



Understanding the Business Banking Switch





Shaking up the Business Banking market

For many years both the provision of business current accounts and credit to SMEs in the UK have been dominated by the incumbent Big Four banks who together hold around 85% market share in each area.

- We have always been committed to maintaining and growing our presence in the competitive UK SME market.
- Funding from Alternative Remedies Package (ARP) would allow us to enhance this commitment, and most importantly, to invest in new and innovative product offerings for customers.
- We have a track record in driving personal current account switching and the scale and national platform to roll out innovative products across the UK SME banking market.
- We can drive change in the English regions, Wales, Scotland and Northern Ireland, which don't currently have the choice that exists in metropolitan areas.
- We understand that a truly competitive market place can't be achieved by choice alone - innovative products need to reach every part of the country to drive real change for SME customers.

Alternative Remedies Package

The Alternative Remedies Package was created as a consequence of the financial support provided to RBS from the UK Government. The European Commission placed a number of state aid measures on RBS including the divestment of Williams & Glyn.

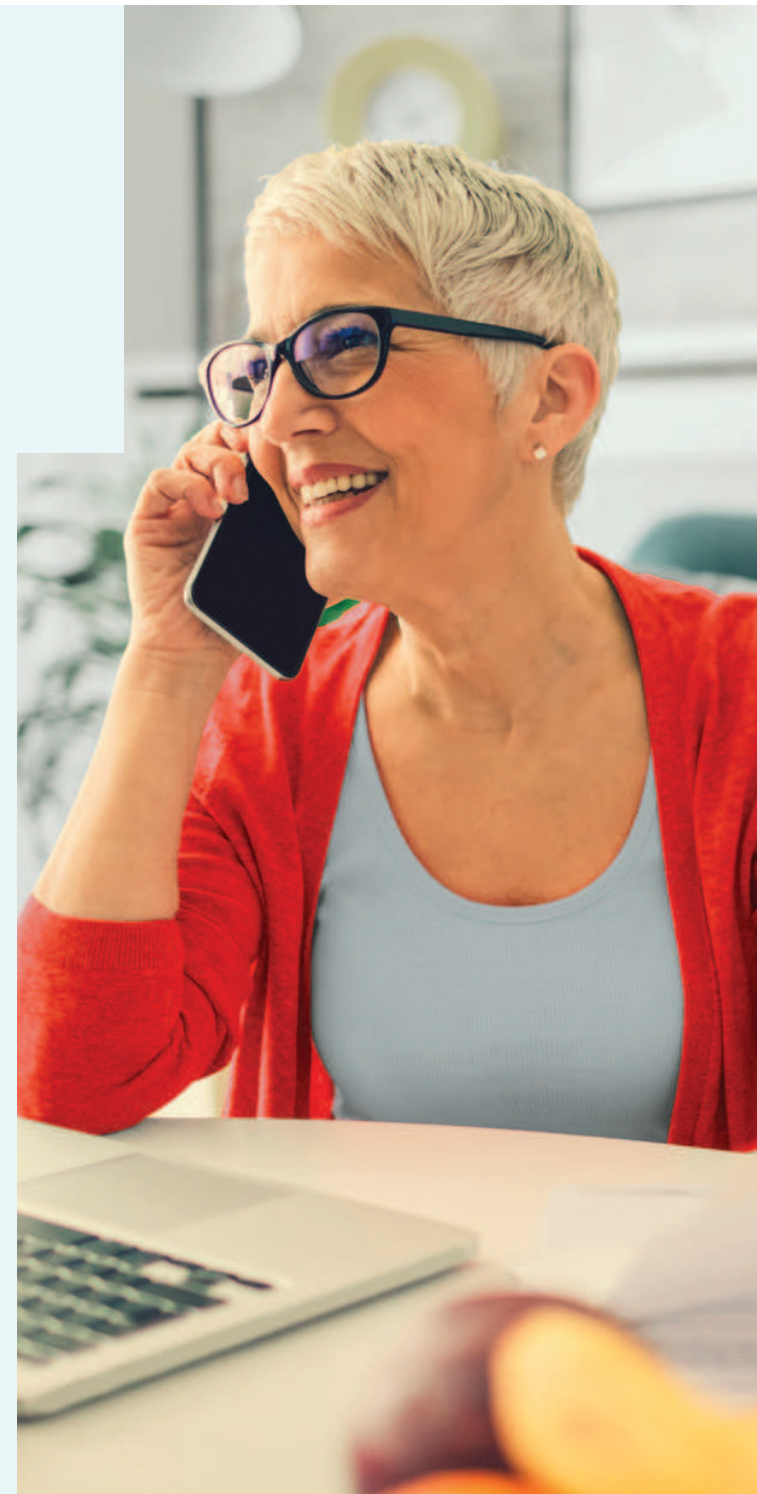
- The 2008 financial crash resulted in the bail-out of RBS by the UK government amounting to **£45.5 billion**.
- To reflect the potential competitive benefit this gave RBS, the European Commission agreed a package of measures on RBS to minimise distortions in competition that resulted from this.
- The primary aim of the Alternative Remedies Package (ARP) is to promote greater competition in the SME banking market (for businesses with annual turnover of £25 million or less). This consists of two schemes:
 - up to **£350 million for an Incentivised Switching Scheme** to provide funding to eligible bodies, in order to incentivise RBS's Williams & Glyn SME banking customers to switch their primary business current accounts and borrowing facilities to the eligible bodies; and
 - a **£425 million Capability and Innovation Fund** providing grants to eligible bodies to help improve their SME banking capabilities.
- An independent body, Banking Competition Remedies Ltd. (BCR), was established to implement the ARP.



Incentivised Switching Scheme

The Incentivised Switching Scheme provides funding to eligible challenger banks to help them incentivise eligible SME banking customers of Williams & Glyn to switch their primary business current accounts and borrowings from RBS.

- Incentivised Switching Scheme is now more commonly referred to as the '**Business Banking Switch**' across the RBS customer base.
- **£225 million is available** as dowries which will be paid to challenger banks to encourage the switch of eligible RBS current account holders with an additional **£50 million** available for loan related dowries for those eligible customers who move a loan product in addition to their business current account.
- Up to an additional **£75 million** will be made available by RBS to cover customers' costs of switching (e.g. through waiving or reimbursing break fees and/or other third party costs incurred by customers, such as legal fees).
- Challenger banks can determine how to apply the dowries for the benefit of the eligible RBS customers through preferential offers and incentives.
- RBS have commenced contacting eligible customers to formally register their interest in the Business Banking Switch.
- Challenger banks' headline offers and propositions for individual eligible RBS customers will be visible through a new RBS microsite from **25 February 2019**.





Business Banking Switch eligibility

Challenger banks' offers will go live for eligible customers from 25 February 2019.

- Williams & Glyn eligible customers are defined as those who currently bank with RBS in England & Wales or NatWest in Scotland with annual turnover of £25 million or less and not in arrears or considered in financial difficulty.
- Customers seeking to participate in the scheme will need to be registered on the RBS microsite and will be provided with a unique reference to confirm eligibility.
- In total the eligible cohort consists of around 202,000 SME primary business current accounts. RBS need to migrate a minimum of 120,000 primary business current accounts to eligible challenger banks.

Bank dowries

It is up to challenger banks to determine how to apply the dowries via preferential offers and incentives to benefit eligible RBS customers.

- The amount of dowry that an eligible body is entitled to receive for each eligible customer that switches will be determined based on the customer turnover and, if applicable, the outstanding loan balance being transferred.
- The applicable dowries in respect of relevant loan product transfers will be calculated as follows:
Outstanding loan balance transferred x 0.025.
- Dowry support with professional costs includes up to £10,000 to cover legal costs for constitution of like-for-like security and up to £ 1200 per property valuation.
- The applicable dowries in respect of business current account transfer are set out in the table below.

Turnover of Transferring Target Customer	< £15k	£15k to £100K	£100k to £500k	£500k to £1m	£1m to £1.5m	£1.5m to £2m	£2m to £2.5m	£2.5m to £5m	£5m to £7.5m	> £7.5m
Turnover Band	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8	Band 9	Band 10
BCA Element (£)	£750	£1000	£3000	£3000	£6,250	£13,125	£16,875	£25,000	£25,000	£50,000





Capability and Innovation Fund

The Capability and Innovation Fund allows challenger banks to develop and improve financial products and services available to the SME market.

- The purpose of the Capability and Innovation Fund is to encourage eligible bodies to:
 - ✓ develop and improve their capability to compete with RBS in the provision of banking services to SMEs; and
 - ✓ develop and improve the financial products and services which are available to SMEs.
- The Capability and Innovation Fund comprises a total of **£425 million** which is divided into four pools.

Fund	Number & value of grant	Purpose
Pool A	1 x £120m, 1 x £100m, 1 x £60m	To facilitate development of more advanced business current account offerings and ancillary product sets by Banks with existing and substantive business current account capability
Pool B	1 x £50m, 2 x £15m, 1 x £60m	To facilitate the modernisation of existing business current account offering or (in case of eligible bodies without existing business current account offerings) the development of new propositions
Pool C	4 x £10m	To facilitate the development of new and existing SME lending and payments businesses with a particular focus on facilitating the deployment of new technology to the relevant markets
Pool D	5 x £5m	To facilitate the commercialisation of financial technology that is relevant to SMEs

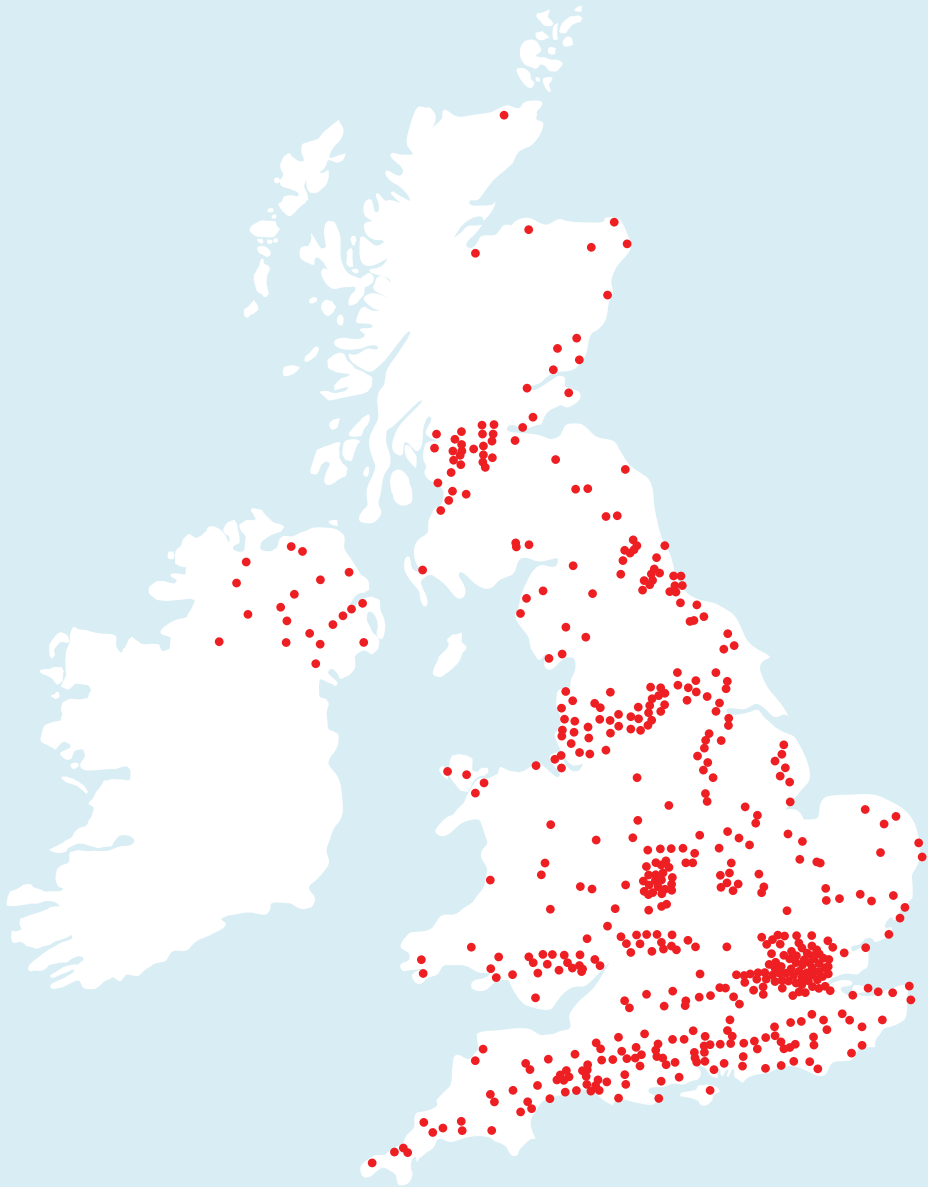
- The Capability and Innovation Fund will be administered by the independent body.

UK Coverage Model

Across UK & Northern Ireland we have:

- 145 Business Relationship Directors (managing businesses up to £6.5m turnover) and 108 Corporate Relationship directors (managing businesses over £6.5m turnover) based in our 64 business centres.
- 229 branch based Relationship Managers (managing businesses up to £6.5m turnover).

SMEs are also supported through our telephone contact centres and online banking services.



Santander Breakthrough

We're passionate about helping ambitious businesses to succeed. Building long-lasting relationships with SMEs runs deep in our heritage. We've come to know and understand the needs of our customers, which has helped us to appreciate the challenges they face and the support they need to overcome them.

- Santander Breakthrough helps ambitious businesses grow and prosper. By the end of 2018, over 6,000 businesses will have been engaged in Breakthrough activities.
- Our activities go beyond every day banking, and are focused on talent, connections, knowledge, finance and international growth. For example, we host and organise:
 - ✓ knowledge and connections events such as 'Breakthrough in Branch' to help SMEs develop networks in their local community;
 - ✓ bespoke master classes and workshops that deepen SME owners understanding on key business topics;
 - ✓ trade missions to promote international growth.
- Our Breakthrough proposition helps to differentiate us from our competitors.

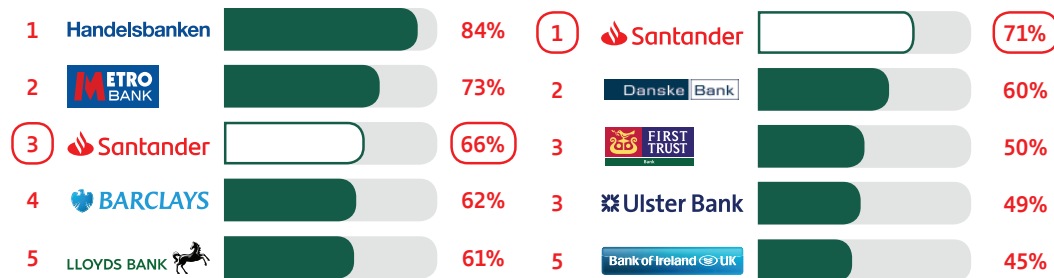


Customer Service

We strive to provide an excellent customer experience. Santander has achieved excellent results in the recent CMA survey.

As part of a regulatory requirement, an independent survey was conducted to ask customers of the largest business current account providers if they would recommend their provider to other small and medium-sized enterprises (SMEs):

United Kingdom



These results are from an independent survey carried out between September 2017 and June 2018 by BDRC as part of a regulatory requirement.

