

The Co-operative Bank PLC - £15M Grant

CIF Key Achievements to Date

- We have made positive progress on our transformation delivery as a result of the CIF award. Examples of this that we can highlight include:
- We are on track to deliver all of the building blocks that will transform our customer experience and meet our commitments
- We have completed substantial contracts agreements and commenced the implementation of Salesforce capability, and we are currently more than half way through our onboarding delivery plan. This digital capability will deliver our same day onboarding aims and act as the foundation for future digital enhancements for our SME customers.
- Significant progress has been made on a number of 3rd party upgrades and improvements to deliver our digital credit decisioning, workflow and application. This is delivered through a complete digital integration of customer data control information and bank architecture
- Our mobile app build is progressing well and we have completed a number of customer testing milestones to date. With our FinTech partner Bankifi we remain on track to launch our first SME specific mobile app
- We continue to make progress in the digitisation of our enhanced control process for customers, in particularly the authentication through soft token upgrades which is a key enablers across all our channels
- We have completed and agreed contract with our Credit Card provider, Visa, and we are now moving into delivery.
- Our SME transformation office in place, combing a unique set of skills that spans business strategy proposition, digital deliver, technical and project management
- We remain on track with all our product strategy and so far have technically delivered SME Insurance (awaiting appropriate launch), 2 new savings account, business support hub

Assessment Period 3 (January 1st, 2020 – March 31st, 2020)

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 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. In the first quarter of 2020, we have continued to draw against both the Bank's funds and the grant funding as we continue to make progress against our transformation plans.

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.

In the first quarter of 2020, we have made significant progress with the development of our new mobile app for SME customers, and we remain on track to deliver the first iteration of our mobile app in Q3 2020. We 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. Whilst our delivery remains on track, the uncertainty created by the current situation as a result of Covid-19 adds risk to our delivery timescales due to the availability of key resources and the need to prioritise focus and effort into providing direct financial and operational support to our existing SME customers at this time. We are continually reviewing our delivery plans to ensure that we can maintain our pace in the current environment.

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 continued to make progress with building a suite of personalised business support tools as outlined in our plans. In March, we redesigned our website as a 'Business Exchange' which in time will evolve into the point from which our customers can access these services. We have made significant progress with the selection of an SME insurance partner and we are in the final stages of implementing this for our SME customers. We are in the process of designing our smart invoicing

capability with our Manchester-based FinTech partner and this will be a key tool for our SME customers to help them remove overheads and effort. We are in the process of initiating the work to build a brand new business credit card for our customers and we remain on track with our plans to launch this 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 continuing to make good progress with the introduction of same day account opening for SME customers, and we still expect to introduce this in 2020 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 partner with a market leading provider of Customer Relationship Management services to ensure that the new customer journeys for onboarding and servicing will meet our customers' expectations and meet our commitments of making banking faster paced 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.

As at the end of Q1 2020, we currently hold c. 95,000 BCAs, which maintains our market share since the previous reporting period. Whilst we are yet to significantly grow our SME customer base since receiving CIF funding, our plan assumes steady growth of our customer base in 2020 before accelerating each year as we release new products and services for SMEs. We still anticipate that as we deliver the exciting and transformational changes to our proposition, our market share will grow in line with our commitments as we 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 continue to make good progress with our planned recruitment to support the sustainable growth of our SME customer base. In Q1 2020, 35 new colleagues joined our SME teams, bring our total number of new colleagues to date to 61. This is in line with our plans and the majority of our new colleagues are on the front line to support our customers and enable the growth of our customer base. We have currently paused recruitment due to Covid-19 and the impact that this has on us being able to onboard new colleagues safely. Depending on how long the impact of Covid-19 lasts, we may not meet our recruitment targets for 2020. We will re-plan this when there is more certainty in the external environment.