

ClearBank – £60m Award

CIF Key Achievements to Date

- Being fully on track with all public commitments
- Most efficient awardee (in terms of Businesses acquired per £1 grant)
- Rapidly approaching the next market share milestone of 5%; current market share (4.8%) with c.284,000 members
- Now third largest business banking challenger (after Virgin Money, Metro); creating a true SME first alternative to high street banks
- Significant awareness increase of the Tide brand; known to over a 3rd of the SME population
- Major push in supporting start-out delivered ahead of schedule; launching the first one-stop company formation and account opening process in the UK
- Opportunities created for ten SME partners with more rapidly coming onstream
- Strong governance with independent Grant Steering Committee Chair (Lord Lindsay), quarterly auditing (EY) and a strict “grant for results” release schedule (for every 1% market share gained)
- Launch of our cutting edge solution for making tax digital; with full accreditation to HMRC
- Roll out of switching service including onboarding assistants and expedited onboarding
- Roll out of a highly innovative solution to ensure invoices real-time; when the invoice is created on the Tide platform
- Completion of the Tide Tools: Payroll, Tax and Invoicing (inbound & outbound) initiatives
- Delivery of leveraging our digital expertise marketing, mobile card acquiring dashboard and merchant dashboard

Assessment Period 7 (October 1st, 2020 – December 31st, 2020)

COMMITMENT TO OWN FUNDS CONTRIBUTION

CTBB is committed to supplementing the BCR award using our own funds to a value of at least 100% of the BCR grant, throughout the lifespan of the business plan.

The phasing of this contribution varies by business plan year and we project to be fully on track to achieve the proportionate contribution of own funds to BCR funds utilised for this year.

Co-investment is progressing as planned. The level of co-investment is directly related to the BCR funds used in a given period and scales over the five-year period.

COMMITMENT TO MARKET SHARE

Building on its state-of-the-art business banking account, leveraging the SME-only Tide brand and building its current 1% market share, CTBB commits to implementing a powerful transformation initiative to:

ACHIEVE AT LEAST AN 8% BUSINESS CURRENT ACCOUNT MARKET SHARE BY 2023, thereby introducing much needed competition and contributing to breaking up the current oligopoly of the Big 4 banks.

On track. During the period, SMEs continued to show that they are ready for a change with large numbers signing up to CTBB and with many traditional banks finding it challenging to open BCAs during COVID-19, we are continuing to support businesses the best we can. CTBB now has 283,802 members and a market penetration of 4.75%.

COMMITMENT TO THE TRANSFORMATION INITIATIVE

Transformation will require a concerted effort. More of the same business current account offers will not lead to the necessary shifts in market share, even if they are supported by better switching solutions. Recognising this need for a different approach to succeed, CTBB will achieve its market share objective through a set of powerful propositions to remove friction to switching, provide compelling attractors, and raise awareness of the superior CTBB business current account. CTBB will deliver full functionality under all grant

On track. Strong progress across the board. Highlights for the quarter include advanced discovery on trial switching, VAT and self-employment registration, advancing our invoicing proposition and onboarding of new credit partners.

(1) REMOVE FRICTION to selection of, and switching to, CTBB

- **CTBB already offers a fast onboarding process that allows, for the majority of applicants, the opening of a business current account within minutes.**

On track. Following thorough research amongst the SME community, we have enhanced this process to allow onboarding not only through the app but also through the web.

The SWITCHING PROPOSITION: MAKING BCA SWITCHING SIMPLE will build on Open Banking and CASS infrastructure to allow businesses to switch their current accounts easily. The switching proposition will allow even faster onboarding for existing businesses, trial switching, allowing closed account histories to be maintained, dedicated personal onboarding assistance and temporary pop-up onboarding stores.

On track. Personal onboarding assistance, pop-up stores and expedited onboarding using open banking are already live. In the quarter we have further advanced our trial switching work. RFP process to choose an aggregation provider which has been concluded.

(2) PROVIDE COMPELLING ATTRACTORS comprised of strong incentives to select and switch to CTBB

- **CTBB already offers a strong set of solutions (CTBB Version 1) and, building on these, will develop four additional attractor propositions (CTBB Version 2) to make CTBB an even more compelling business current account partner for SMEs.**
- **The STARTING-OUT PROPOSITION: OPENING YOUR BCA AS PART OF SETTING UP YOUR BUSINESS will provide strong incentives for new businesses to set up their business current account with CTBB. The starting-out proposition will allow registrations (company registration, tax registration etc.) to be undertaken as part of the business current account opening process.**

On track. Company registrations as part of the account opening process is already up and running. Discovery work on self-employment registration and VAT registration has begun according to plan.

• **The ADMINISTRATION PROPOSITION: SAVING YOU TIME BY SEAMLESSLY INTEGRATING TOOLS WITH YOUR BCA** will reduce the estimated 48 days p.a. that a small business spends on administration by seamlessly connecting (via API) the BCA to solutions for accounting, payroll, invoicing, expense management, tax and other filings. This is particularly helpful for smaller businesses, which typically operate without a Finance or HR function. As part of the administration proposition, CTBB will offer a range of Tide-branded solutions (Tide Tools) as well as provide highly usable integrations to popular third party solutions (Tide Connect) deeply integrated with the business current account, building on the strong base of its existing functionality.

On track. During Q4 2020, CTBB developed and released a mechanism for importing invoices into CTBB via an in-app and web-based invoice scanner, with automatic text processing. This feature allows the payment or scheduling of invoices imported into CTBB, with CTBB sending relevant transaction metadata to leading accountancy software provider Xero to support bookkeeping. For the Tide Accounting Tool, CTBB executed a partner selection programme for the development of basic in-app financial reporting. Partners selected from the long-list include leading UK-based accountancy software providers, as well as global providers.

• **The CREDIT PROPOSITION: OPTIMISING YOUR CASHFLOW USING BCA DATA.** According to the British Business Bank, lenders - while increasing net lending to medium-size businesses since Q3/14 - have actually reduced lending to smaller businesses despite unmet demand in excess of £5bn p.a. Much of the funding need of smaller businesses centres around cashflow. Recognising this need, the credit proposition will deliver a number of solutions tightly linked to the business current account to avoid cashflow issues (including invoice chasing, next-generation direct debit, and developing a Pay-On-Time rating), to protect against cashflow issues (by integrating with debtor insurance providers) and bridge cashflow (through working capital solutions, integrating the best providers and, with the SMEs' permission, providing lenders with transaction data available from the business current account)

On track. Our Credit Insurance product has been rolled out to all of our customers with our partner Hokodo. Our Direct Debit product with our partner GoCardless is now available to all members. Our Cash Flow Optimization has been added to our analytics tool. We also started testing Merchant Cash Advance with Liberis as a partner which is being rolled out to our customers. During Q4 2020, we launched our first term loan partnership allowing our members to apply seamlessly to obtain a CBILS loan with iwoca.

• **The ACQUIRING PROPOSITION: SAVING YOU MONEY BY OFFERING CARD ACCEPTANCE AS A BCA FEATURE.** Smaller businesses are currently charged excessive amounts for their card acquiring and see their funds settle after substantial delay. With the acquiring proposition, CTBB will deeply integrate acquiring with business current account offerings, at significantly reduced rates and with fast settlement

On track. We launched the Card Dashboard prototype for a small set of users and engaged a number of potential partners in an RFP process with the view to procure an e-commerce gateway and acquiring payments services in accordance with our BCR commitments.

3) RAISE AWARENESS by extensively promoting the superior benefits of the CTBB business current account

- **CTBB recognises that the best business current account will only be chosen by SMEs if the appropriate level of awareness is generated.**
- **CTBB is committed to spending a total of £70m to match the £60m in BCR grants – in addition to the planned current spend – to promote the business current account to achieve the target market share objective.**

On track. Marketing activity is continuing and awareness stands at 34%.

COMMITMENT TO OPPORTUNITIES FOR PARTNERS

CTBB operates as a platform deploying solutions from the best partners in the industry.

CTBB commits to integrate at least 25 SME solution partners by 2023.

On track. By the end of Q4 2020 this number stood at ten. We continue to expect to meet this commitment.