

The Co-operative Bank PLC - £15M Award

CIF Key Achievements to Date

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

- Following the successful launch of our new mobile app for business customers in April 2021, we have continued to develop the functionality for customers. In Q3 2021, we launched push notification functionality to keep customers up to date with important changes and transactions.
- In Q3 2021, we have relaunched our SME banking website, including the launch of our new Business Exchange. This now provides tailored support to businesses based on their circumstances. This includes providing enhanced support to start ups, support with how businesses can adapt to respond to Covid-19, fraud awareness and protection information, and promotes the third party services introduced as part of the transformation of our proposition.
- In Q3 2021, we fully deployed our new lead management workflow for Relationship Managers, providing the foundations for improving how we manage relationships with our existing SME customers through our new Customer Relationship Management platform. This has transformed day-to-day process for our Relationship Managers.
- 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 July 2021, we were 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 9 (July 1st, 2021 – September 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.

We remain on track with this public commitment. In Q3 2021 we have continued our investment in line with our plans, and have now spent £26m 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 adoption of our new products and services by customers 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 remain on track for the completion of this transformation activity 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 remain on track with this public commitment. Following the successful launch of our new mobile app for business customers in April 2021, it is becoming the primary service channel for an increasing number of our SME customers with 20% already using this new service. In the past quarter, we have delivered iterative improvements to this service, including the launch of push notification functionality.

We are making good progress with the development of our smart invoicing capability with our technology partner, BankiFi. This service will build on our standalone Incoming request-to-pay app, and 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.

We remain on track with this public commitment. In Q3 2021, we have relaunched our SME banking website, including the launch of our new Business Exchange. This now provides tailored support to businesses based on their circumstances including enhanced support to start ups, support with how

businesses can adapt to respond to Covid-19, fraud awareness and protection information. It also promotes the third party services introduced as part of the transformation of our proposition. We will continue to update this over time as we introduce further products and services to support businesses.

We are planning for the launch of a new Business Current Account later this year which will be targeted towards customers who primarily transact digitally, helping us to deliver against our commitment to deliver a digital, ethical banking proposition for UK SMEs.

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 remain on track with this public commitment. In Q3 2021 we have continued to make further improvements to our new onboarding journey which has significantly improved the timescales for customers to open and access a new account. In Q3, the average account opening time through our new journey was 7 days, with the fastest account opened in 1 day. We will continue this programme of iterative improvement to continue to reduce our application timescales, make it available to more cohorts of customers and expand the range of product options available through this journey.

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.

Whilst our BCA volumes are slightly behind our plan, we will continue to invest in marketing to promote the awareness and uptake of our improved proposition in the SME market in order to meet this public commitment. We have continued with the positive momentum of customer base growth with Q3 2021 being our eighth successive positive quarter, and we now serve 95,000 UK SMEs with 104,000 Business Current Accounts. We are maintaining a positive net switching position after the conclusion of the Incentivised Switching Scheme, and we are continuing to see customer attrition levels lower than our forecasts due to the effectiveness and adoption rates of our new digital

services. Through Q3 2021, we have continued to invest in digital marketing, including PPC and Aggregator activity to drive awareness and consideration of our proposition, and will accelerate this marketing activity in 2022 following the launch of a new Business Current Account in Q4 2021.

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.

We remain on track with this public commitment as we grow our business. In Q3 2021 we recruited a further 13 colleagues, taking our recruitment in 2021 to 40 colleagues bringing the total since the start of our transformation to 137 new colleagues as we expand our SME business. In Q3 this recruitment has focused on our Customer Contact channels to ensure that we are well equipped to serve our expanding customer base. We have seen an increase in colleague attrition based on a highly competitive job market and are undertaking recruitment to backfill these roles to enable us to complete our transformation activity.

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