

The Co-operative Bank PLC - £15M Award

CIF Key Achievements to Date

We have made positive progress on our transformation delivery in the second quarter of 2020.

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.
- The key customer initiatives that are included in our delivery plan for 2020 remain on track. This includes the first iteration of our new mobile app, same day onboarding for sole traders and single director limited companies, and soft token authentication, amongst other smaller customer improvements.
- We have moved into the design and delivery stages of the launch of our new credit card product.
- We have successfully transitioned our SME transformation office into a remote working team whilst retaining the pace and dynamism of our delivery.
- Alongside remaining on track with the delivery of our transformation, we have completed significant additional change activity at pace in Q2 2020 to support our customers at this unprecedented time. Most notable is the launch of Bounce Back Loans and Coronavirus Business Interruption Loans which have provided vital support to our customers impacted by Covid-19.

Assessment Period 4 (April 1st, 2020 – June 30th, 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 second 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 second quarter of 2020, we continue to make positive 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 are looking at opportunities to give a greater number of customers access to app at launch than originally intended given the need that SMEs currently have for digital services in the current economic situation. It is still the intention to 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 continued to make progress with building a suite of personalised business support tools as outlined in our plans. We have completed work on selecting and implementing SME insurance partner, although we have paused launch until a more appropriate time for our SME customers. This is due to the focus on the insurance industry at the moment relating to business insurance as a result of Covid-19. We believe that this product will be best launched for customers once their businesses are operating in more normal circumstances to ensure that the insurance products available to our customers are easy to understand in the context of their businesses' situation.

In the second quarter of this year, we have taken the decision, based on customer need, to bring to market particular smart invoicing capability sooner to support SMEs in the current economic environment to provide a digital request to pay solution for our customers. This standalone capability will in time be integrated into our digital channels fully. This is in partnership with our Manchester based FinTech partners. 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 partnered 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 Q2 2020, we currently hold c.96,000 BCAs, which is in line with our plan to grow our market share to 5% by 2025. 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 believe that we will be able to meet our 2020 target of 85 new colleagues to support our SME customers, however this has been challenging in the last quarter due to the impact of Covid-19 on our organisation. Our recruitment total since the start of our transformation is now 70, and we are in the process of recruiting other roles, some of which have been refined from our original expectations to best support SME customers given the changing economic circumstances.