

The Co-operative Bank PLC - £15M Award

CIF Key Achievements to Date

We continue to make positive progress against our transformation agenda and, in the final quarter of 2020, we delivered significant improvements for our customers which will also provide the infrastructure for the future development of our proposition for SMEs:

- We launched same day onboarding for sole traders and single director limited companies and are inviting customers into the new application journey. The delivery of this new customer journey has included new technology for credit decisioning and workflow management and ensures that we have sustainable and scalable infrastructure to enable future development;
- We completed the soft launch of our new business credit card and in January 2021 we completed the launch of this new product onto our website for SME customers;
- We launched soft token authentication in December 2020 and we have started the roll out of this, with over 300 customers already registered and using this service. This will replace the need for a physical token to log in to online and mobile banking and remove friction from our digital customer journeys which will make our customers' lives easier;
- We exceeded our 2020 target of creating 85 new roles dedicated to serving SME customers. Since we started our transformation we have recruited 97 colleagues to support the transformation and serve our growing customer base;
- We have put in place key partnerships with 7 fintechs and specialist partners to build our infrastructure and new onboarding journeys, deliver improvements to our digital services and improve our range of products available to SME customers.
- We have achieved all of these milestones following the successful transition of our SME transformation office into a remote working team and retained the pace and dynamism of our delivery throughout the year.

Assessment Period 6 (October 1st, 2020 – December 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.

Our commitment on co-investment remains firm, with £17m 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 C&I funding as we make continued progress against our transformation plans. We believe that we have made successful progress throughout 2020 in difficult circumstances and remain on track for completion of our SME transformation delivering our new propositions.

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 made positive 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 early 2021. We remain confident that the functionality of the app and the scale of eligible customers counters the delay and ultimately we strive to make our launch as successful as possible. We have mobilised our work to integrate Smart Invoicing capability in the next release of our mobile app and it is still the intention to co-launch a standalone Request to Pay app in collaboration with our regional FinTech partner.

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 including solutions to help them digitise their businesses which we can now iteratively improve and optimise. We are intending to bring our new Business Insurance offering to market in Q1 2021. There are also a series of product developments that are delivered and ready for customers; a new credit card was delivered in Q4 2020 with full roll out due in Q1 2021. The launch of a new current account is still on track for early 2021 which will be integrated into our new onboarding journey. Both of these deliverables are ahead of schedule and as a result of our new onboarding journey, we are on track for our commitment on partnering with FinTechs and specialist providers.

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 successfully delivered our same day onboarding journey for SME customers in Q4. This is now live for sole traders and single directors by invitation with public access expected early 2021. This is ahead of our original delivery commitment which we believe is positive given the challenges experienced as a result of remote working and the scale of the technical development that this has required. 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 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 Q4 2020 we have grown our SME customer base to c.99,300 BCAs which maintains our growth trajectory to meet the long term target of 5% market share of banked UK SMEs by 2025, 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 exceeded our 2020 target of new colleagues to support our SME customers, which is now 97. This is a very 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 telephony and RMs to support customer growth and support.