

## The Co-operative Bank PLC - £15M Award

### CIF Key Achievements to Date

We continue to make positive progress on our transformation agenda in the third quarter of 2020. Examples of this include:

- We are on track to deliver critical foundational capability that will transform our customer experience and meet our commitments, primarily the first iteration of our CRM platform and supporting enabling technologies such as credit decisioning and workflow management;
- We are in the final stages of testing ahead of launching a series of customer deliverables including our new mobile app, same day onboarding for sole traders and single director limited companies, and soft token authentication;
- We have made positive progress in our Product Strategy work. We are currently testing our new BCA offering ahead of launch next year, are in the final stages of selecting a partner to provide Business Support services to our customers, and are on track to deliver a new credit card product before the end of the year;
- We have achieved our 2020 target of creating 85 new roles dedicated to serving SME customers;
- We have achieved all of these milestones and made strong progress against our deliverables having successfully transitioned our SME transformation office into a remote working team whilst retaining the pace and dynamism of our delivery.
- We are also co-launching the first iteration of our Smart Invoicing capability, a standalone Request to pay app, in partnership with our regional FinTech partner before the end of the year.

### Assessment Period 5 (July 1<sup>st</sup>, 2020 – September 30<sup>th</sup>, 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.**

Our commitment on co-investment remains firm, with the £17m total of the Bank's own funds, combined with the £15m Capability and Innovation Fund, providing the catalyst for supporting SMEs with modern propositions. We continue to draw on both the Bank's funds and the grant funding as we make continued 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.**

We continue to make progress in modernising our services; however, these are challenging times that have impacted delivery schedules. The development of the mobile app has functionally progressed well, but technical delays, primarily driven by COVID-19 circumstances, have resulted in a delay in the launch of the app which is now planned for late 2020. This delay is countered with the scale of our launch into customer base being extended to enable a larger base of customers to access the app, and the early delivery of our standalone Smart Invoicing mobile app. This new 'request to pay' capability will be delivered by the end of this year and was previously going to be integrated with our new mobile app. However, by collaborating with our regional FinTech partner we will launch this 'request to pay' app to Co-operative Bank customers and non Co-operative Bank SMEs by the end of this year.

## **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.**

The development of our suite of personalised business support tools continues to progress well. We have launched our new Business Exchange which will act as a hub for customers to access our personalised business support tools and in Q3 we have introduced a digital referral process with Fiserv for our customers to access card payment solutions to help them digitise their businesses. We are awaiting a more appropriate time to bring additional services to market, such as our new Business Insurance offering. There are also a series of product developments that are progressing well, including the launch of our new credit card in Q4 2020 and the launch of a new current account in early 2021, both of which are on track and in the case of our credit card, ahead of original delivery commitments.

## **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 have made significant progress on the delivery of our same day onboarding journey for SME customers; we are expecting this to be live for sole traders and single directors by the end of 2020, earlier than our original delivery commitment. We have collaborated 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 of Q3 2020 we have grown our SME customer base to c.98,000 BCAs, which represents growth of 2% in the last 3 months and supports our aim of 5% market share of banked UK SMEs 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 have met our 2020 target of 85 new colleagues to support our SME customers, which is a positive position given the impact of Covid-19 on the market and wider organisation. In the last quarter we have put in place SME dedicated roles in our change function, business support areas and our operational teams to further the support our SME customers. This includes a new role as Head of our Business Support Team and a new team who will be our Onboarding Centre of Excellence to support

our new onboarding customer journey. There also plans to bolster our operational and specialist teams before the end of the year to continue the expansion of our SME business.