



Absa Group

Separation: Investor Update

6 June 2019

Paul O'Flaherty and Willie Van Zyl

Overview and Background

Paul O'Flaherty

(01)

Engineering Services Structure



Paul O'Flaherty
Chief Executive:
Engineering Services
Absa Group Limited



Andrew Baker
Chief Technology Officer:
Engineering Services
20 years relevant experience
10 Years with Absa



Wilhelm Krige
Chief Information Officer:
Absa Group Limited
20 years relevant experience
10 years with Absa



Sandro Bucchianeri
Chief Security Officer:
Engineering Services
20 years relevant experience
2 years with Absa



Dawn Mthombeni
Chief Risk Officer: Engineering
Services
15 years relevant experience
7 years with Absa

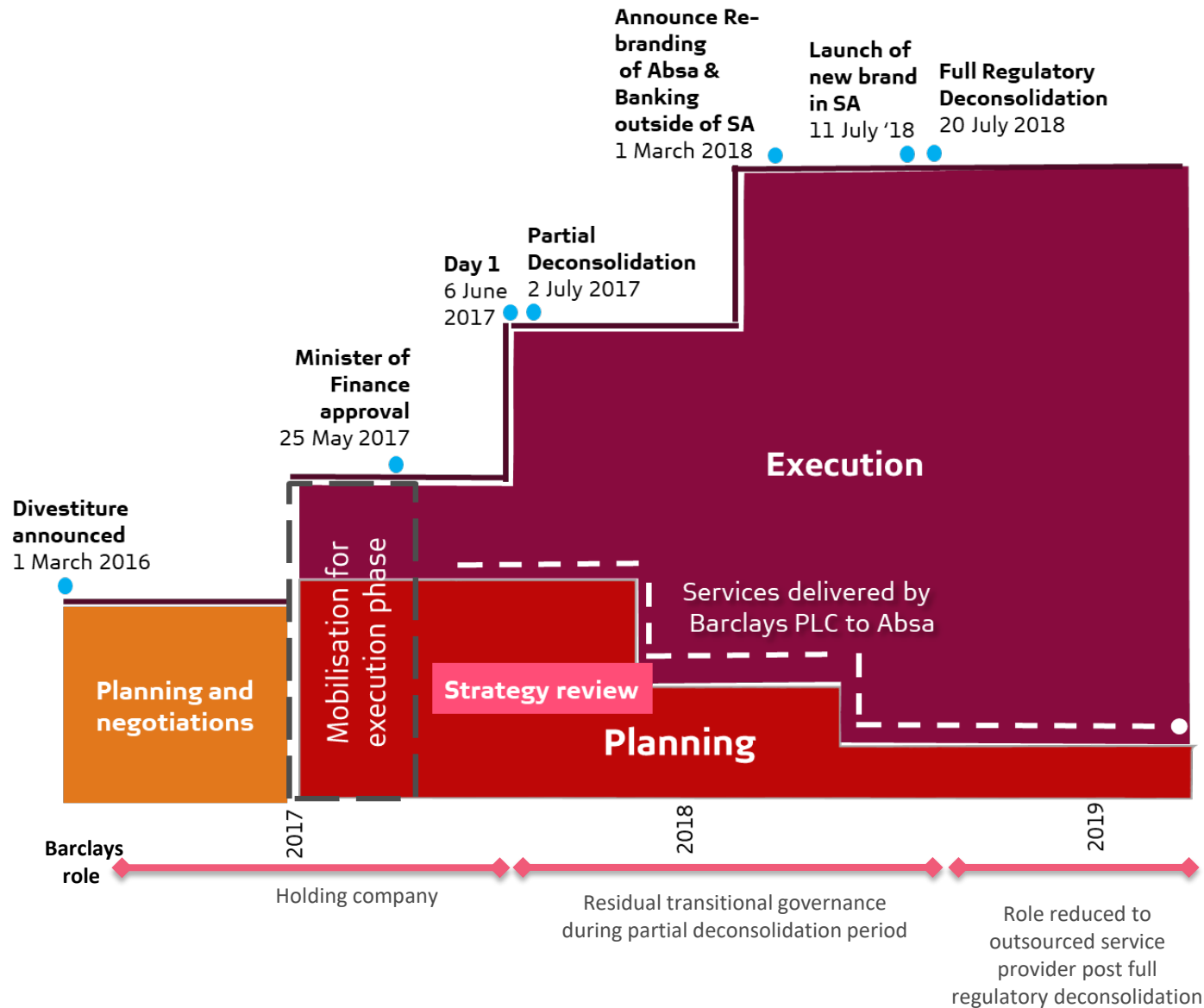


Willie van Zyl
Chief Separation Officer:
Engineering Services
23 years relevant experience
20 years with Absa



Thabo Mashaba
Head of People:
Engineering Services
22 years relevant experience
16 years with Absa

Significant planning and mobilisation created a solid platform

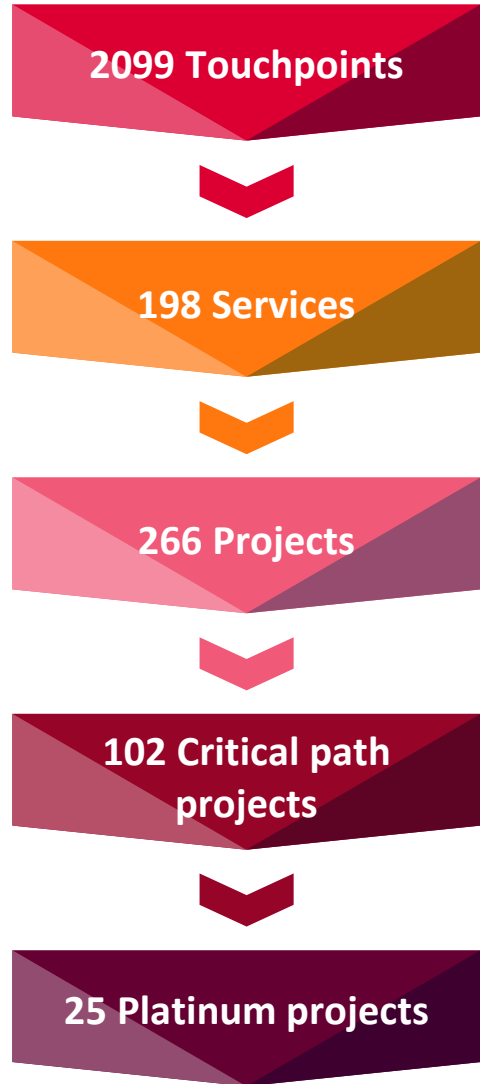


- All key programme milestones have been completed
- Dedicated leadership team and operational Separation team:
 - Currently c. 1000 permanent staff working on Separation
 - c. 800 contractors assigned to the programme

Robust Governance Structure

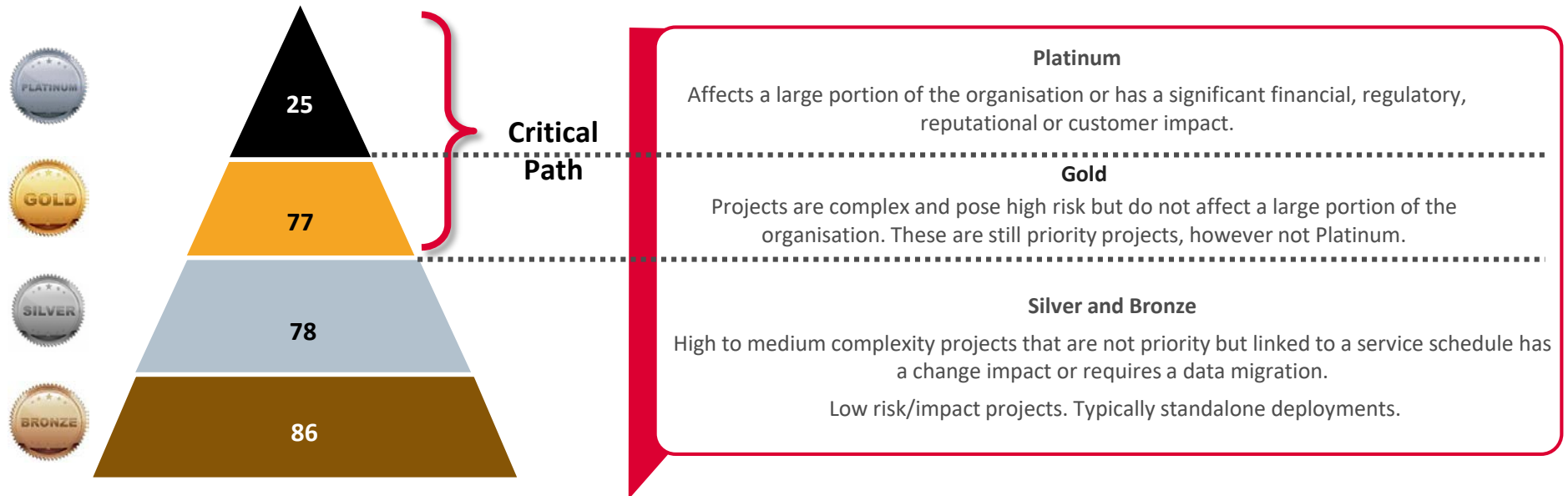


Integrated plan developed to address all dependencies on Barclays



- Documented all “touchpoints” or dependencies with Barclays, which were then mapped into logically clustered services rendered by Barclays.
- Identified capabilities required to be stood up, then mapped these back to the services, followed by establishment of a book of work required to deliver the capabilities.
- Locked down Separation critical path, with further classification into 4 categories of priority, to place the right focus on the right projects.

Project Categorisation



Note: Project numbers change as the programme matures as a result of continuous de-risking activities.

Combined assurance articulated key risk based components

100% coverage of Separation platinum projects and other key interdependent gold/silver/bronze projects.

Objective

- Assess and report on the ongoing readiness of Separation projects and programmes, highlighting residual risk at a project level and in aggregate across the book of work.
- Provide a future view of project execution progress in terms of solution integrity and operational readiness.

Approach

- A combined scope is agreed and a single quarterly submission made to the Separation Oversight Committee.
- Assurance activities across all lines of defense are focused and coordinated around the scope elements in the assurance matrix, to derive a single view.
- A common approach is followed, with a shared approach to managing work paper consistency and quality. All outputs and work papers are shared.

Scope



Thematic programme risks

Key thematic programme risks are defined and remain stable. They are monitored closely on a continuous basis

Top 3 Thematic Risks



Scale & Complexity



Capacity, Capability & Fatigue



Concurrency

Project and service governance

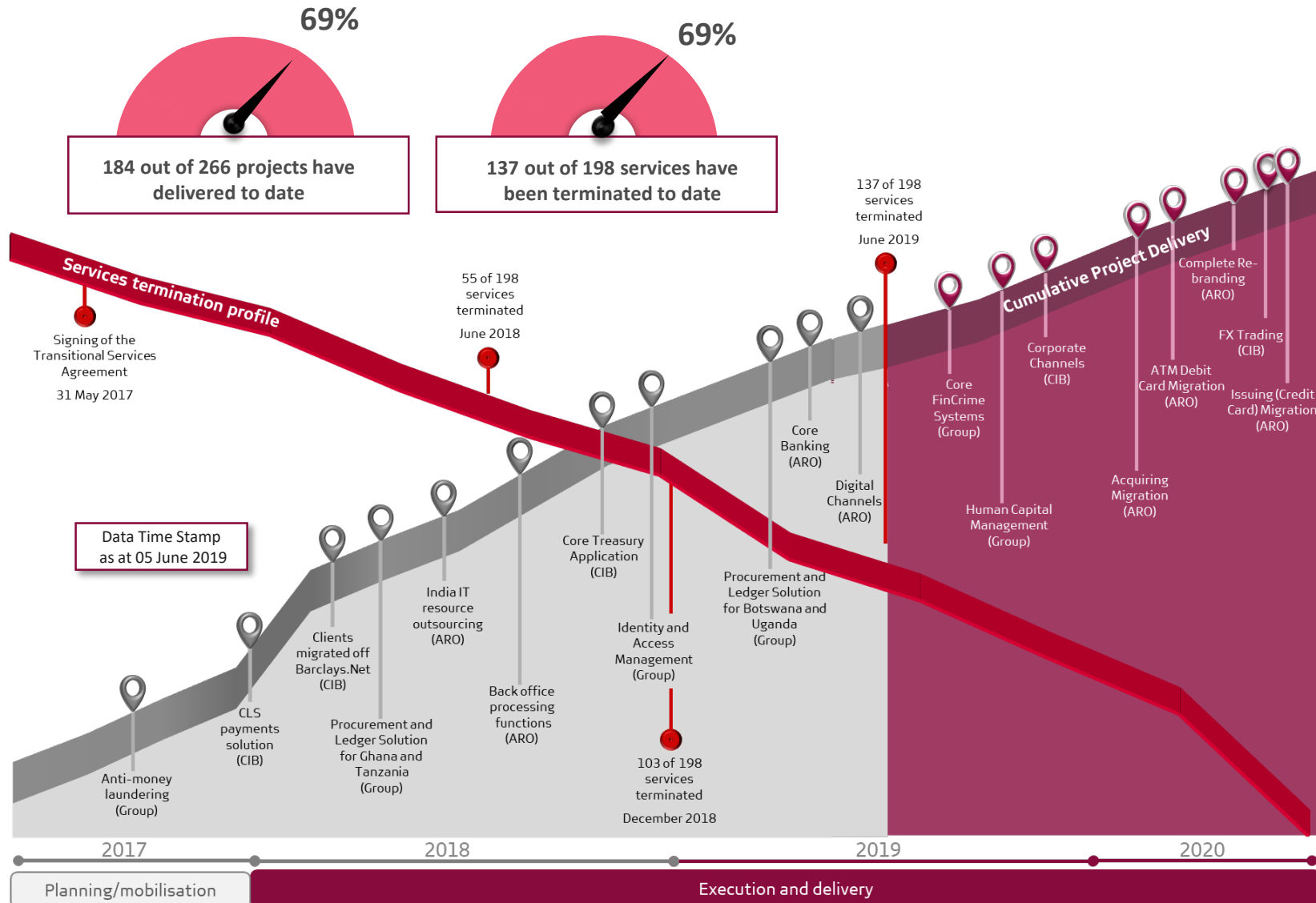
- A Red, Amber, Green status on projects used for reporting purposes to provide a balanced view of the project's health status.
- The overall project RAG status is derived from five parameters - cost, schedule, benefits, resource and issues.
- This allows for assessment of overall state of delivery, prioritization of projects requiring management support and enables greater understanding of key challenges.
- Group change risk conducts independent assurance reviews on projects, services and capabilities delivered through a combined assurance programme across all change initiatives.
- The expected outcome of the assurance review is to provide comfort over the quality and sustainability of delivered capabilities.

Execution Update

Willie Van Zyl

(02)

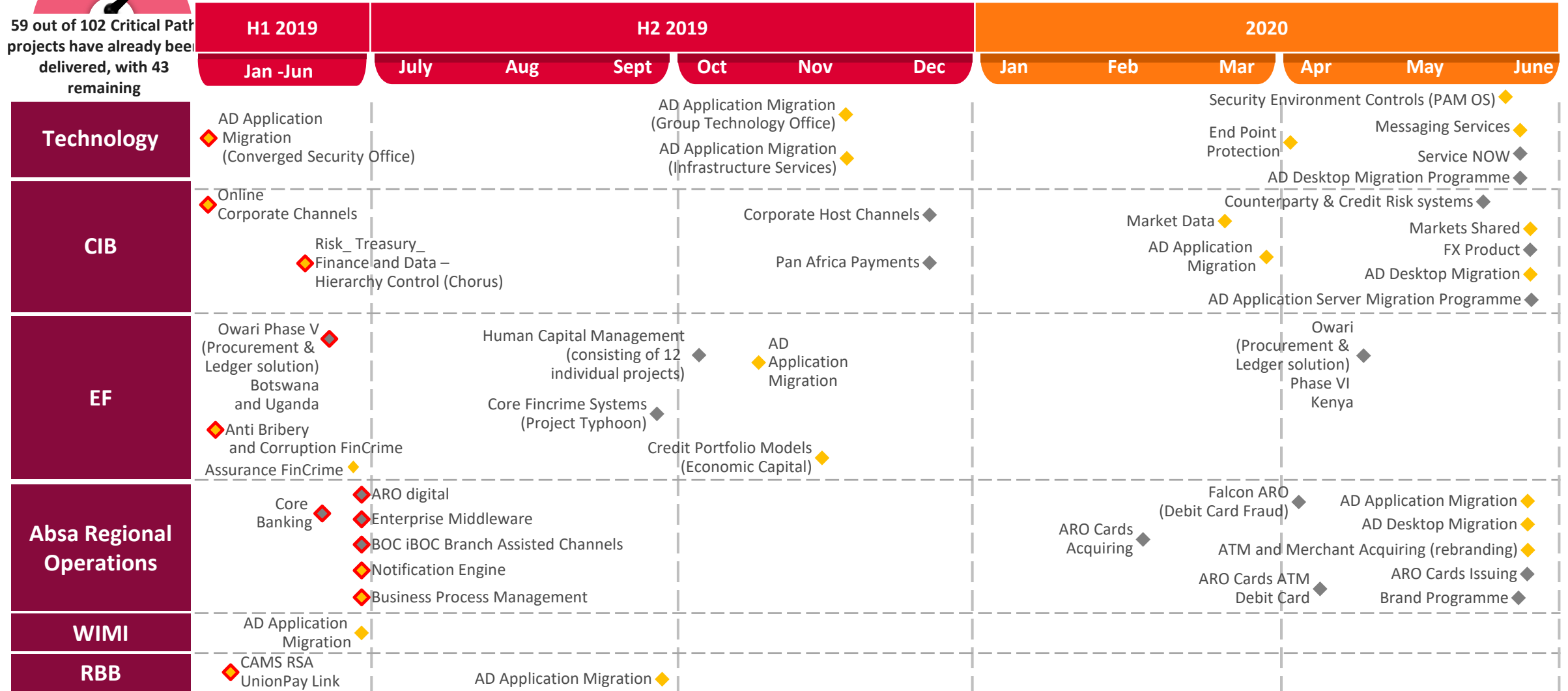
Delivery remains on track with significant progress on 2019 book of work



- Migration of **core banking** application for relevant Africa Regional Operations entities from the UK to SA was delivered in mid April 2019, ahead of schedule.
- **Core financial crime systems replacement**—elements of the capability delivered in April 2019, with remainder expected to go live in the next 9 months.
- Migration of a **human capital management** system is progressing well, with tranche 1 implemented in April 2019. Tranche 2 is on track and expected to go-live in July 2019, and tranche 3 will cut over in September 2019.
- **Digital channels (Africa Regional Operations)** achieved separation ahead of schedule, in mid May 2019. This covers front end retail applications, online banking, mobile application and strategic hello money, and enterprise middleware.

Remaining critical path projects to deliver in 2019 and 2020

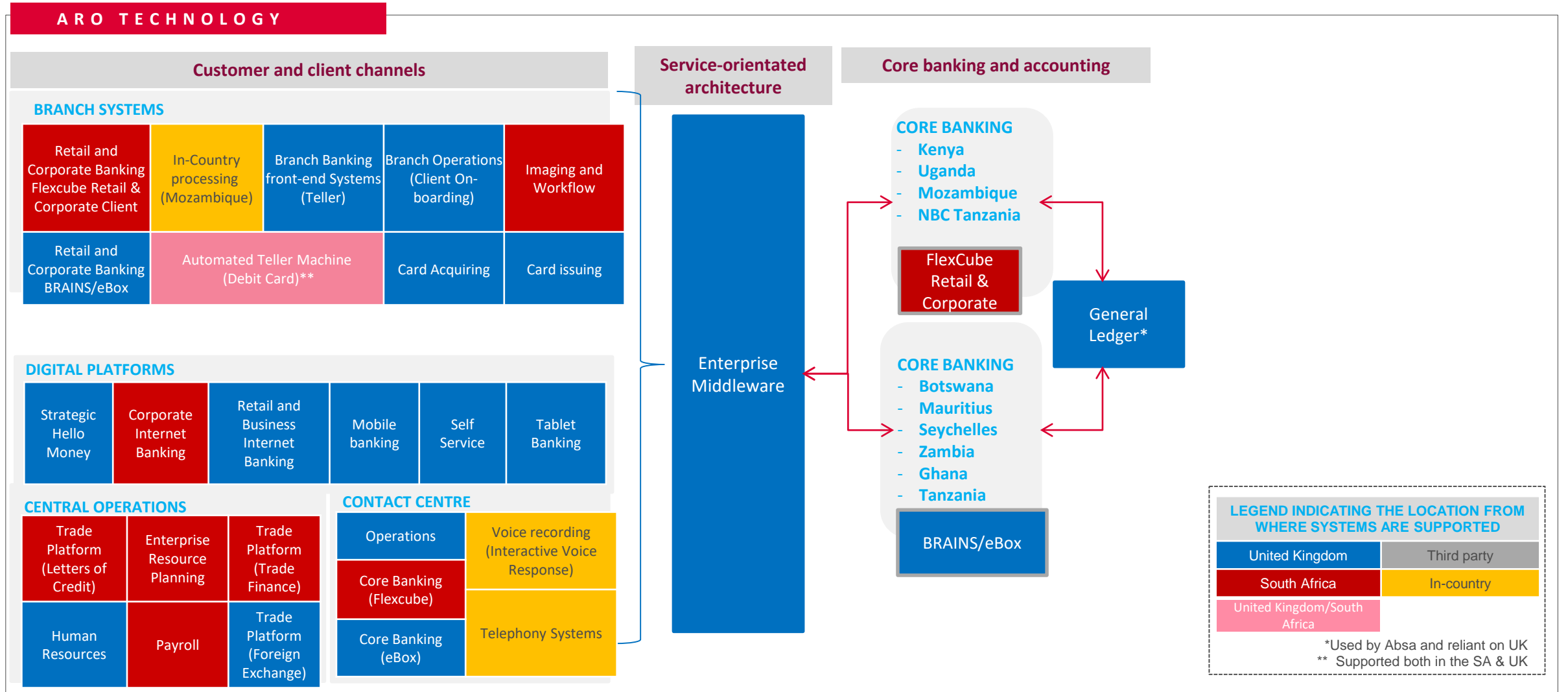
58%
59 out of 102 Critical Path projects have already been delivered, with 43 remaining



Legend Platinum Project Gold Project Delivered Platinum Project Delivered Gold Project

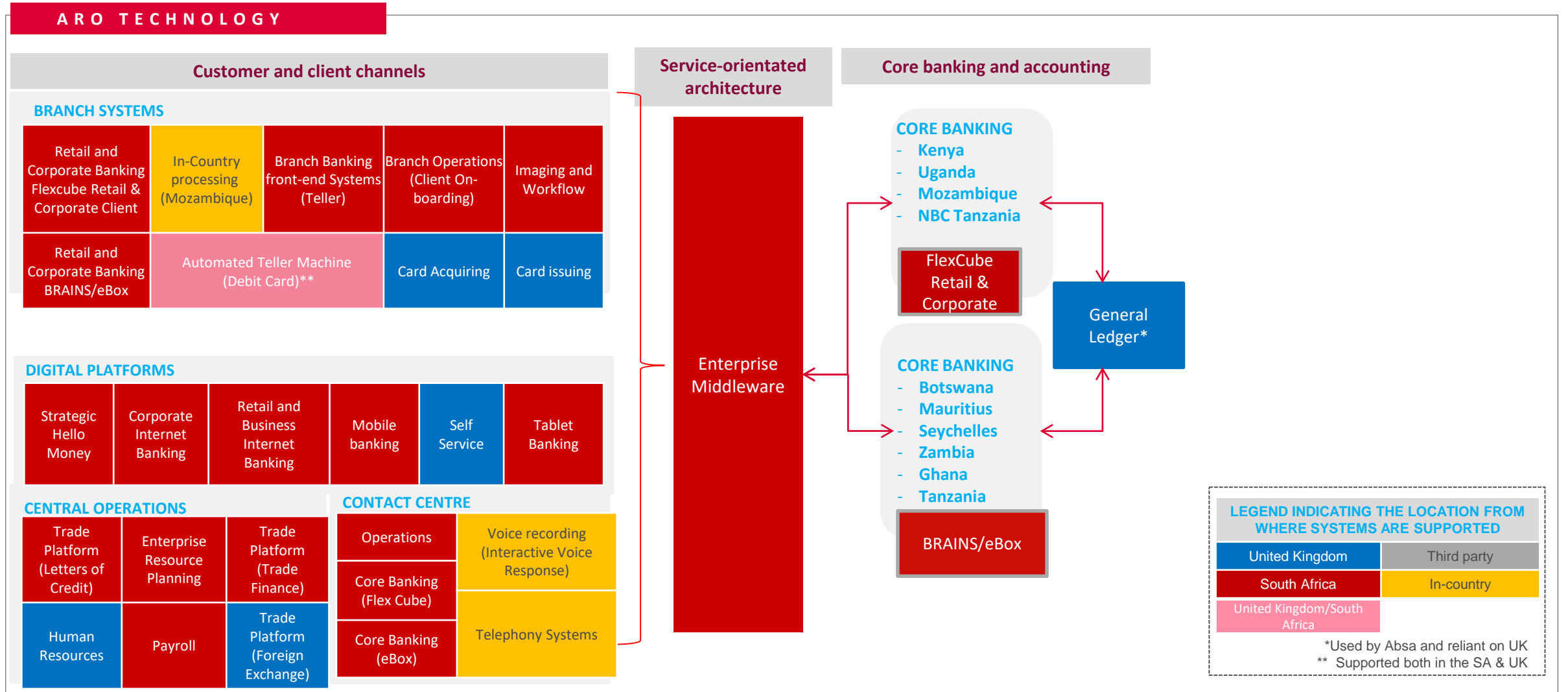
Original Africa Regional Operations Architectural view

Services are spread across Barclays PLC, South Africa and country as we go through the separation programme.



Current Africa Regional Operations architectural view

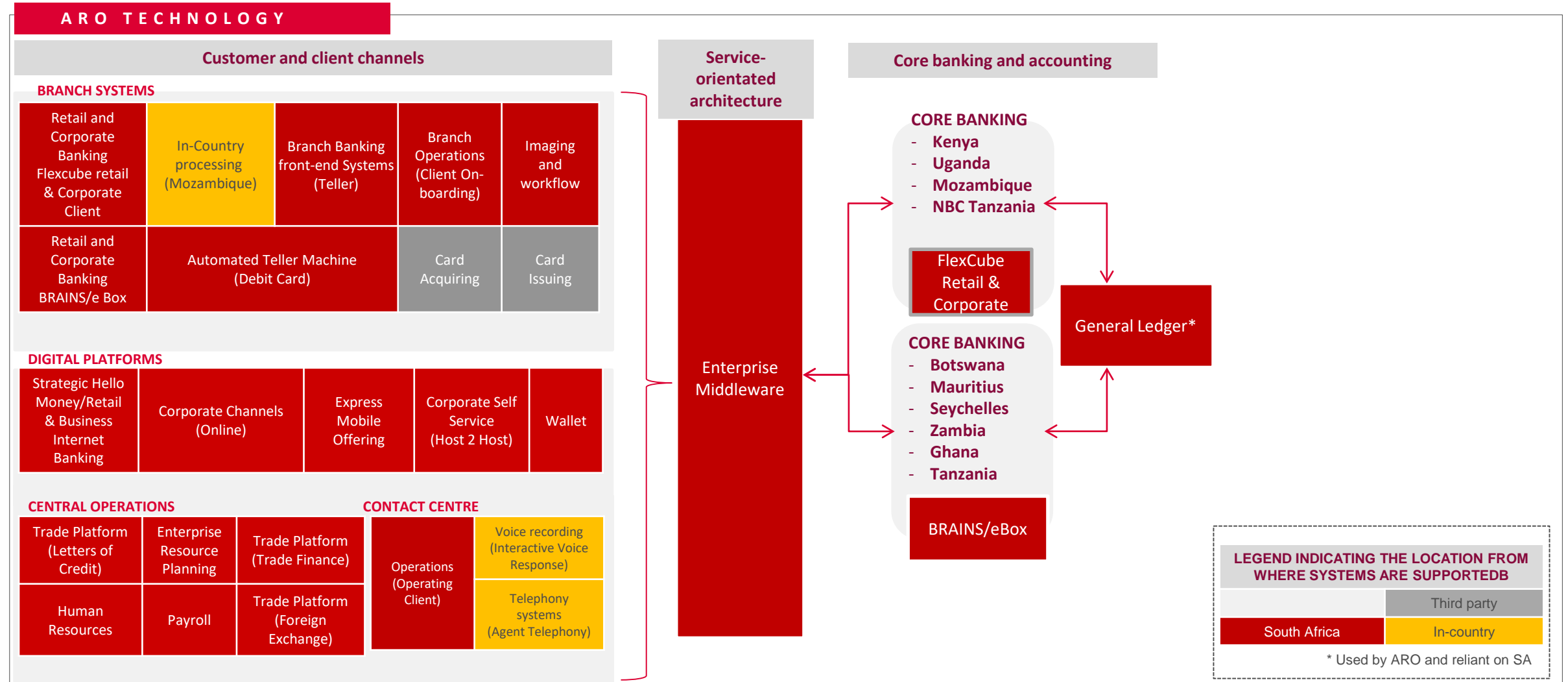
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Africa Regional Operations future state

We will transition to future state incrementally by building and testing new functionalities while decommissioning the old components.

Important: This decommissioning process will only be initiated after separation is complete.

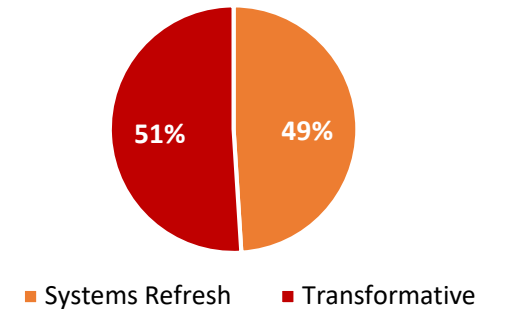


TECHNOLOGY VIEW: Absa Regional Operations only

A combination of solutions improve competitiveness and strategic alignment

Approximately half of the BoW is considered new or transformative in nature, or a hybrid of refreshed systems with transformative elements

All solution combinations delivered by Separation are designed to leave the bank in a better place



Key digital initiatives

Refreshed Systems - projects resulting an improved functionality in services, processes or infrastructure

- **Pan-Africa payments** migration into a consolidated offering.
- **Enterprise middleware** application migration, including an update to the technology stack available to reduce overall maintenance and support cost.
- **Core banking** suite of applications replacement.

Transformative/Hybrid – new/modern functionality or significantly improved services/functionality resulting in efficiencies/revenue uplift

- **Legacy channels** replacement to create a simpler client experience with fewer online channels.
- **Core financial crime systems** replacement to implement a customer risk profiling, customer screening, anti-money laundering transaction monitoring, alert and case management, list management as well as social network analysis.
- **Human capital management system** (Programme EDGE) migration delivering a unified solution across the Group.

Conclusion

Paul O'Flaherty

(03)

Separation is still expected to be capital and cash flow neutral

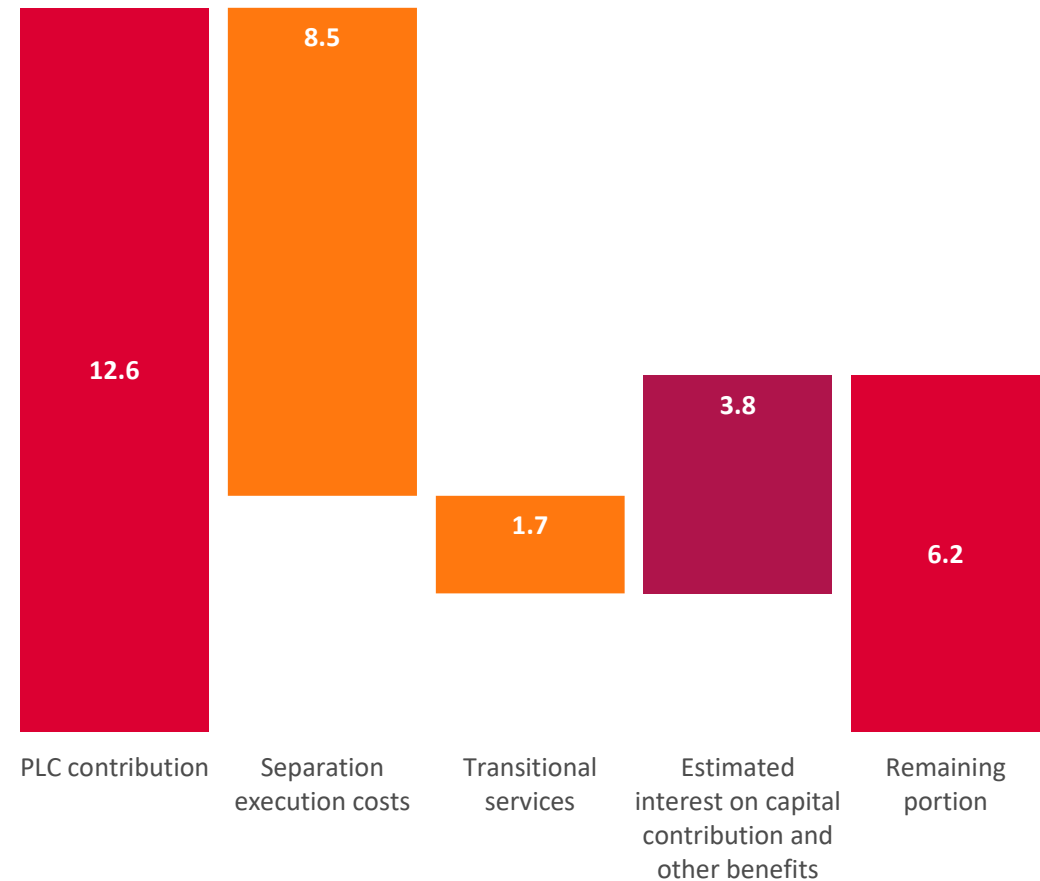
Spend to date

- Project spend on execution and programme support as at April 2019 is R8.5bn.
- Spend is mainly attributable to:
 - Group systems rebuild
 - Technology infrastructure replacement
 - Removing 'Member of Barclays' in SA and holding company name change
- A contingency has been created within the funding received to mitigate any potential overruns.

Profit and loss impact & Intangible assets

- Intangible assets and cash spend are highest in 2019 when Separation is at its peak.
- Expected cash spend reduces significantly in 2020 as the Separation Programme comes to an end.
- The Separation impact on Profit and Loss reduces over time as the asset book value winds down and services are localised.

Separation spend and remaining contribution – 30 April 2019 (Rbn)



Leveraging the Separation legacy to deliver on strategic intent



People

- Specialist resources and skills
- Senior Management focus on utilising capabilities learnt to execute on strategic change initiatives



Infrastructure

- Upgraded and updated via accelerated refresh
- Platform to land new systems deliver on digitisation strategy for the bank



Systems

- Robust, modernised and enhanced systems and infrastructure using combination approach



Processes

- Automated and enhanced processes to enable digital strategy
- Improving resilience through significant refresh, upgrade and replacement of targeted systems and infrastructure



Brand

- Reinvigorated brand in South Africa and a rebranding of Africa Regional Operations
- Uniting all operations under one Absa brand

Separation programme legacy

Robust group change function

- Group change governance capability for a digitally-led bank to:
 - Enhance and sustain productivity gains
 - Embed quality gains and create efficiencies
 - Accelerate speed to market delivery
 - Embed customer-centric focus in book of work build
- Align change governance approach with new ways of working in change function execution.

Key Portfolio Management competencies post Separation



