

# Building IT Resilience

Our progress since 2012

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## Background

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We have reached agreement with the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) in the United Kingdom for failings during the 2012 IT Incident. We accept the FCA and PRA's findings in full, and have agreed to the fines of £42 million and £14 million, bringing to a close the regulatory investigation. This follows the completion of the Central Bank of Ireland (CBI) investigation into Ulster Bank Ireland Limited and the fine of €3.5 million which was announced on 12 November 2014. You can read the detailed findings of the regulatory investigations in the final notices published on the FCA, PRA and CBI's websites.

## What happened?

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Our customers need to be able to rely on our systems and in June 2012 we let them down. The incident happened because of issues with a software upgrade in the overnight processing system used by the bank. The inconvenience that this caused went to the heart of the trust our customers have in us and we are clear that they should never experience this again.

That is why we carried out an internal review immediately after the IT Incident, which was completed in March 2013. We have published the key findings from the review today. Separately, we also undertook a detailed review of our customer redress programme.

## Management actions

We have worked tirelessly since 2012 to improve the resilience and stability of our IT systems. We are investing £750 million over a three-year period, as part of our £2 billion annual investment, to create safe, secure and resilient foundations for the bank's systems. A summary of our progress in five key areas is shown below.

### 1. Systems resilience

The performance of our systems has improved with each one of our 130 services available to customers 99.9% of the time. We can now give customers better access to banking services during system outages:

#### 'Mirror bank'

Our mirror bank capability now lets our customers access critical services in the event of a system outage. We can now process 90% of debit and credit card transactions for customers during an outage and they can view mini-statements and balances on mobile and online banking systems.

#### International payments

We have upgraded our service to improve stability and reduce the risk of outages associated with our core international payments infrastructure. This has resulted in a significant reduction in the number of outages we experience.

#### Mobile banking

We have upgraded the infrastructure that supports our mobile banking service improving the stability, capacity and availability of this service for customers. Over three million customers regularly use the mobile app, and it now supports around four million logons and 750,000 payments each day.

## 2. Customer redress

We took immediate action to provide redress to customers affected by the IT Incident. We have paid approximately £70.3m in redress to UK customers and £460,000 to non-customers. We have also updated all policies and contingency plans used during major incidents, including a bank-wide incident initiation checklist for redress, a vulnerable customers' policy and a library of key findings.

## 3. Critical services

We now better understand the services that are critical to our customers during any outage. We have mapped these out at a detailed level, helping us understand fully the processes, people, buildings and technology they depend on. We have also updated our incident management process to identify any weaknesses as a standard part of our project planning, and have increased the rigour of our disaster recovery testing.

## 4. Batch transformation

We have reduced the complexity of our overnight batch processing system, introducing separate systems for RBS, NatWest, Ulster Bank Northern Ireland and Ulster Bank Republic of Ireland. This significantly reduces the risk of an incident in one brand impacting the others. We have also improved processing times and monitoring tools, allowing us to quickly investigate and recover our systems if an issue occurs.

## 5. Risk management

We have made a number of changes to strengthen our risk and internal audit functions, with a simplified structure and clearer responsibilities across the bank. We have also improved the way we manage and guard against the risks we face across our technology platforms. We have established a new risk framework to provide a systematic approach to identifying and managing bank-wide IT risks, and the steps we need to take to manage those risks. We have spent more than 35,000 hours training our people on using this framework as part of their day to day activities.

## Next steps

While it is clear that we have made real progress, we have more to do. We will have addressed all findings from our internal review before the end of 2014. Below are some of our key areas of focus:

### Batch transformation

We will continue to simplify and improve overnight processing to make it even more resilient.

### Mirror bank

By the end of 2014, we will have the ability to provide our customers with access to ATM mini-statements, mobile top-ups, charity giving and PIN unlocks in addition to the existing cash stand-in service, during major system failure – making for a more normal customer experience.

### International payments

As part of our strategic plan we're on the path to reducing the overall number of payment systems over the next few years.

### Mobile banking

We will continue to improve our mobile platform by moving the third-party hosted service in-house.

We are now a simpler, stronger and more resilient bank, with technology at the centre of our strategy. We will continue to invest in our systems, keeping resilience and stability at the heart of our thinking, as we further simplify the bank and provide technology our customers can rely on.

# Resilience: Earning our customers' trust

By creating safe, secure and resilient foundations for the bank's systems, our customers will have greater confidence in us.



We've been working hard to significantly reduce the chance of a major IT incident that could impact our customers.

**We're investing £750 million over three years to improve the security and resilience of our IT systems.**

**£750m  
Over 3 years**



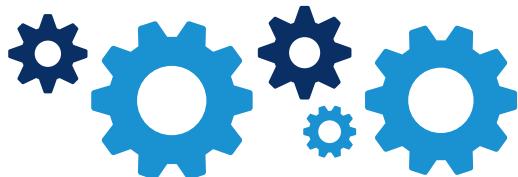
## Batch

In 2012:

Complex

Updates for four brands on two schedulers

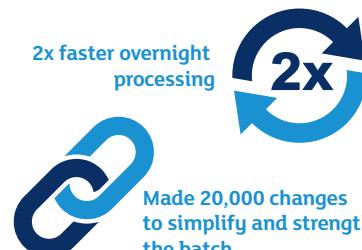
Issues with one brand could impact another



Separate schedulers for NatWest, RBS, Ulster Bank Northern Ireland and Ulster Bank Republic of Ireland



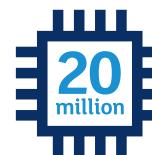
Real-time monitoring



2x faster overnight processing



Made 20,000 changes to simplify and strengthen the batch



Processing 20 million transactions every day

What's next for Batch?

We will continue to simplify and improve overnight processing to make it even more resilient.

## Mirror Bank

We're creating a 'Mirror Bank' to reflect our bank systems and data for key customer services. During a significant system outage customers can now:



Have transactions processed while we recover our systems

Have over 90% of debit and credit card transactions processed



View mini-statements and account summaries on mobile and eBanking



## Payments

International payments suffered from recurring outages that caused customers issues with major business payments.



Now upgraded, improved and stabilised the international payments system.



We've significantly reduced the number of critical incidents following the upgrade.



Delivering 700,000 transactions to the value of £3.2 billion every day.

What's next for Mirror Bank?

By the end of 2014, we will improve this capability, making use of network upgrades. This will give customers access to ATM mini-statements, mobile top-ups, charity giving and PIN unlocks in addition to the core cash stand-in, making for a more "normal" customer experience during any major service issues.

What's next for Payments?

As part of our strategic plan we're on the path to reducing the overall number of payment systems over the next few years.

## Mobile

- Upgraded our mobile banking infrastructure
- More secure and robust platform
- 2x capacity for growth
- Can now recover from outages much more quickly



Over 3 million customers actively use our mobile app. We now support around four million logins and 750,000 payments per day.

What's next for Mobile?

We'll continue to improve our mobile platform by moving the third-party hosted service in-house.

