

The Co-operative Bank PLC - £15M Award

CIF Key Achievements to Date

In 2021, we delivered significant improvements for our SME customers and put in place the infrastructure for the sustainable development of our proposition. We have continued to grow our SME customer base and have seen excellent customer feedback from the new products and journeys that we have delivered.

- We launched our new mobile app in April 2021 and continued to make iterative improvements to this throughout the year. As at the end of 2021, 22% of our customers are already using the app, and we've processed over 1,000,000 customer payments through this new channel.
- We expanded our product range with the launch of a new business credit card, and enhanced the range of value-added services available to our customers with the launches of Business Insurance, Business Concierge and Incomeing, our Request to Pay app.
- 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 completed the launch of our new onboarding journeys, significantly improving our timescales for opening an account. The average account opening time reduced from 14 days to 6 days at the end of 2021, with the majority of applications completed in under 2 days. In Q4 2021, NPS for customers following this new journey was +63.
- We exceeded 100,000 BCAs for the first time, and as at the end of 2021 we held 104,000 BCAs. We have maintained our positive flow of customers as we continue to build our SME franchise.

Assessment Period 10 (October 1st, 2021 – December 31st, 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 Q4 2021, we have continued our investment in line with our plans and have now spent £29m of the total £33m investment funds from the Capability and Innovation fund and the Bank's own funds.

We continue to deliver significant improvements for our customers and 2021 was a breakthrough year for delivering new capabilities, including a dedicated SME mobile app, a new onboarding journey for small businesses and a series of new product launches.

Overall, our transformation program has enabled sustainable SME growth and is supporting the Bank's wider aim of returning to profitability. In Q4 2021, we saw the program complete development for a series of launches in early 2022, including the launch of a new fixed fee current account and further digital channel upgrades. We remain on track for the completion of this transformation activity in Q1 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, and we continue to make strong progress with 22% of our customer base using our new mobile app. In Q4 2021, we saw the number of payments in total processed through the app reach 1,000,000 within 9 months of launch. During Q4 2021 a series of enhancements to the mobile app have been completed, ready for launch in 2022, including extended functionality to show multiple businesses with the app and new payment journeys. We continue to make progress with our Smart Invoicing capability for launch in 2022 and continue to work in partnership with Bankifi on our award winning co-branded request to pay app, Incomeing.

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 Q4 2021, we finalised the preparations for the launch of our new Business Current Account which launched in January 2022. This new Business Current Account will sit alongside our new mobile app as part of an improved digital proposition for our SME customers. We are also continuing to promote our Business Insurance, Business Concierge and Incomeing services, and are on track to launch our Smart Invoicing service in Q3 2022.

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 commitment. In Q4 2021, our new onboarding journey continued to perform well with an NPS of +63, and over 50% of the customers onboarded in Q4 2021 had their account opened in 3 working days, including almost 10% within the same working day. We continue to enhance our key customer journeys and remain on track to extend the eligibility of our new onboarding journey in H1 2022.

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 are not on track with this public commitment; however, we have continued with the positive momentum of customer base growth and as at the end of 2021 we now serve 96,000 UK SMEs with 104,000 Business Current Accounts. Our new BCA volumes are behind our original plan; however, we are continuing to maintain a positive net switching position. Through Q4 2021, we have continued to invest in digital marketing, including PPC and Aggregator activity to drive awareness and consideration of our proposition, and we will accelerate this marketing activity in 2022 following the launch of a new Business Current Account in January 2022.

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. In Q4 2021, we recruited a further 12 colleagues, taking our recruitment in 2021 to 52 colleagues and this brings the recruitment since the start of our transformation to 149 new colleagues as we expand our SME business. In Q4 2021, recruitment 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 and we remain on track with our recruitment plans as we continue to grow our business.