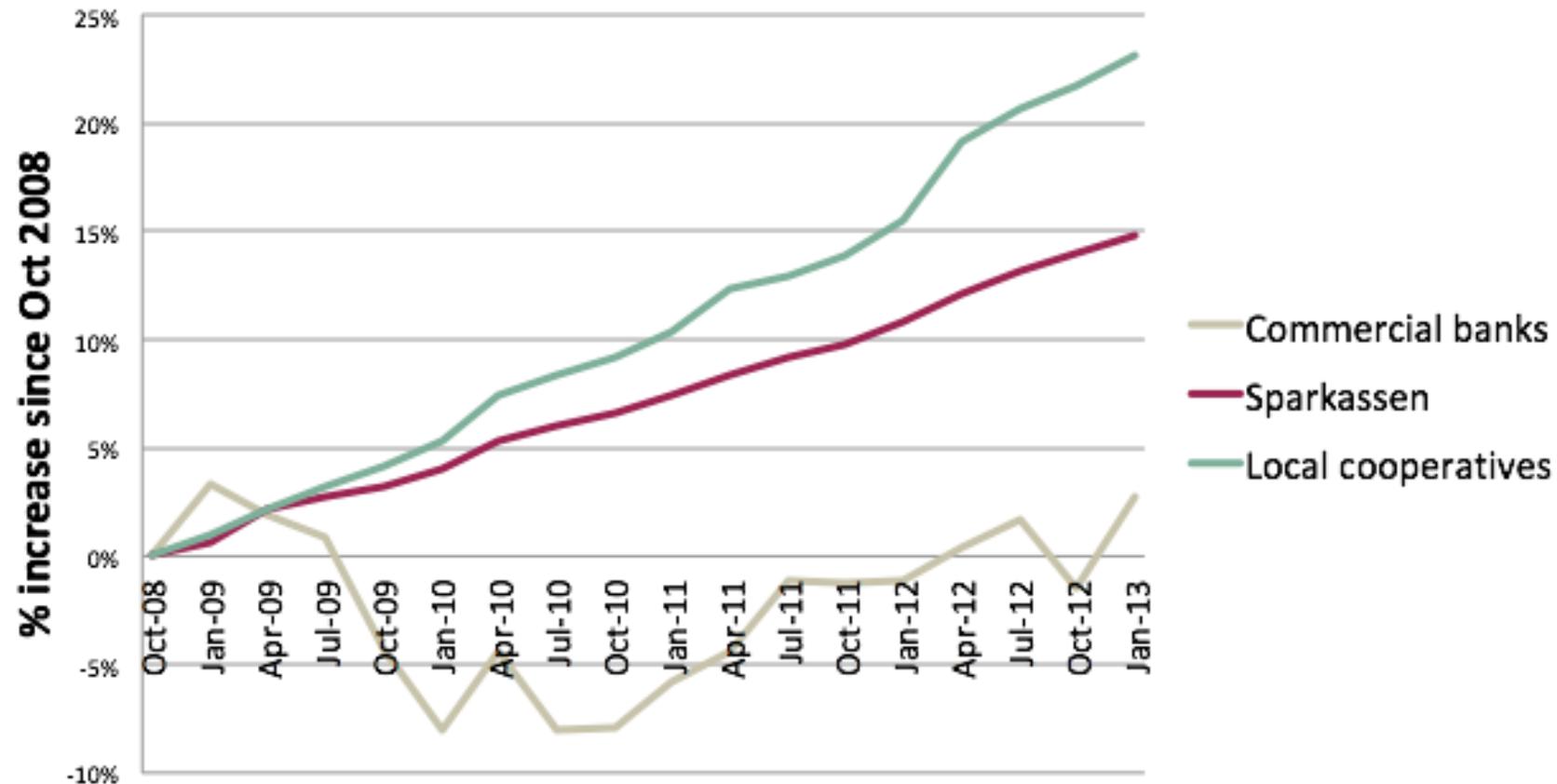
### (3) The impacts on SME's and the real economy

Small, local banks with decision-making autonomy and **on the ground knowledge have an advantage** over local branches of a large, centralized nationwide bank and thus are able to lend far more to SMEs.



## (4) You will be able count on us in a crisis

**German bank lending to domestic enterprises and self-employed**



## (5) Putting customer service first

Our banks will have no IT legacy and will use the very latest modern technology and a low-cost branch solutions to open 30 branches in this region.

### World class partners

The logo for TCS BANCOS, featuring the text "TCS BANCOS" in white on a blue rectangular background.

Core banking system

The logo for Bottomline Technologies, featuring a stylized blue 'B' icon followed by the text "Bottomline Technologies" in a serif font.

Faster payments

The logo for EVRY, featuring the word "EVRY" in a bold, blue, stylized font.

Cards management

The logo for KPMG, featuring the letters "KPMG" in a bold, blue, sans-serif font with a grid pattern behind the letters.

License & audit

The logo for GUNNEBO, featuring the word "GUNNEBO" in a bold, blue, sans-serif font.

Security & safe deposit boxes

The logo for GLORY, featuring the word "GLORY" in white, bold, sans-serif font on a dark blue rectangular background.

Teller system

The logo for BIG POTENTIAL, featuring a pink triangle with the word "BIG" inside and "POTENTIAL" written below it.

Social impact

The logo for RSA, featuring the letters "RSA" in a large, black, serif font with the tagline "21st century enlightenment" in a smaller font below it.

Advocacy and support

## (6) Restoring trust in banking

Our banks are seeking to restore trust:

- Our **customers are our shareholders**
- We will **not engage in financial trading and speculation**
- **No bonuses** or sales incentives paid to staff
- **Living wage employer**
- Maximum **10:1 staff pay ratio** top to bottom
- **One member one vote**
- **Simple, honest and transparent charging structure**
- **No pressure to cross-sell** financial products



# Introducing Avon Mutual

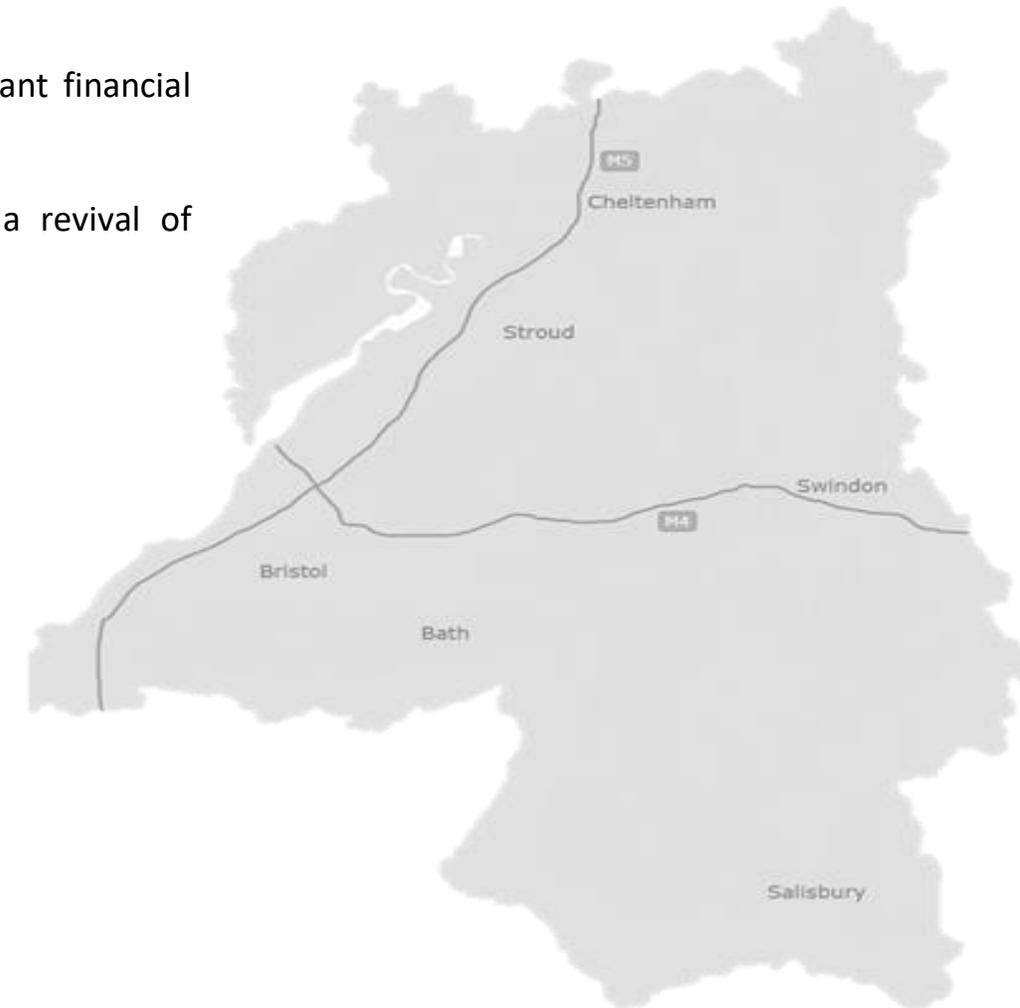
## Our vision

A customer owned regional bank for all that provides: simple, affordable, and relevant financial services to businesses and individuals in the West of England.

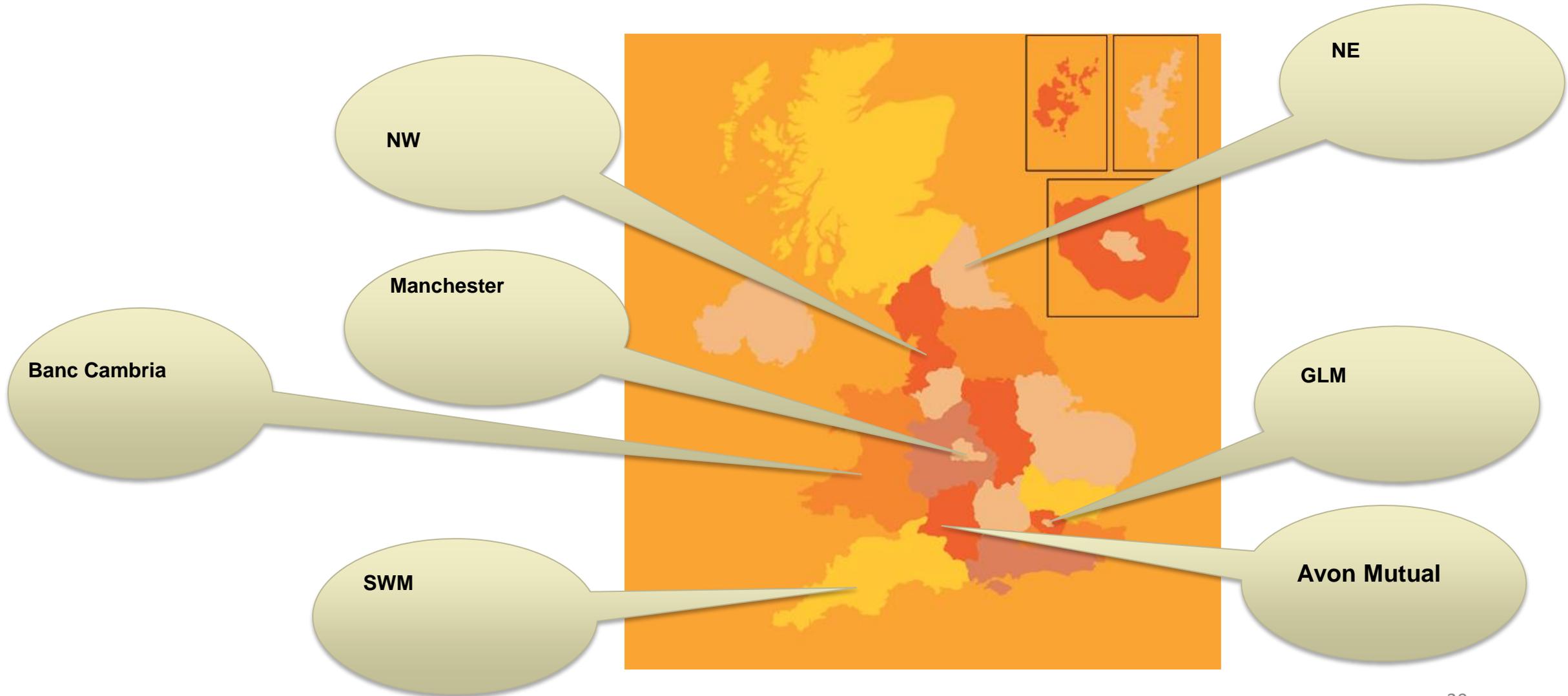
It will promote sustainable and inclusive regional development and bring about a revival of personalised customer service, relationship banking and trust.

## Why are we different ?

- Putting personal customer service and closeness to customers first
- Opening branch services across the region at a time other banks are closing them
- Committing to financial inclusion
- Providing a focus on social and ecological impact
- Building regional economic resilience
- Having a strong focus on SME lending
- Being a mutual



# Part of a growing movement of 18 banks



# The Avon Mutual Board

Avon Mutual team comprises a range of senior, experienced individuals who have the expertise to lead Avon Mutual through the authorisation process and on to becoming a bank.



Mr. Graham Hughes  
**Trustee Director and Chairman**

Approved person by PRA/FCA and a qualified (non-practicing) Solicitor and one of the founding directors of Church House Trust, a bank which was subsequently sold to Virgin Money. He is a Non-Executive Director of Yeovil District Hospital Foundation Trust and chairs their Remuneration Committee



Ms. Dena Brumpton  
**Trustee Director**

Approved person by PRA/FCA and with a successful career at Citigroup and Barclays where she was most recently CEO of Barclays Savings, Investment and Wealth management; she was previously a member of Cancer Research UK Women of Influence Board



Mr. Jules Peck  
**Trustee, Founding Director**

A social entrepreneur who has founded and been on the board of initiatives such as Banktrack and Share Action and worked with many of the world's largest banks on ethical issues; he is a Fellow of the New Economics Foundation, the Democracy Collaborative and of the RSA and is past Director and current Advisor to Richard Branson and Paul Polman's The B Team. He is also a IOB Certified Bank Director. His previous roles included Chairman of Edelman's Purpose Group.



Mr. Richard Warrington  
**Trustee Director**

Approved person by the PRA/FCA who worked latterly as Senior Executive, Risk & Regulation, for Crowe Horwath Risk Consulting Group; experienced risk and compliance professional operating in retail financial services for 40 years, with over 25 years running compliance and risk teams within banks, insurers and building societies. His most recent consulting work has been focusing on Conduct Risk, Culture and Governance.

# The Avon Mutual Team

Avon Mutual has a growing team of experts helping to build the bank including the below four permanent staff and seven other part-time contractors.



Ms. Karen Simson  
**Operations Director**

An independent consultant with extensive experience in leading regulatory business change in Retail Banking and Insurance Markets. Including the implementation of Basel II, Solvency II and IFRS17 for companies including Morgan Stanley, Barclays, Lloyds Banking Group, Zurich Life and Lloyds of London.



Jeremy Gibson  
**CFO**

A chartered accountant trained with E&Y, most recently CFO of Sanlam UK and is a non-executive director of Nucleus Financial Group. He has experience in a wide range of financial services institutions across geographies including senior roles at Citigroup and Macquarie Bank.



Evangeline Adams  
**Marketing Intern**

Evangaline is a creative and conscientious postgraduate student, with a specialism in marketing strategy and business development. She holds substantial market research experience, aligned with a valuable background in digital marketing. Alongside this, she has had involvement in a plethora of ethically driven projects



Dave Matthews  
**Customer and Proposition Director**

Has extensive experience in retail banking particularly focusing on customer value, proposition, product design and management; as well in strategic transformation, revenue management, branch and contact centre design and management with organisations such as Abbey National, Moneysupermarket.com as well as on fuel poverty with EON and Bristol Energy.

# Avon Mutual's Advisory Council

- We are also building an Advisory Council of advisors who are supporting us with a variety of pro bono support on issues such as PR, communications, branding, ethical policy, investment, legal, community engagement, fintech and business planning.



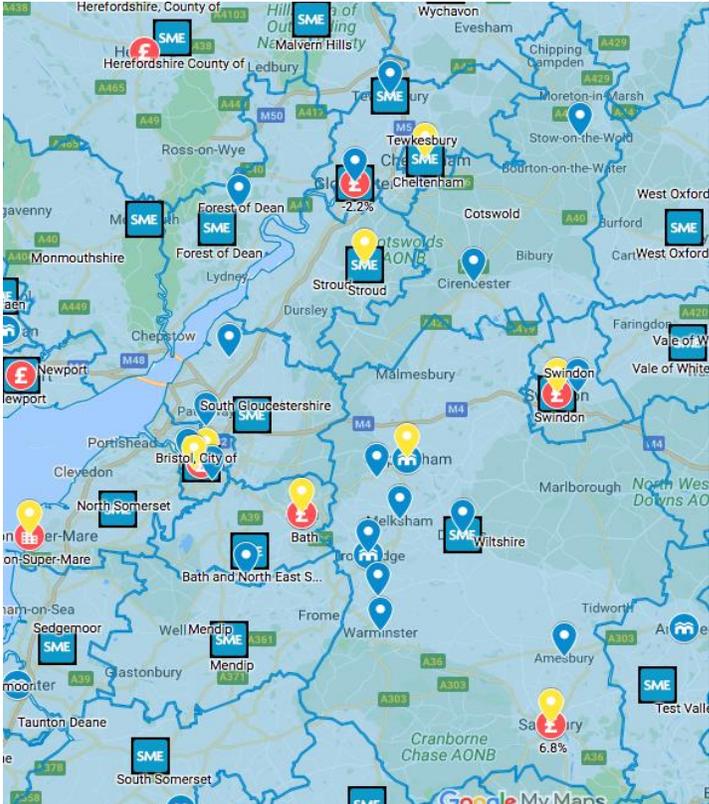
# Avon Mutual's growing band of supporters.....

Steve West, **Vice Chancellor** of the University of West of England and Chair of regional **LEP**; Canon Dr John Savage CBE, Chair West of England Initiative and Bristol Royal Infirmary; Darren Jones MP; Alex Chalk **MP**; Wera Hobhouse MP; Claire Perry MP; Michelle Donelan MP; Hugh Brady, **Vice Chancellor** of Bristol University; James Durie, **CEO of Business West**, The Initiative and Chambers of Commerce; David Owen, CEO of Gloucestershire **LEP**; **Ken Loach**, social campaigner and film director; Alan Bailey, Chairman Low Carbon SW and serial entrepreneur; Marcelle Spellor **OBE**, Founder Localgiving and trustee of New Philanthropy Capital; Jaya Chakrabarti, Board member of SWIG Finance; Jeremy Sell, Bath based growth, institutional investor and IPO expert; **Alastair Sawday**, publisher and environmentalist; James Moore, Founder, CSBA; Peter Capener, Founder Bristol and Bath Community Energy and Trustee at Power To Change; Alan Bec RSA SW Fellowship Councillor; John Pontin OBE; Dave White Founder and CEO White Bruce; Ian Townsend, **CEO** of Bristol Green Capital Partnership; Mohammed Sadiq, Chair **Bristol Green Capital Partnership**; Tony Greenham, Director of Economy, Enterprise and Manufacturing, RSA; Peter Lipman, Chair Transition Network; Rob Hopkins, **Founder of the Transition Towns** movement; Sir Jonathan Porritt, past Chair of SW RDA; Dave Hunter, Trustee Bristol Pound; Simon Cooper, **Society of Merchant Venturers**, chair of the Schumacher Society, director of Bristol Chamber of Commerce & Initiative; Peter Holbrook, **CEO Social Enterprise UK**; Andrew Garrad, Society of Merchant Venturers and Cabot Institute; Ken Simpson, Regional Chair of the Federation of Small Businesses; Seth Tabatznik, Founder of Berti Investments; Edward Hoare, banker and philanthropist; Colin Skellett, **CEO Wessex Water**; Professor Olinga Taeed, Founder Blockchain Alliance for Good; Barbara Mellish, President Blockchain Alliance for Good; Charlie Thomas, Fund Manager of Jupiter Ecology Fund and Jupiter Responsible Income Fund; Chris Coles, Bath social entrepreneur and finance sector specialist; Alastair Singleton, Founder Hanover Fox headhunters; Peter Macfadyen, ex-Mayor of Frome; Molly Scott-Cato MEP; Merlin Hyman, CEO Regen SW; Peter Madden OBE; Jamie Pike, Founder of **Bristol Coexist and Canteen**; Oliver Mochizuki, Founder and CEO of Fundsurfer; Ed Mayo, **Secretary General of Cooperatives UK**; Gavin Eddy, Social/Angel Investor; Tom Sain, Investment Manager; Tom Carnac, Mission 2020; James Perry and Charmian Love, **Co-Chairs of B Corps UK**; Paul Cobham, Social/Angel Investor; Stephen Dawson, Venture Capital pioneer and Angel Investor; Luke Lang, Co-Founder Crowdcube; Chris Shaw, Chairman of Savings Champion; Harry Partington, Chair Bristol Credit Union; David Freed, Founder Deeley Freed Estates and The Park Community Centre; Trevor Osbourne, Chair The Osbourne Group, Governor and Trustee of Bath Spa University, member of the Bath Initiative and Greater Bath Ltd; Henry Meakin, Founder, GWR.

# Avon Mutual in 2029

Our prudent financial plan is based on modest market share targets and slow but steady growth in deposits and loans. Even these conservative projections show that in 10 years Avon Mutual will be a financial powerhouse for the region.

Financial and operating statistics	£m	Market share
Residential mortgages	£147m	0.3%
SME/SE loans	£144m	3.5%
Personal loans	£129m	8.2%
Customer deposits	£482m	0.7%
Personal members	69,300	3.1%
Corporate members	17,600	8.5%
Annual profits	£20m	
Equity Tier 1 ratio	>15%	
Cost/income ratio	50%	

<b>92 FTE Staff</b>	<b>9 Main Branches</b>
	
	<b>21 Satellite Branches</b>
<b>Member participation</b>	

Note: final branch locations will depend rigorous market assessment

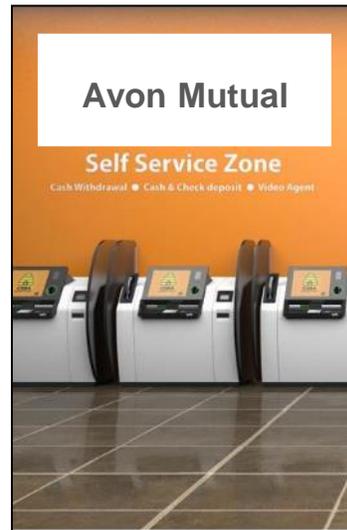
# Full range of services competing with high street banks

## Staffed branches



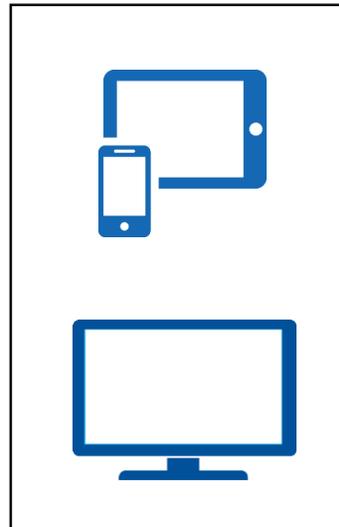
Main branches act as sub-regional hubs. Branch director has autonomy over lending. Anchor for local relationships and knowledge.

## Satellite branches



High-tech satellites - access all the same services as in a main branch 24/7. Video link to talk to customer assistants. Low cost and can be co-located with community facilities.

## Digital channels



Multi-channel access to products and services by web online banking and banking app for mobile, tablet.

## Current accounts



Fixed, transparent and simple membership fee: Personal: £5 / month organisation: £10 / month.

Budgeting tools including analysis of expenditure and visualisations and 'Jam jar' functionality to improve control over finances.

Interest on whole combined balance across accounts including current account



### 3. Impact and investment case: the benefits for the region

# Social Impact – Consolidated Impact Areas

Avon Mutual is a mission-led bank, with financial inclusion built in to its structure and constitution. **It is part of our ethos to identify, target and report on our economic, social and environmental impacts.** The social impact measures shown below are illustrative as we intend to work with stakeholders to understand their strategic priorities and how we can contribute to their targets and develop measures that are specific and appropriate for the needs of the region.

## Individuals

Improved budgeting ability

Active saving

Lower debt costs

Bonuses & dividends

Improved wellbeing

Reduced poverty premium

Improved confidence

Focus on underserved

INDICATOR	BRISTOL est.
Individuals without bank account and so suffering the 'poverty premium'	12,000
Households without bank account and so suffering the 'poverty premium'	7,000
'Non-users' of the internet	60,000
Entirely dependent on cash	19,000
Consumers with indicators of potential vulnerability	183,000
Can't pay bills/debt in 3 out of last 6 months	29,000
Not able to find £200 at short notice	40,000
Little or no confidence in money management	88,000
Used unauthorised overdraft facility in last 12 months	22,000
Borrowing from friends and family in last 12 months	25,000

## SMEs

Access to branches

Increased trust in banks

Wage growth

Employment growth

Sales growth

Diversity of entrepreneurs

Increased local spending

# Banking and environmental stewardship

Two reasons for high standards of environmental stewardship:

- **Intrinsic** – it is the right thing to do for future generations
- **Instrumental** – full integration of ESG into risk assessment is better banking



BANK OF ENGLAND

## Climate change

**i** Climate change, and society's response to it, present financial risks relevant to the Bank's objectives. The Bank of England is carrying out ongoing work to assess and respond to climate-related financial risks.

## How do we do it?

- **Operations** – digital, branches and video
- **Exclusions** – eg no fossil fuel production
- **Credit assessment** – ESG risk impact
- **Positive selection** – backing the economy of the future, eg relocalisation, renewables

**Thanks and please do get in touch.....**

**Contact us and register interest -  
[www.avonmutual.org](http://www.avonmutual.org)**

**[jules@avonmutual.org](mailto:jules@avonmutual.org)**