

The Co-operative Bank PLC - £15M Award

CIF Key Achievements to Date

We continue to make strong progress with our transformation plans and have started to see the impact of the improvements to our customer journeys and digital services:

- We have continued the positive momentum of customer base growth and Q2 2021 has been our seventh successive quarter of customer base growth, following us reaching the milestone of 100,000 BCAs earlier this year. We have reduced customer attrition by investing in our digital services and we have invested in marketing activity in 2021 so far to promote our improved proposition to new customers.
- We successfully launched our new mobile app for business customers in April 2021, and by the end of June 2021, 16% of our customers are already using this new service, as this has already become a key part of our service proposition for SME customers. We are planning iterative improvements to this service over the remainder of 2021 to continue to improve this service and drive further adoption from our customers;
- In April 2021, 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. This adds to our Business Insurance offered in partnership with AXA, and Merchant Services offered in partnership with Fiserv as we continue to build our suite of products and services to help our customers run their businesses;
- In April 2021, we launched the co-branded 'Incomeing' request to pay app in partnership with BankiFi. This is an innovative new service, available to all UK SMEs, providing request to pay functionality to help SMEs get paid on time and manage cash flow.
- In Q2 2021, we have continued to make further improvements to our new onboarding journey which is having a positive impact for customers. As at the end of Q2, over 80% of applications through the new journey are completed in 2 days and over 60% in 1 day. We have plans in place to continue this programme of iterative improvement through 2021 to continue to reduce our application timescales and expand the range of products available.
- We have been confirmed as the UK's best rated high street bank for ESG credentials following the publication of our most recent ESG assessment by Sustainalytics, a leading, independent ESG and corporate governance research and analytics firm. We are working to maintain this position in the future and continually improve our ESG credentials.

Assessment Period 8 (April 1st, 2021 – June 30th, 2021)

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 £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.

In Q2 2021 we have continued our investment in line with our plans, and have now spent £23m of the total £33m investment funds from the Capability and Innovation Fund and the Bank's own funds. This has delivered significant improvements for our customers, including a new mobile app, accelerated onboarding journeys and an expanded product range, and we have started to see the impact of this investment on our customer metrics and the continued growth of our customer base. Overall, we continue to make good progress with our transformation which will provide the platform for sustainable growth of our SME franchise. We anticipate that our transformation will be completed in early 2022, from which point we will continue to invest our own funds in the ongoing management and continuous improvement of our proposition for UK SMEs.

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 successfully launched our new mobile app for business customers in April 2021, and by the end of June 2021, 16% of our customers are already using this new service, as this has already become a key part of our service proposition for SME customers. We are planning iterative improvements to this service over the remainder of 2021 to continue to enhance the service and drive further adoption from our customers. In April 2021, we launched the co-branded 'Incomeing' request to pay app in partnership with BankiFi. This is an innovative new service, available to all UK SMEs, providing request to pay functionality to help SMEs get paid on time. We are planning to further promote this new service over the remainder of 2021, and will build on this functionality to deliver our smart invoicing capability which will be integrated into our new mobile app and which we anticipate will be available for customers early next 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.

In April 2021, 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. This adds to Business Insurance offered in partnership with AXA, and Merchant Services offered in partnership with Fiserv as we continue to build our suite of products and services to help our customers run their businesses. We are planning promotion of our value added services over the remainder of the year to increase customer awareness of these services, and will be launching a new 'Business Exchange' on our website to help customers access the services most relevant and suitable to them.

Following the launch of our co-branded Incomeing app, we have started the delivery of our own smart invoicing capability for our new mobile app, and are also planning to launch a new business current account product later this year.

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.

In Q2 2021, we have continued to make further improvements to our new onboarding journey which are having meaningful impacts for customers, including delivering a new Digital Credit Engine in April to speed up the customer journey. The average account opening time in Q2 2021 was 9 days, with 87% of applications completed within 2 days and over 60% in 1 day as at the end of June. We have plans in place to continue this programme of iterative improvement through 2021 to continue to reduce our application timescales and expand the range of products available through this journey, and we are in the process of delivering this customer journey for an expanded range of cohorts of customers which we expect will be completed by the end of 2021. This will enable quicker access to a wider range of products and services for all our SME customers.

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.

We have continued with the positive momentum of customer base growth and Q2 2021 has been our seventh successive quarter of growth, following us reaching the milestone of 100,000 BCAs earlier this year. We have reduced customer attrition by investing in our digital services and marketing activity in 2021 to promote our improved proposition to new customers, and plan to continue this investment over the remainder of 2021 to drive awareness of the new products and services on offer to UK SMEs as we continue to grow our position in this market.

ONGOING SUPPORT

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.

In Q2 2021 we recruited a further 10 colleagues, taking our recruitment YTD to 27 colleagues to support our expanding SME customer base. We remain on track with our 2021 recruitment plans and this brings the recruitment since the start of our transformation to 124 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-operatives sectors, and geographic coverage across the UK.

This recruitment continues to be funded outside of our committed £18m of co-investment.