

**Assessment Period 2 (October 1<sup>st</sup>, 2019 – December 31<sup>st</sup>, 2019)****The Co-operative Bank PLC - £15M Grant**

The Co-operative Bank continues to make good progress in the transformation of our SME proposition in line with our plan. In the past 3 months, we have mobilised our teams to deliver our transformation and we are in the final stages of selecting our specialist partners who will help us to improve our SME proposition. We remain committed to disrupting the market through our transformation to become the only ethical, digital bank for UK SMEs and we are making solid progress against our public commitments:

**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.**

We remain committed to investing £17m of the Co-operative Bank's own funds alongside the £15m grant from the Capability and Innovation Fund as we accelerate the transformation of our proposition to better support the changing needs of UK SMEs, and we have started to draw against both the Bank's funds and the grant funding to start the delivery of our transformation.

**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.**

We have delivered the first of the digital improvements for customers by introducing notifications for key digital transactions. This was delivered in line with the timescales in our Business Case and will help customers to manage their account. As we develop our new mobile app we will expand the range of notifications available for customers, and we remain on track to deliver our new mobile app for SME customers in Q3 2020. We remain committed to delivering this in Q3 2020 and will iterate

this over time in line with our plan to enable customers to view their personal accounts and to integrate accounting software and smart invoicing capability.

#### **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.**

We have begun our engagement with FinTechs and specialist providers to build a suite of personalised business support tools as outlined in our plans. We continue to be in advanced discussions with a Manchester-based FinTech to provide accounting software and smart invoicing to our customers and we are also identifying partners who will offer our SME customers other tools and services which will remove overheads and effort. This is part of our exciting plans to build a range of value added services which can help our SME customers' businesses to flourish. We are also making good progress with the development of our new business credit card product and we remain on track to deliver this for customers in the second quarter of 2021.

#### **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.**

We are making good progress with the introduction of same day account opening for SME customers, and we still expect to introduce this next year for sole traders and single director companies in the first instance and then enable this for other types of organisations. This remains earlier than outlined in our original plans. We have made good progress with our preferred partner for our new Customer Relationship Management platform which will be a key enabler for our one-day onboarding journey and the digitisation and automation of key account servicing tasks for our SME customers.

#### **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.**

As at the end of 2019, we provide banking services to c.86,000 SMEs which maintains our current market share of banked UK SMEs. This is in line with our plans and as we deliver our exciting changes to our proposition we expect our market share to grow in line with our commitments as we transform to become the digital, ethical bank for UK SMEs.

#### **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.**

We are making good progress with our planned recruitment to support the sustainable growth of our SME customer base. In the second half of 2019, 26 new colleagues joined the Bank as part of our SME team, the majority of whom are front line colleagues helping to support our SME customers. We expect our recruitment to continue in 2020 in line with our plans.