

The Co-operative Bank Plc – Public Commitments

£15 Million Grant

The Co-operative Bank is the UK's leading ethical bank, founded on the values and ethics of the co-operative movement and defined by its customer-led Ethical Policy. Our distinctive and recognised brand and heritage continues to represent a clear differentiator that sets the Bank apart from its competitors. In place since 1992, and developed reflecting the views of 320,000 customers and colleagues, our Ethical Policy is a key reason customers join us. It is also the reason the Bank continues to be rated first for ethical perception amongst non-customers.

In the SME banking market, The Co-operative Bank currently looks after the needs of 86,000 SMEs, including 750 co-operatives, 5,000 charities, and over 200 credit unions. We are proud of our history of providing award-winning service to SMEs, and our three primary business current accounts are rated five stars by Moneyfacts. Now that the Bank has addressed the legacy issues of the past, SME customers are a key focus as we enter the next stage of our transformation. As increasing numbers of consumers and SMEs seek ethical choices in many aspects of their lives, and across the products and services they choose, we offer an ethical banking choice.

From our Manchester base we offer the energy of a start-up to innovate and grow. Our new leadership team has vast expertise in the SME market and are complemented by experienced delivery teams which we will expand to achieve our transformation. We will leverage digitisation and automation to improve our proposition to the extent that we can represent a digital, ethical alternative to the “Big 5” banks and drive competition in the UK SME banking market.

TRANSFORMING OUR SME PROPOSITION

With Pool B investment, we will accelerate our strategy towards better supporting UK SMEs. We commit to modernising our business current account proposition by improving our digital service and providing value added services for SMEs.

Our investment will have three key areas of focus:

1. Modernising the way our SME customers are able to bank with us with an enhanced digital service
2. Developing products and personalised business support services to help small businesses thrive
3. Making banking faster paced for SMEs through improved infrastructure and automation

In order to deliver our transformation, we will commit £17m of the Bank's own funds to supplement £15m from the Capability and Innovation Fund. We expect that our transformation will run to the end of 2022 and will provide a solid platform for sustainable growth of our SME proposition in the long term.

MODERNISING OUR DIGITAL SERVICE FOR SMES

We commit to modernising the way our SME customers are able to bank with us by enhancing our digital service. We will deliver a new mobile app for our SME customers, which will also enable customers to access their personal accounts. This will remove traditional barriers between business and personal banking and provide customers with a more convenient, faster digital service.

This new mobile app will build on our online banking service and add an additional channel to complement our award winning branch and telephony teams, providing customers with modern, digital service whilst maintaining our strong heritage of great customer service.

HELPING SMES THRIVE

We commit to helping SMEs thrive by launching a new business credit card proposition and building a suite of personalised business support tools. This will provide businesses with access to value-added services that will remove burdensome overheads and help us to better meet the needs of small businesses and provide the all-round business support services they need.

We will partner with FinTechs and other specialist providers to give SMEs better access to business insurance, integration between online banking and accounting software, business admin packages, smart invoicing and support with setting up new businesses. This will help SMEs at key moments of truth to help them develop and grow.

MAKING BANKING FASTER PACED FOR SMES

We commit to making banking faster paced for SMEs by digitising our onboarding journey and common account servicing tasks to provide SMEs with a frictionless customer experience. Our investment will enable customers to open an account on the same day as they apply which will remove a traditional barrier to switching for SMEs.

We will invest in a digital credit engine and the automation of internal processes, combining new technology with our strong process governance and risk management practices. This will enable us to truly modernise our customers' experience of opening and maintaining their account and provide us with a platform for future continuous improvement of our service for SMEs.

OUR AMBITION FOR OUR CUSTOMERS AND THE MARKET

We will deliver exceptional customer service through our people and through our improved digital channels, and combined with our range of personalised business support tools, we will provide comprehensive support for our SME customers. Our SME customers will enjoy reduced administrative burden, enabling them to focus on helping their customers and growing their businesses.

By delivering this transformation, we commit to growing our market share to 5% of the banked SME market by 2025, more than doubling our current share of 2.3%. This reflects our ambition to be the digital, ethical bank for SMEs and to cement our position as a genuine alternative to the "Big 5" banks who have dominated the market for so long.

This will contribute to improving competition in the UK SME banking market, and compounded with the impact of the improvements made by other C&I Fund recipients, we aim to help increase the number of SMEs holding BCAs by 2 percentage points.

ONGOING SUPPORT

As part of our transformation, we aim to create ~270 new jobs, of which ~180 will be frontline staff focused on serving our SME customers. In addition, we will add operations and technical staff including risk specialists, digital expertise, relationship managers and operational delivery staff. This will support the sustainable growth of our SME proposition following the delivery of our transformation.