

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

### CIF Key Achievements to Date

We have continued to make strong progress with our transformation plans so far in 2021. In 2020 we delivered the infrastructure which will underpin the transformation of our business and our customer proposition, and in 2021 so far, we have delivered meaningful improvements to our proposition:

- In January 2021, we completed the full launch of our new business credit card following the soft launch in December 2020. This will provide our customers with an additional borrowing option to support their business and manage their cashflows;
- In February 2021, we launched our SME insurance product in partnership with AXA which will help to protect and support our SME customers, particularly where they begin to re-open and invite customers back into their businesses;
- In March 2021, we completed the full launch of our new onboarding journeys onto the public website following the soft launch completed in Q4 2020. The delivery of this new customer journey ensures that we have sustainable and scalable infrastructure to enable future development;
- In April 2021, we completed the public launch of our mobile app following the beta launch earlier this year. This is a major milestone in the transformation of our SME proposition and a stride towards our ambition of becoming the ethical, digital bank of choice for UK SMEs;
- In April 2021, we also launched our Business Concierge product in partnership with Assurant to help our customers with their business admin. This is the latest addition to our growing range of support services which customers can access through our new Business Exchange;
- We have continued to recruit more colleagues to support our growing SME business, with 17 new roles commencing in Q1 2021 (114 recruited to date). These colleagues will support our customers on the front line and manage the ongoing iterations to our new digital services. We continue to fund this new recruitment outside of our co-investment of £18m of transformation spend;
- In Q1 2021 we exceeded 100,000 Business Current Accounts for the first time as we continue to grow our customer base with good momentum. The transformational changes we have made to our proposition so far provide a strong position for us to continue to grow our customer base and share of the SME market in line with our long term plans.

### Assessment Period 7 (January 1<sup>st</sup>, 2021 – March 31<sup>st</sup>, 2021)

#### TRANSFORMING OUR SME PROPOSITION

##### Original Commitment:

**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.**

#### **Rationale for change:**

Our Revised Business Case includes the addition of £1m Bank funded transformation cost into the Business Case. This relates to the funding the Bank has already made into Cloud infrastructure of which £1m has already been attributed to the delivery of the new Mobile app, as highlighted in reporting updates throughout 2020. This investment is key in the delivery of the Bank's mobile app which is one of the key customer deliverables included in our Business Case.

#### **New Commitment:**

**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 £18m 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.**

Since we commenced our delivery, we have made good progress against our plans and have delivered some transformational changes for our customers, including a new digital onboarding journey, a new mobile app, and new products including a business credit card, business insurance and an expanded savings account range. We remain on track with our transformation, which will provide the platform with continued good momentum and growth of our SME business.

#### **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.**

Following a successful test launch of our new mobile app in Q1 2021, we completed the public launch of this new digital service in early April 2021. This is a key milestone for the transformation of our SME proposition and will immediately become a key pillar of our improved digital proposition for

SME customers. We are planning iterative improvements to this service over the remainder of 2021 and remain on track to launch our new smart invoicing services later this year. As part of this, in Q2 2021 we will launch a new Request to Pay app in partnership with BankiFi which will be available to all UK SMEs to help them get paid quickly and keep their cashflows moving. We will then build on this functionality throughout 2021 to deliver our smart invoicing capability which will be integrated into our new online banking channel and mobile app.

### **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.**

So far in 2021, we have made great improvements to the range of products available to our SME customers, including:

- In January, we launched our new business credit card. This provides customers with a different borrowing option at an important time for many businesses, whilst supporting our community customers with contributions to our Customer Donation Fund, ensuring that our Values and Ethics are at the centre of the transformation of our product range.
- In February, we launched a new SME Insurance proposition in partnership with AXA, providing our customers with vital support.
- In early April, we launched Business Concierge services in partnership with Assurant, providing our customers with legal and technical assistance to help them with their day-to-day business admin.

We remain on track to deliver further new products, including a new current account later this year, and following this we will turn our attention to adding further value-added services to our suite of personalised business support tools.

### **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.**

So far in 2021, we have delivered further improvements to our new onboarding journey, including launching this on our public website, and delivering multiple iterative improvements to the customer journey to reduce application timescales and customer conversion rate. We have plans in place to continue this programme of iterative improvement through 2021 to continue to reduce our

application timescales, and we are planning on expanding the cohorts of customers who can use this new journey, and the range of products on offer throughout 2021. This is a key enabler for the sustainable growth of our SME business in the future.

#### **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.**

In Q1 2021 we exceeded 100,000 Business Current Accounts for the first time as we continue to grow our customer base with good momentum. The transformational changes we have made to our proposition so far provide a strong position for us to continue to grow our customer base and share of the SME market in line with our long-term plans.

In Q2 2021, we will recommence our marketing campaigns which were successful in building the momentum of our SME business at the start of our transformation and we will promote our improved proposition to SMEs as part of our plans to continue to accelerate the flow of new customers joining our Bank.

#### **ONGOING SUPPORT**

##### **Original Commitment:**

**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.**

##### **Rationale for change:**

The impact of Covid19 has prompted a re-evaluation of the future resourcing requirements as we grow our SME business and customer base. We have also reassessed the resource requirements of our organisation based on the improvements and automation that we are delivering. Our investment will deliver the infrastructure required to enable continual improvements and digitisation of customer journeys in 2022 and beyond, once our Business Case investment is complete. This means that we will be in position to drive continual operational improvements and serve more customers with a smaller SME team than originally anticipated. We will also realise further resourcing efficiencies through the reorganisation of our Digital team, who have moved into the SME business as of February 2021. This will mean that the management of Digital resources will be more efficient for the SME business and enable operational efficiencies.

**New Commitment:**

**As part of our transformation, we aim to create ~213 new jobs, of which ~178 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. These roles will be funded by the Bank on an ongoing basis in addition to the Bank's co-investment of £18m in the transformation of our proposition for SMEs.**

So far in 2021, we have added 17 new colleagues to our teams to support our SME customers and manage the ongoing improvements planned for our new proposition. This brings the recruitment since the start of our transformation to 114 new colleagues as we expand our SME business. This recruitment is spread across our SME business including new roles in our customer contact centre, our onboarding teams, our digital teams who are managing our new digital services, and our expanded relationship management team who have grown our expertise into different sectors, including the charities and co-operative sectors, and geographic coverage across the UK. This recruitment continues to be funded outside of our committed £18m of co-investment and we remain on track with our recruitment plans as we continue to grow our business.