

INFORMATION TECHNOLOGY REPORT

THE 2014 FINANCIAL YEAR SAW AN INTENSIFICATION OF EFFORTS ACROSS VARIOUS FRONTS TO ADDRESS TARGETED STRATEGIC OBJECTIVES

These were designed to increase profitability, reduce costs, improve efficiencies, enhance technologies and effectively improve customer service, whilst also taking cognisance of operational, risk and regulatory demands.

The bank undertook various projects, inclusive of 'Project One,' which set-out to enhance existing systems, introduce new functionalities - where appropriate - and re-engineer business processes by utilising information technology as an enabler. The aptly named 'Project One' embodies the principles of one-time data capture, a single data source, getting it right the first time and requesting information only once. These principles are envisaged to contribute to the key business drivers of improving operational efficiencies, promoting customer service excellence - both internally and externally - as well as reducing the bank's cost-to-income ratio.

Progressive efforts in respect of 'Project One' have been segmented across critical business areas. Efforts include a focus on the implementation and automation of guarantees, automation of budgeting systems, development of invoicing systems, implementation of supplementary and enhanced management reporting, automated report scheduling systems, improved watch-list checking systems, emailing of trade statements and integrated customer capturing between the core and electronic banking systems.

With a number of the sub-projects having been completed, all remaining projects within this phase are at an advanced stage, with completion targeted for early 2015. The focus for the ensuing period will be on closing-off the foregoing projects and commencing with the second phase, which includes a new customer on-boarding system to address branch operational efficiencies, credit application system integration and documentary enhancements, as well as the automation of insurance recording, amongst other components. In enhancing its corporate portfolio, whilst promoting non-funding income generation, the bank is designing a new product to facilitate Forward Exchange Cover (FEC) as an extension of our foreign trade instruments. The latter will enable clients to minimise currency risk by purchasing forward cover from the bank with repayment occurring on either a spot or deferred basis. The project is at an advanced stage, with final configurations to address business requirements to be followed by acceptance testing in readiness for controlled 'go live' deployment during 2015. Also planned is the implementation of system functionalities to cater for exports, positioning the bank to attract a broader range of corporate customers.

With regard to the IT risk environment, strategic focus areas have included the hardening of the existing information systems environment, the enhancement of security programmes and the refinement of disaster recovery and business continuity plans, whilst simultaneously promoting organisational effectiveness through the re-inforcement of corporate governance principles in line with best practice and governance frameworks. Of the more prominent areas within the various categories of risk is that associated with information and information systems - a common threat faced by organisations globally. In this regard, the bank has introduced various safeguards, such as Distributed Denial-of-Service (DDoS) protection, Mobile Device Management systems and Endpoint Compliance systems, amongst other security safeguards in order to mitigate such risks. Moreover, the bank has also implemented Integrated Voice Recording (IVR) systems at all its branches and head office-based service divisions with a view to protecting

the interests of customers, employees and the bank, whilst also affording the bank the ability to enhance its customer service quality controls. Notwithstanding the foregoing, as the complexities and sophistication of threats evolve in a constantly changing environment, equally complex and sophisticated counter-measures and strategies will become necessary to regularly enhance the bank's cyber-security programmes, with the latter having been incorporated into targeted objectives for the future. Al Baraka Bank disaster recovery systems and business continuity plans include the recovery of systems at an off-site location in the event of a major disaster which could result in inaccessibility to or the complete loss of critical systems. The bank has access to three fully-equipped disaster recovery centres, hosted at strategic locations around the country, with two additional data centres, should circumstances warrant, for essential staff to continue critical business operations following a disaster event.

A series of tests are conducted regularly across the primary locations to refine the bank's ability to recover critical systems in the shortest possible time. Whilst the current arrangement is adequate for the short-term needs of the bank and its stakeholders, we recognise the value of enhancing continuity and recovery programmes for more real-time sustainability of critical systems and operations. The bank has, accordingly explored suitable high-availability solutions to address real-time redundancy of critical systems, whilst enabling our company to strategically target longer-term objectives in being able to operate our own disaster recovery centre. Planned implementation, following management's due diligence of the proposed solution, is envisaged to commence during the latter part of 2015 under a phased approach and, given inherent network connectivity and security considerations, associated upgrades of data lines and security appliances have been factored in, along with the core high-availability systems requirements.

Insofar as ongoing regulatory and compliance obligations are concerned, a number of system enhancements were undertaken to address bank reporting requirements, including bi-annual IT3 submissions to SARS; SARBDEX II, Basel III and FINSURV reporting to the South African Reserve Bank. Furthermore, existing systems and processes were enhanced to address the Foreign Accounts Tax Collection Act, amongst other compliance-based needs. In this regard, concentrated efforts are to be targeted during the ensuing period in anticipation of relevant reporting expectations for 2015 and beyond. The bank has also taken cognisance of the Protection of Personal Information Act, with targeted efforts initiated to unpack and analyse requirements in readiness for compliance thereof. In addition, the Financial Intelligence Centre has shared its plans to upgrade its reporting systems during 2015 and in this regard the bank has commenced mobilising its resources to address the same.

The general outlook for the period ahead is encouragingly optimistic, with a vibrant undertone in the pursuit of organisational efficiencies, customer service excellence, the management of expenses and an increase in profitability, whilst not losing sight of risk, regulatory and governance needs. In pursuit of the need to underpin strategies through targeted and measurable objectives, due consideration will be given to the adoption of matured technologies which are recognised as effective contributors to business, as well as to the renewal and enhancement of existing technologies where opportunities exist and supporting conditions prevail.