

A Case Study on

# Nedbank's Digital Transformation Journey

Digitizing for growth and customer satisfaction.

Frank Schwab, October 2024

## Executive Summary

Nedbank has been a leader in the South African banking sector for over a century, and it has consistently adapted to the changing landscape of the industry. In 2023, Nedbank was the fourth largest bank in South Africa, with total assets of USD 73.5 billion, and it had 7.3 million clients. The bank has been on a digital transformation journey since 2010, and it has invested heavily in technology to improve its customer experience and operational efficiency.

Nedbank's digital strategy is based on the principle of "Digital when you want it; human when you need it." This approach allows customers to choose how they want to interact with the bank, whether it is through digital channels or in person. Nedbank has seen significant growth in its digital customer base and transaction volumes in recent years. In 2023, the bank had 2.9 million digitally active clients, and this number has been increasing by about 11% year over year. The bank's Money app has been particularly successful, with over 2.3 million active users in 2023, up 16% from 2022. In 2023, Money app transaction volumes increased by 18% year over year and by 315% since 2019.

Overall, digital transactions across all channels were up 12% year over year and 98% since 2019. The increased use of digital channels has allowed Nedbank to reduce its reliance on traditional brick-and-mortar branches. The bank has reduced its branch network from 613 branches in 2017 to 547 branches in 2023. This has resulted in cost savings, which have been partially offset by investments in technology and skills development.

Nedbank is committed to using technology to improve its customer experience and operational efficiency. The bank is also exploring new ways to use technology to create new revenue streams and improve its risk management capabilities. Nedbank's digital transformation journey is ongoing, and the bank is well-positioned to continue to lead the way in the South African banking sector.

Nedbank has also achieved a number of other notable accomplishments in recent years. For example, in 2023, the bank was ranked #1 in customer satisfaction by Consulta, a leading South African research firm. The bank has also been recognized for its commitment to sustainability, and it was named the "Most Sustainable Bank in South Africa" by the World Finance Banking Awards in 2022.

Looking ahead, Nedbank is focused on continuing to grow its digital capabilities and expanding its reach into new markets. The bank is also committed to playing a leading role in the transition to a low-carbon economy. Nedbank is well-positioned for continued success in the years to come.

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## Banking in South Africa – A Perspective

### *The Central Bank*

Banking in South Africa is monitored and regulated by the South African Reserve Bank (SARB), which was set up in 1921 and is the oldest Central Bank in Africa. As specified by the Constitution and the National Government,<sup>1</sup> “the primary purpose of the Bank is to achieve and maintain price stability in the interest of balanced and sustainable economic growth. Together with other institutions, it also plays a pivotal role in ensuring financial stability.”

SARB’s key functions<sup>2</sup> are:

- formulating and implementing monetary policy;
- promoting financial stability;
- regulating and supervising the banking and insurance industry through the Prudential Authority;
- issuing banknotes and coins;
- managing the official gold and foreign-exchange (FX) reserves of the country;
- undertaking data analysis and research;
- ensuring the effective functioning of the National Payment System;
- administering the country's remaining exchange controls;
- and acting as banker to government.

### *History and Growth*

The early history of banking in South Africa was influenced by European settlers, mainly the Dutch and the British with Lombaard Bank being the first commercial bank to be established in 1837, in Cape Town. Developments in banking, to a great extent, have mirrored the broader socio-economic developments in society.

According to the South Africa edition of the Country Studies<sup>3</sup> collection of the US Library of Congress, published in 1996, the “private banking sector was controlled by commercial banks until the 1950s when banking services began to diversify. Until then, commercial banks had avoided services such as personal loans, property leasing, and credit-card facilities. New institutions--including discount houses, merchant banks, and general banks--emerged to meet this demand, and in reaction to these changes in the banking sector, commercial banks increasingly entered into medium-term credit

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<sup>1</sup> <https://nationalgovernment.co.za/units/view/179/south-african-reserve-bank-sarb>

<sup>2</sup> <https://www.resbank.co.za/en/home>

<sup>3</sup> <https://countrystudies.us/south-africa/70.htm>

arrangements with commerce and industry and acquired interests in hire-purchase firms and leasing activities.

During the late 1980s, the "big five" commercial banks--First National Bank (formerly Barclays), Standard Bank of South Africa, Nedbank, Volkskas, and Trust Bank--were increasingly challenged by building societies...The Deposit Taking Institutions Act of 1991 formalized the overlapping of functions between the banks and the building societies that had existed for more than a decade. The act brought South Africa into line with internationally recognized standards for capital requirements.

In February 1991, four of the country's leading financial institutions--Allied Bank, United Bank, Volkskas, and Sage Banks--merged to create the largest banking group in the country, the Amalgamated Banks of South Africa (ABSA), with assets of R56 billion.”

The post-apartheid era has witnessed significant efforts by the democratic government to promote financial inclusion and promote Black Economic Empowerment (BEE).

The current century has seen South African banking align with global banking practices, a significant part of which has been the introduction of technology.

The market is oligopolistic and continues to be dominated by a few major banks like Standard Bank, First National Bank (FNB), Nedbank, Investec, and Absa. However, new entrants and fintech companies are increasingly influencing the landscape.

### *Competitive landscape in banking in South Africa and Nedbank's standing*

South Africa's major banks registered resilient growth against difficult operating conditions and a complex macroeconomic environment.

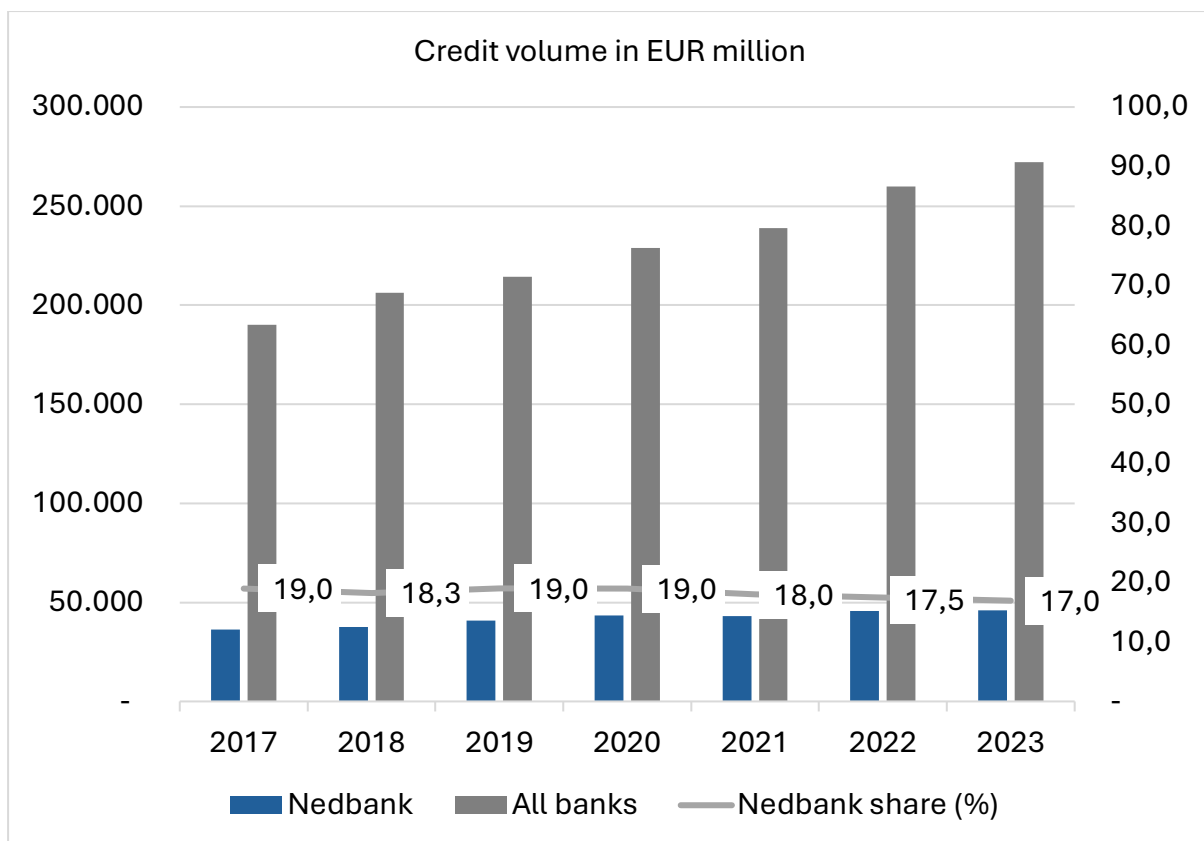
According to BusinessTech,<sup>4</sup> in March 2020, the five big banks, Standard Bank, First National Bank (FNB), Nedbank, Investec, and Absa, together accounted for nearly 90% of the assets of the industry in South Africa.

Data reported by Nedbank and SARB supports the above contention, at least with respect to Nedbank's contribution, which is roughly 15 to 20% of the industry volume in both gross credit outstanding as well as total deposits.

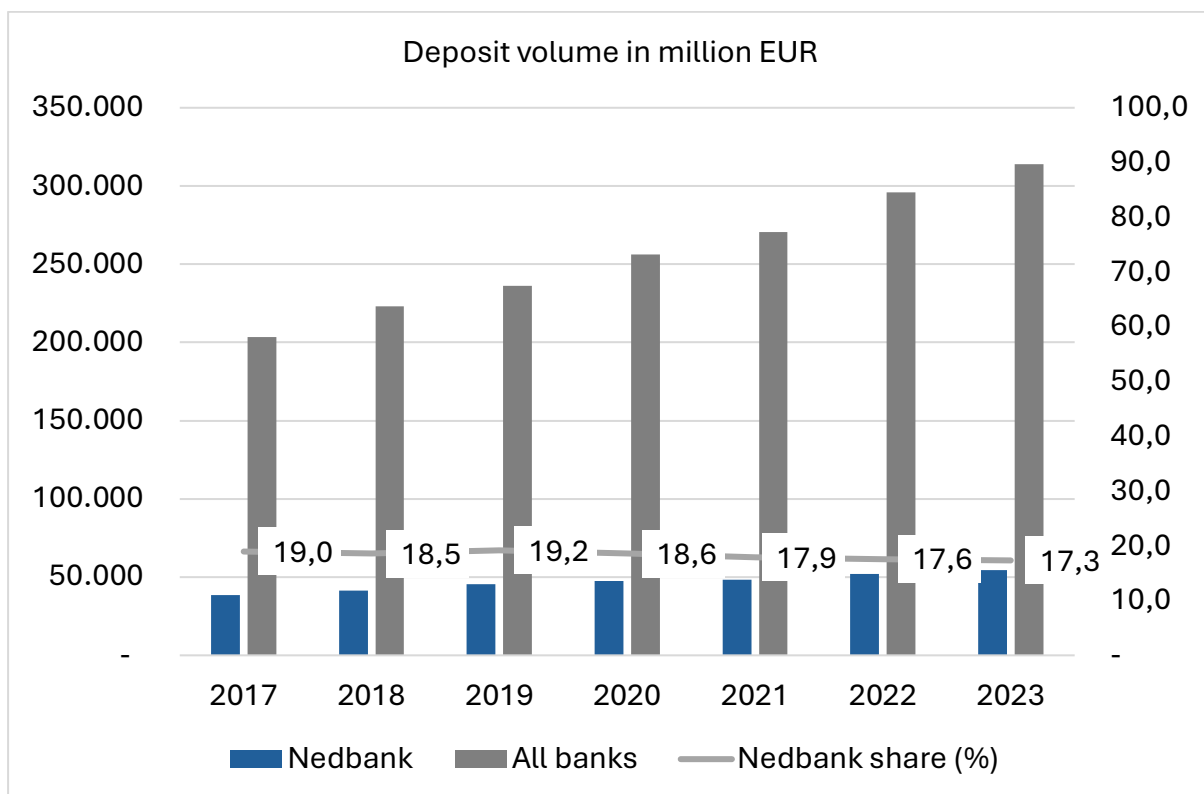
Over the last seven years, Nedbank has consistently contributed over 15% to the total credit volume of the industry in South Africa.

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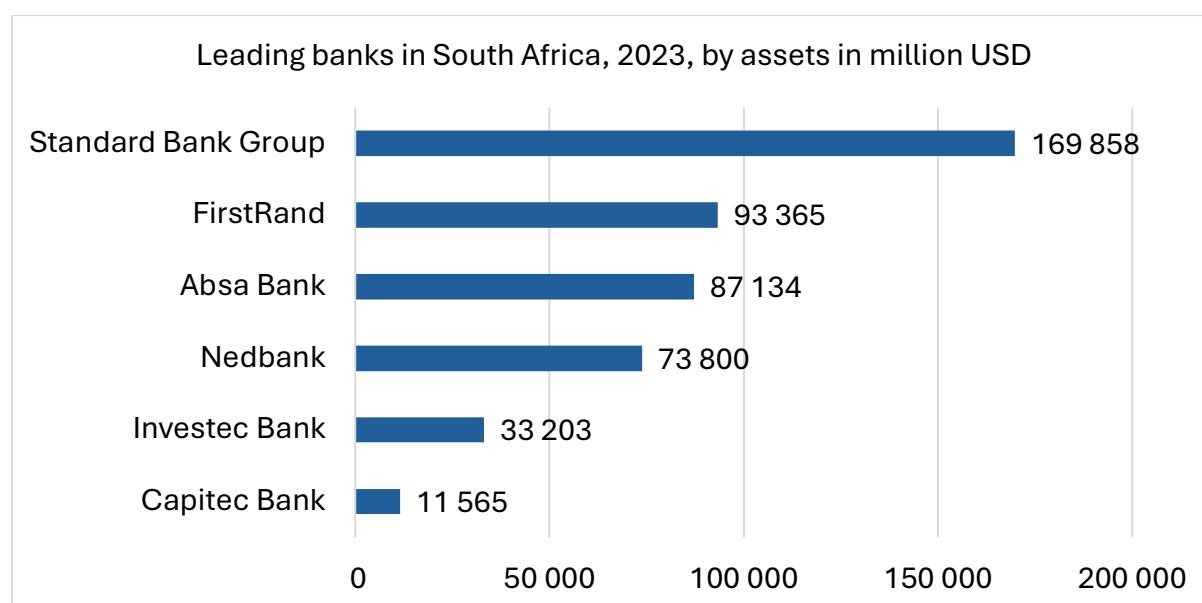
<sup>4</sup> <https://businesstech.co.za/news/banking/416057/south-africas-banking-sector-is-dominated-by-5-names-who-control-almost-90-of-all-assets/>



A similar trend is visible in Total Deposits. Nedbank has consistently exceeded 15% of the total deposits of the industry over the last seven years.



A recent Statista report<sup>5</sup>, based on assets, demonstrates a similar picture.



Consulting firm PwC produced a report<sup>6</sup> earlier this year titled “South Africa – Major Banks Analysis for reporting period ended 31<sup>st</sup> December 2023” covering the four top banks, viz. Absa, FirstRand, Nedbank and Standard Bank. Key data points (in R millions, as at the end of 2023) captured by them are presented in the table below:

R million	Absa	FirstRand	Nedbank	Standard Bank
Gross loans and advances	1,320,923	1,654,812	921,221	1,671,943
Total deposits	1,339,536	197,8278	1,067,645	2,025,518
Loan to deposit ratio	96.60 %	83.60%	84.70%	82.50%
Operating income	104,530	136,686	69,179	155,184
Headline earnings	20,926	37,803	15,650	38,842
CET1	12.50%	13.30%	13.50%	13.70%

Their observations in summary:

- The combination of larger balance sheets, higher interest rates, strong levels of customer activity and higher transaction volumes underpinned robust revenue growth.
- Financial market volatility increased on the back of elevated sovereign risks, significant movements in African currencies and severe geopolitical tensions.
- Balance sheet growth — across both loans and deposits — continued on a purposeful path to record levels, reflecting the many strategic efforts and product

<sup>5</sup> <https://www.statista.com/statistics/1346961/leading-banks-in-south-africa-by-assets/>

<sup>6</sup> <https://www.pwc.co.za/en/publications/major-banks-analysis.html>

decisions by management teams to offer customers convenience and competitive pricing.

- The major banks' key balance sheet metrics remained resilient.
- Risk costs in the form of credit impairment charges increased.
- The benefits of geographic diversity continued to benefit the major banks through their operations on the continent.
- In a year of elevated inflationary pressures, a disciplined approach to cost control translated into a new record for the combined cost-to-income ratio of 52.2% (FY22: 53%).
- Emerging and rapidly advancing factors such as generative AI, climate change and complex socio-economic and geopolitical trends all continue to exercise the minds of bank management teams.
- The outlook for 2024 is uncertain and complex.



## Nedbank in a Nutshell

Nedbank Group Ltd., incorporated in the Republic of South Africa, is one of the four largest banks in South Africa and the holding company of Nedbank Ltd., its principal banking subsidiary which provides banking and financial services.

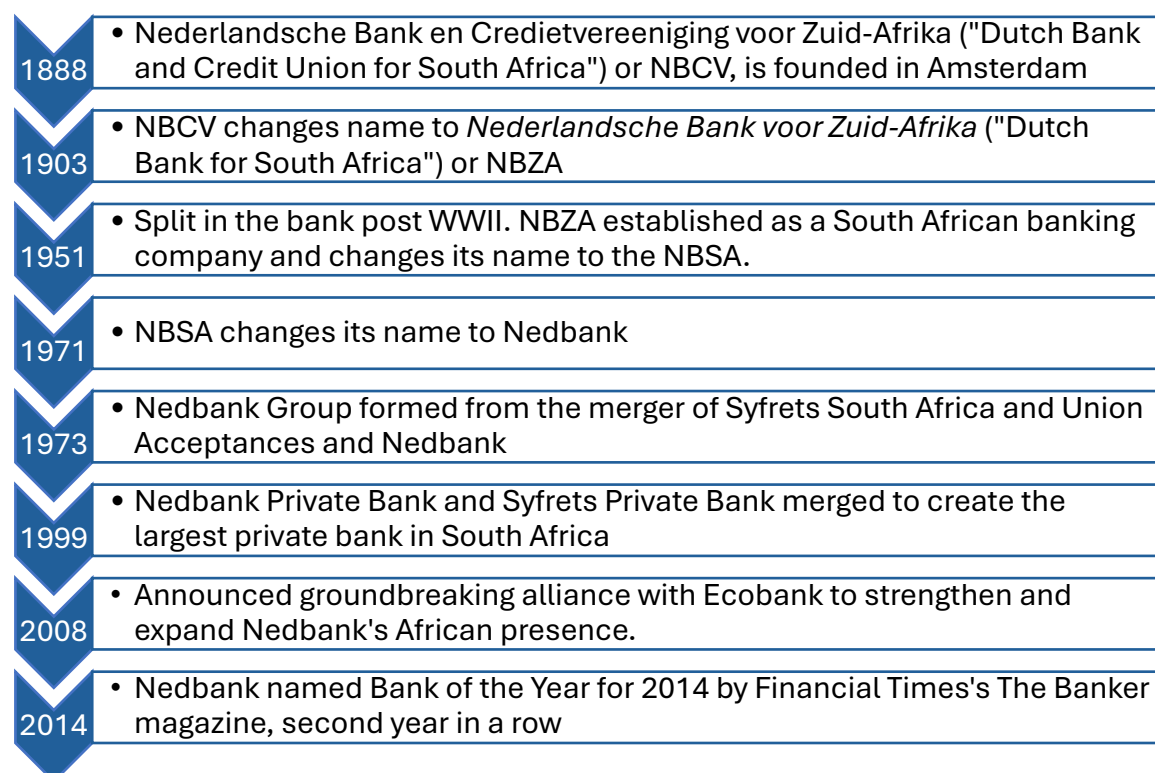
Total assets	USD 73.5 billion
AUM	USD 25.4 billion
Earnings	USD 890 million
Branches	626
ATMs	4 398
Clients	7.3 million
Digitally active clients	2.9 million

Key facts about Nedbank Group<sup>7</sup> at 31 December 2023:

## Key events from its history

Nedbank lists the establishment of the Cape of Good Hope Bank in 1831 as the first significant milestone leading up to the present version of Nedbank. It has gone through a series of amalgamations, demergers and name-changes in its history, the earliest strand of which is traced back to 1831.

A few significant milestones from its history:



<sup>7</sup> <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/about-nedbank-group/Group-overview.html>

### *Primacy of the environment and interdependence*

Nedbank recognizes that it operates in a nested and interdependent system. One of the key dependencies for a successful business is a healthy environment. During 2023, it has strived to play a key role in driving sustainable economic development for the benefit of all stakeholders.

The following governance and risk-related initiatives were implemented:

- The Group Climate Resilience Committee was renamed as the Group Sustainability and Climate Resilience Committee (GSCRC). Its mandate will expand to reflect broader sustainability and ESG considerations, including oversight of environmental and social risks and opportunities beyond and in addition to climate risks and opportunities, referencing international standards, including the International Financial Reporting Standards (IFRS) S1 and S2 and the Taskforce on Nature-related Disclosures (TNFD).
- The ESG Risk Management Framework was approved in 2023, focusing on a broad range of ESG risks and factors faced by the group and its counterparties, as well as on setting the principles for the implementation of sound ESG risk management practices across the group's activities. Embedding ESG risk management into core activities supports the achievement of the group's strategic objectives.
- It initiated a groupwide institutional capacitation program, the Purpose Programme of Work (PPOW), focusing on integrating climate and broader sustainability across the organization, in key areas such as strategy, risk, credit, and governance.

### *Performance track record*

The trailing 7-year period presents the picture of a business that has demonstrated consistent, and generally improving, performance, in terms of business volumes.

Year	2017	2018	2019	2020	2021	2022	2023
Retail main-banked clients in '000	2,783	2,976	2,945	3,017	3,052	3,245	3,529
Balance sheet size in million EUR	49,226	52,260	57,238	61,313	60,817	62,722	65,651
Credit volume in million EUR	36,161	37,636	40,769	43,459	42,922	45,525	46,118

Deposit volume in million EUR	38,627	41,341	45,275	47,575	48,456	52,045	54,450
Digital transactions – million		52	58	68	87	103	116
Nedbank share (%) in total credit of industry	19.01	18.26	19.01	18.98	17.97	17.51	16.95
Nedbank share (%) in total deposits of industry	19.00	18.55	19.17	18.57	17.92	17.58	17.33
Credit loss ratio %	0.49	0.53	0.79	1.61	0.83	0.89	1.09

#### Takeaways

- + Steady growth in credit volumes YoY
- + Steady growth in deposit volumes YoY
- + Steady growth in customer numbers YoY
- Losing market share in credit volume
- Losing market share in deposit volume
- YoY rise in CLR

At the same time, Nedbank has been successful in reducing many of the infrastructure elements that support business growth.

Year	2017	2018	2019	2020	2021	2022	2023
Branches (Number)	613	604	589	549	538	545	547
Branch floor space in '000 square m		212	204	190	182	164	137
Employees – Number	31,531	30,877	29,213	28,271	26,861	25,924	25,477
Digital transactions increase/decrease in % YoY			11.54	17.24	27.94	18.39	12.62

This has resulted in an ability to push their Cost-Income ratio down and do more with less, the time-tested business principle.

	2017	2018	2019	2020	2021	2022	2023
CIR in %	58.6	57.2	56.5	58.1	57.8	55.8	53.9
Customers per employee	88.26	96.38	100.81	106.72	113.62	125.17	138.52
Balance Sheet size/ Assets per employee - EUR '000	1,561	1,692	1,959	2,168	2,264	2,419	2,576
Loans per employee - EUR '000	1,147	1,219	1,396	1,537	1,598	1,756	1,810
Deposits per employee - EUR '000	1,225	1,338	1,550	1,683	1,804	2,008	2,137

Which has enabled them to continue delivering good bottom-line results, year after year, along with maintaining prudent capital adequacy requirements.

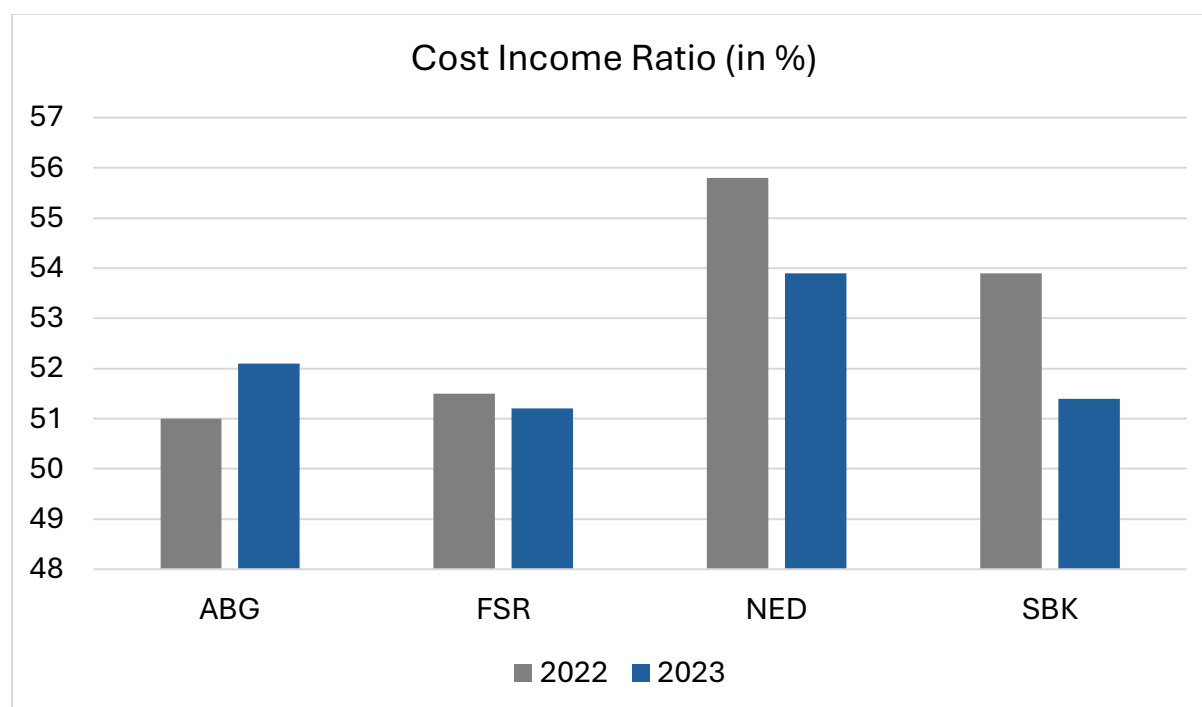
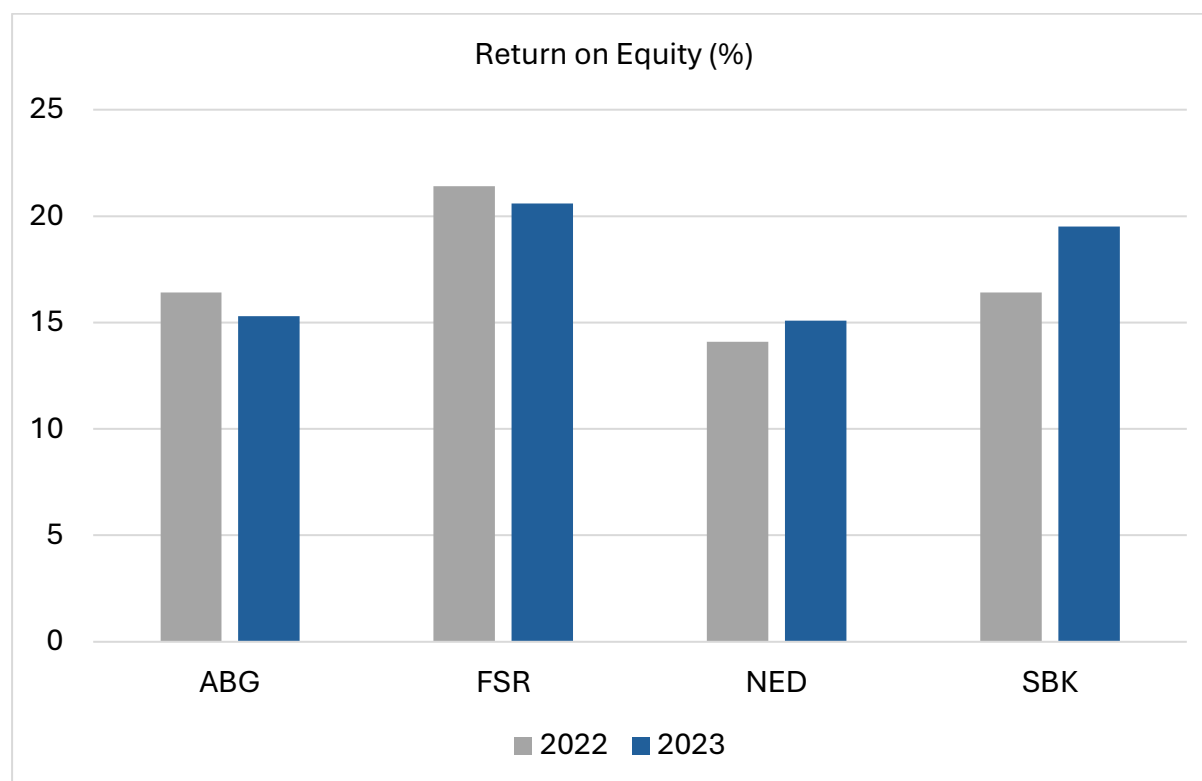
	2017	2018	2019	2020	2021	2022	2023
Profit after tax in million EUR	615.7	707.6	641.3	222.9	620.1	772.4	851.0
Capital adequacy ratio – Total	15.5	14.8	15.0	14.9	17.2	18.1	16.9
Profit per employee - EUR '000	19.53	22.92	21.95	7.89	23.09	29.80	33.40
Operating income per employee - EUR '000	76.79	82.85	85.76	72.79	95.02	106.33	117.04

#### Takeaways

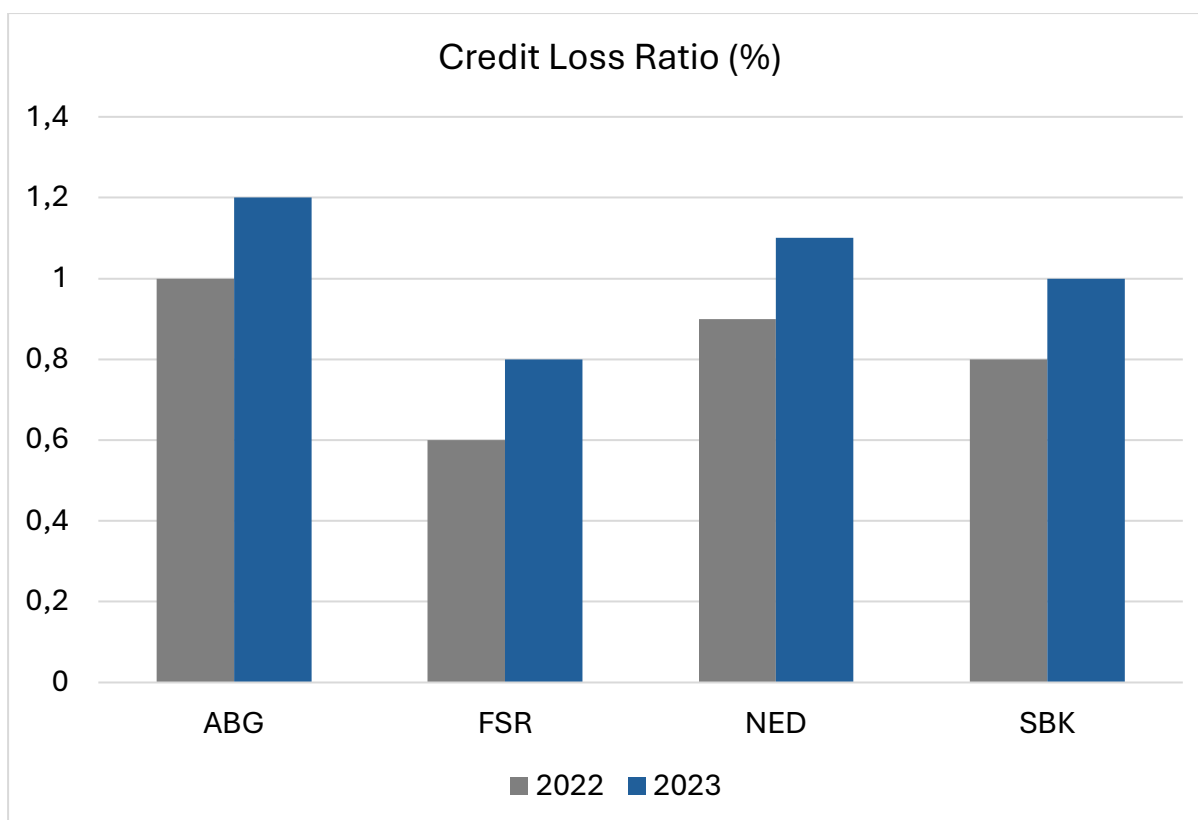
- + Investments in technology are paying off; most efficiency metrics are improving
- + Steady reduction in branch numbers and branch floor space
- + Steady reduction in number of employees
- + YoY growth in digital transactions, and consequent reduction in counter transactions
- + YoY reduction in Cost Income ration
- + YoY increase in customers per employee, Deposit and Loan volumes per employee, and Operating Income per employee
- + Profits continue to improve once again, after a dip in 2020

### *Performance benchmarking against competitors*

Key performance ratios for the two most recent years based on the PwC report<sup>8</sup> referenced earlier:



<sup>8</sup> <https://www.pwc.co.za/en/assets/pdf/sa-major-bank-analysis-march-2024.pdf>



#### Takeaways

- Delivering lowest RoE in the group
- Highest CIR in the group
- ± Middle of the pack in CLR; also reflects group trend of increasing CLR

### *Nedbank's portfolio of businesses and products*

Nedbank offers a wide range of wholesale and retail banking services. In addition, it has a growing insurance, asset management and wealth management portfolio.

Nedbank's offerings are divided into four clusters<sup>9</sup>.

#### **Corporate and Investment Banking (CIB)**

The Corporate and Investment Banking division of Nedbank provides transactional, corporate and investment banking services to local and global markets. It caters to leading corporations, financial institutions, state-owned entities and governments across Africa.

<sup>9</sup> [https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2024/2023%20Nedbank%20Group%20Integrated%20Report\\_.pdf](https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2024/2023%20Nedbank%20Group%20Integrated%20Report_.pdf)

CIB is a strategic financial partner focused on helping our clients realize their business vision and expand their opportunities through tailored financial solutions built on fresh thinking, innovation and a highly-integrated partnership approach.

Highlights:

- “Market leader with strong expertise in commercial-property, corporate advances and renewable energy financing.
- Strong South African trading franchise with excellent trading capabilities across all asset classes.
- Leading expertise across various sectors such as mining, infrastructure financing, telecoms and public sectors.
- Leading expertise across various sectors such as mining, infrastructure financing, telecoms and public sectors”

Nedbank’s belief in sustainability and awareness of its relevance for its corporate clients, guides its strategy and actions towards the delivery of long-term value for clients and stakeholders.”

### Retail and Business Banking

#### *Retail Banking*

Caters to the saving, investment, and borrowing needs of individuals, as well as their needs for insurance. Personal banking offers a wide variety of accounts through which individuals can save, transact and invest money. It also offers various types of financing solutions, including credit cards, home loans and car loans.

#### *Business Banking*

Business banking serves the needs of businesses, from startups to big businesses. It offers:

##### Small Business Services

This is suitable for businesses with an annual turnover of up to R30 million and gives them access to over 500 small business bankers in over 200 locations. Services include:

- A choice of digital channels to manage your personal and business finances securely.
- Tailored credit and preferential investment rates.
- Insights, tools and services to help you grow your business.

##### Commercial Banking

This is targeted at medium, large and mid-corporate businesses with annual turnovers between R30 million and R2,5 billion. Through a dedicated banking relationship, it offers:

- A full range of innovative and sophisticated commercial banking solutions.

- Access to Nedbank's world-class digital platform to perform transactions securely, safely and efficiently.
- Customized financing, international trade support and business insurance solutions.

#### *Highlights*

- Leading digital capabilities.
- #1 bank in client satisfaction metrics.
- Differentiated and disruptive client value propositions (CVPs) across different client segments.
- Leader in card-acquiring and vehicle finance.
- Highly competitive franchises in relationship banking, small-business services and commercial banking.
- Digitally enabled and reimagined distribution network.

#### **Wealth**

Caters to:

##### *Private Banking*

Private Banking provides a richer and personalized banking experience. It is suitable for individuals who earn a yearly income R750,000 or more. However, anyone can join. You get lifestyle perquisites, a service desk that operates 24x7, preferential rates, personalized advice through an assigned relationship manager, and family banking benefits, among others.

##### *Wealth Management (or Private Wealth)*

Through our professional, objective and globally integrated advice, we connect you to the solutions, services and expertise that you need to make the most of your money and achieve your definition of success. Customers get access to a bouquet of global wealth management solutions. Nedbank Private Wealth is suited for individuals with an annual income of more than R2 million or those who have R5 million in investable assets.

#### *Highlights*

Leveraging existing distribution channels and platforms to sell insurance solutions to Nedbank clients.

Top fund managers are contracted through the Best of Breed investment approach. Committed to responsible investing and agreed ESG focus areas.

An award-winning, integrated and holistic advice-led and high-net-worth offering for local and international clients.

#### **Africa regions**

Caters to individual clients, small and medium enterprises, and business and corporate clients in its extended franchise.



### Highlights

- Presence and positioned for growth in 5 SADC countries with technology investments to enhance CVPs and achieve scale.
- Access to the largest banking network in Africa through our ETI strategic alliance supported by our 20% investment in ETI

### Geographical presence

South Africa	Primary market where Nedbank is one of the four biggest banks
Neighborhood of South Africa	Operations in five countries in Southern African Development Community (SADC), through subsidiaries and banks in Lesotho, Mozambique, Namibia, eSwatini (Swaziland) and Zimbabwe.
Central and West Africa	A strategic alliance with Ecobank Transnational Incorporated (ETI) and representative offices in Angola and Kenya.
Outside Africa	A presence in key global financial centers to provide international financial services for Africa-based multinational and high-net-worth clients, in Guernsey, Isle of Man, Jersey and London, with a representative office in Dubai.

### Digital transformation of banking in South Africa

As with everything else in the world, technology has transformed the way in which banks in South Africa offer their services and how consumers consume them, mirroring a trend that started in the developed world perhaps a decade or two earlier. Digitalization is no longer a choice; it has become a necessity to survive. Core banking systems started gaining traction in South African banking over two decades back and, since then, have witnessed several rounds of upgrades and enhancements, such as mobile applications for on-the-go banking, APIs for customers to integrate with the banking systems and consume information in a manner best suited for them, and the ongoing effort at making generative AI work for them more effectively.

The Fintech revolution has led to the emergence of challenger banks, also called neobanks, in the last few years, with a digital-first, or digital-only presence, have created greater urgency for legacy banks to upgrade. The established 'Big Five' are being pushed to adapt and innovate in the face of these agile, technologically driven competitors. It must be said, however, that the legacy banks have been alive to the challenge and made efforts to change with the times.

The Everything ZA Medium blog<sup>10</sup> articulates the situation thus: “These “digital entrants” are upsetting the traditional banking approach by offering branchless banking with lower fees and user-friendly platforms. They focus on harnessing the power of smartphones and the internet to provide financial services, positioning themselves to cater to a tech-savvy generation and those disillusioned with conventional banking fees and bureaucracy. The evolution of these banks illustrates a significant shift in the South African banking industry, towards a more diverse and competitive market.”

Some of the well-known challenger banks:

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**TymeBank** TYME apparently stands for “take your money anywhere.”

It received permission from SARB to operate as an exclusively online bank in 2017. It was the first banking licence issued by SARB after 1999. It is also the first bank to put its core banking system on the cloud.

Tybank does not have any physical bank branches and relies on an Android banking App and Internet Banking site for customer contact and transactions. It also has a partnership with two retail chains, Pick n Pay and Boxer, which host kiosks which facilitate the account opening process.

Tybank claims<sup>11</sup> to serve over 9 million satisfied customers.

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**Bank Zero** Powerful Banking at Zero cost<sup>12</sup> is Bank Zero’s simple yet memorable tagline.

It offers its services through an App, available for both Android and Apple ecosystems. Its target customers include consumers as well as businesses.

It received a banking licence from SARB in 2018.

It offers insurance on deposits up to R100k. It also offers a wide variety of loans.

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In summary, it must be said that the South African banking sector has seen a significant shift towards digital, with major banks embracing technological innovations to enhance customer experience and streamline operations. Investments in technology and platforms have risen, leading to the creation of efficiencies, allowing major banks to compete with the nimble startups.

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<sup>10</sup> <https://medium.com/@everythingza/capitec-vs-standard-bank-vs-fnb-vs-absa-vs-nedbank-comparing-south-africas-top-banks-13ec6fbcfc2f>

<sup>11</sup> <https://www.tybank.co.za/>

<sup>12</sup> <https://www.bankzero.co.za/>

Mobile technology has seen the greatest change with almost all banks launching user-friendly Apps to enable banking on-the-go for a generation of digital-native customers.

### Digital transformation of Nedbank

The existence of the Group Information Technology Committee (GITCO) reflects the importance Nedbank places on technology and digitalization. The mandate of the committee includes:

- Oversee the execution of the board's approved IT and digital strategy.
- Perform, review and monitor enterprise IT matters to ensure that appropriate frameworks, procedures, structures and governance are in place for the consolidation, monitoring, management and reporting of IT risks and exposures on a group basis (eg. cyberthreats and other regulatory risks).
- Ensure alignment and implementation of a well-coordinated, efficient, effective and properly resourced IT strategy, which enables the organization to remain highly competitive.
- Assume ultimate accountability for the effectiveness of all governance functions pertaining to the group's technology capability, as required by the Banks Act and in support of the requirements of the GAC.

The evolution of the integrated reporting suite, from the 2023 edition<sup>13</sup> of which much of the information in this section has been drawn, reflects the digital maturing of the bank. In its own words it now makes for "an enhanced digital experience and ease of use as our stakeholders now primarily engage with information through digital channels."

The bank classifies technology under Manufactured Capital, one of the forms of capital it considers essential to continued survival and success.

This commitment to technology was also called out by Daniel Mminele, the Chairperson of the Board, in his comments on the 2023 Annual Report: "We continued to focus on maximizing our information technology (IT) investments to enhance digital experiences, drive profitable growth through superior client experiences, and cultivate an outstanding employee experience."

### History

Nedbank has consistently invested in building and upgrading its digital capabilities since 2010. Till the end of 2013, a total of R10,7bn has been invested in the technology platform.

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<sup>13</sup> [https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2024/2023%20Nedbank%20Group%20Integrated%20Report\\_.pdf](https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2024/2023%20Nedbank%20Group%20Integrated%20Report_.pdf)

In 2015, Nedbank started work on building a world-class technology platform that would enable digital leadership capabilities as a foundation for Nedbank's long-term competitiveness in general and in retail banking in particular. This was delivered through an IT build program that was termed the Managed Evolution or ME, which is now 95% complete. The project is on schedule and expected to deliver the final components by the end of 2024. "This places Nedbank in a very strong position to compete effectively with intechs, mobile companies and both new and existing banks and in so doing grow revenues, optimize costs, more easily meet client expectations and accelerate product development into the future, and increasingly leverage our use of data and exciting new technologies such as artificial intelligence (AI) and generative artificial intelligence (GenAI)."

Home loans and vehicle finance are two of the major product categories that are part of the program tail, soon to be completed. Since 2019 personal loans, transactional, overdrafts, credit cards, investments, Forex, stockbroking and insurance products have been digitized.

At the end of 2023, Nedbank could boast of a total of 59 core IT systems and a suite of market-leading digital products, services and CVPs. These systems delivered an uptime of 99,6% in 2023 (2022: 99,3%).

The availability of IT systems improved to 99,5% LA1 (up from 99,3% in 2022). This, along with ongoing digital innovation and enhancements, supports an improved NPS score.

### *Impact on performance*

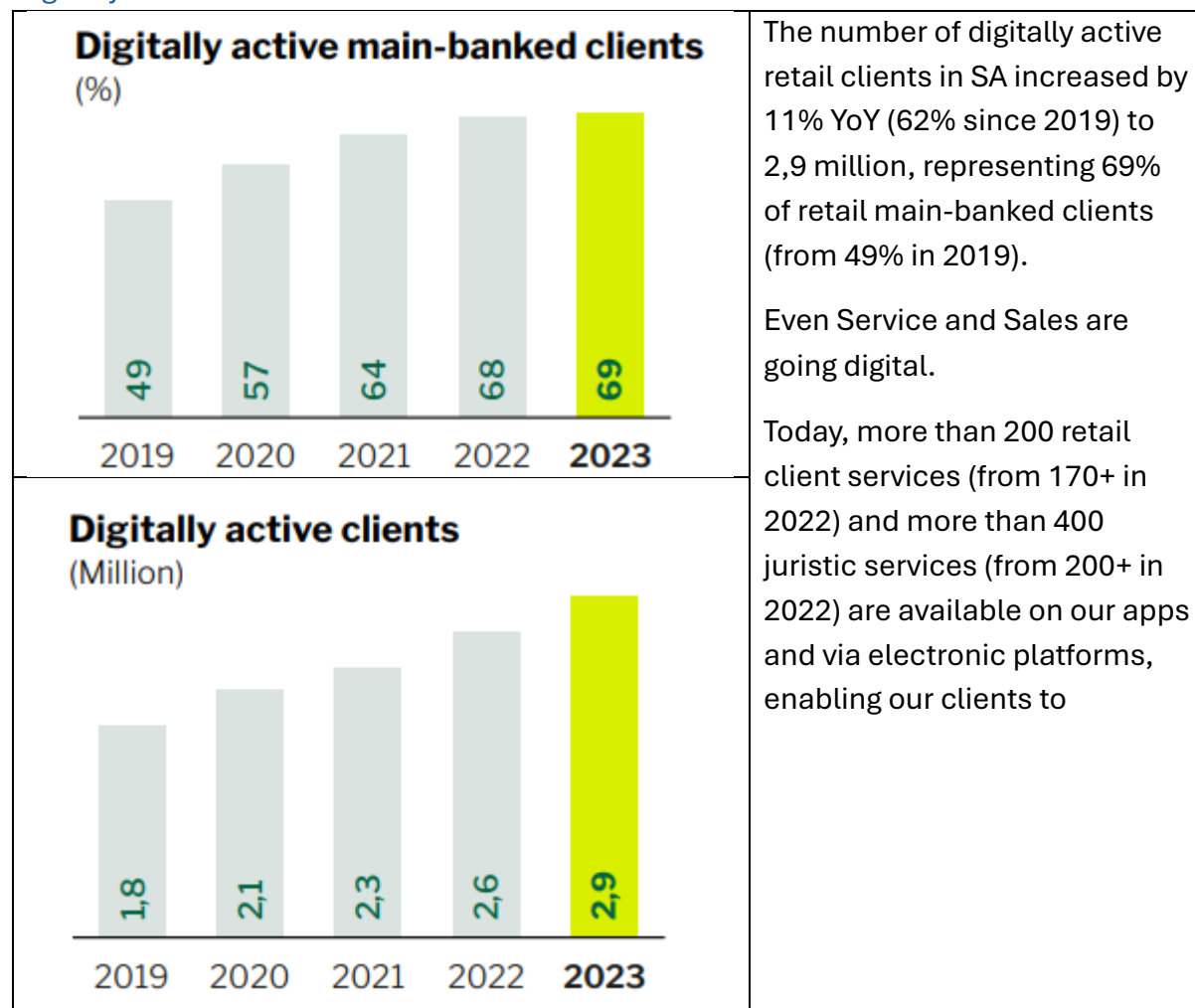
The investments in technology are bearing fruit.

In 2023 the number of client complaints declined by 23% to 70 860 as data and process enhancements contributed to fewer Money app-related complaints and fewer complaints related to deceased estates.

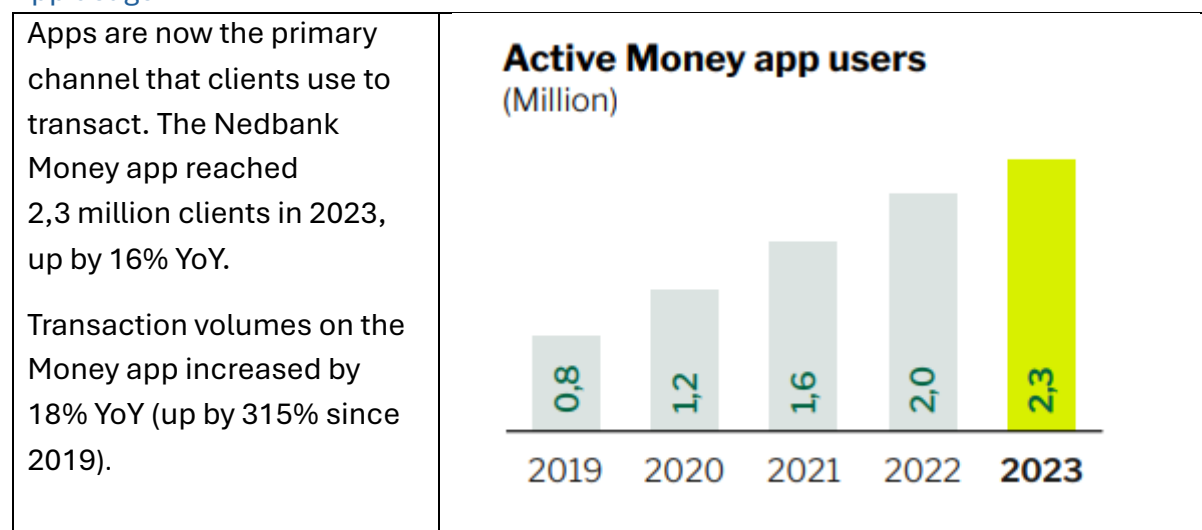
Our apps remain highly rated on the iOs and Android app stores, with lifetime store client ratings for the Nedbank Money, Nedbank Private Wealth and Nedbank Money (Africa) apps achieving scores of 4,3, 4,6 and 3,8 (out of 5) respectively.

Impact on some key areas of performance:

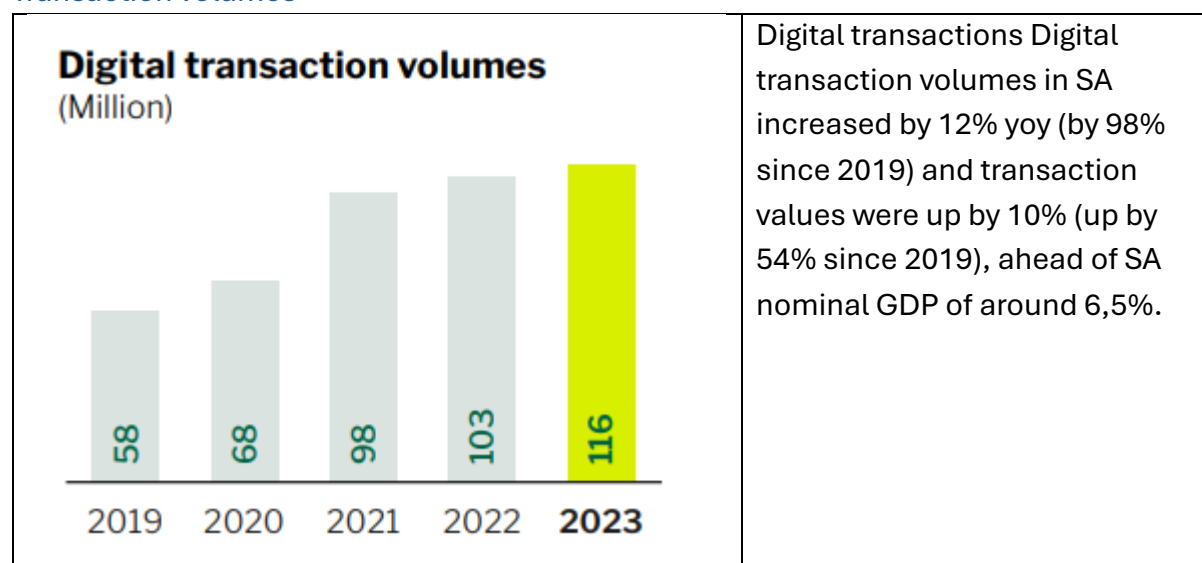
## Digitally active clients



## App usage



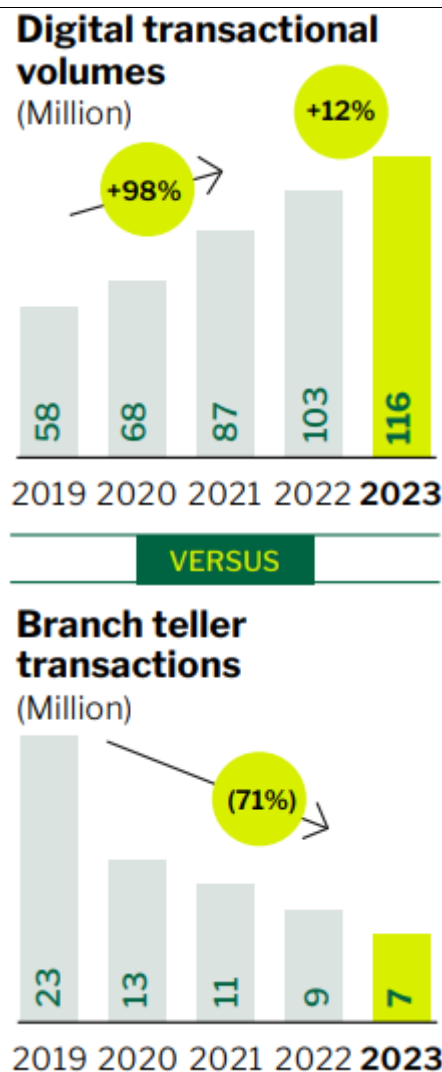
## Transaction volumes



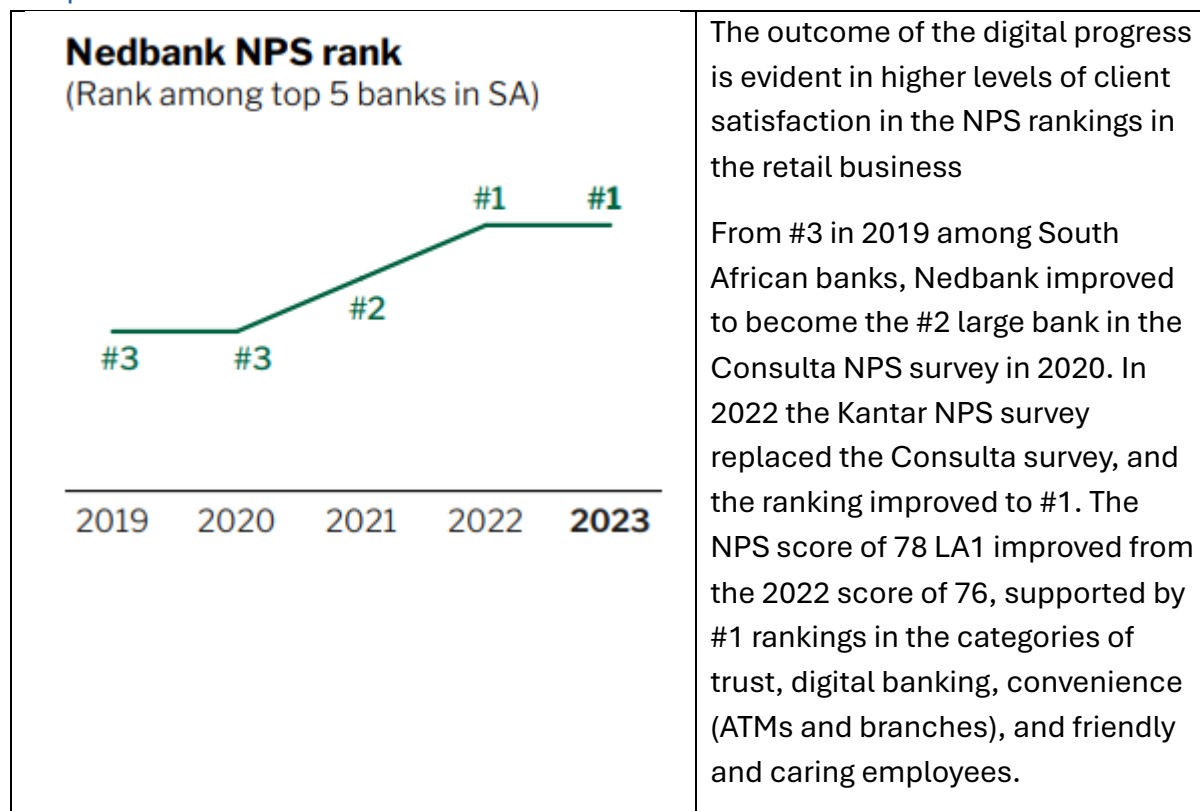
## Shift from traditional to new channels

With the ongoing increase in digital use of financial solutions (manufactured capital), there is a continuous shift from traditional channels and services that involve employees (human capital) towards more digital products, channels and services (manufactured and intellectual capital).

As a result, there is less demand for certain services (eg. teller transactions) and direct human interaction has reduced. A reduction in the number of employees and employee-dependent activities (such as in-branch services) and outlets (predominantly their size) result in cost savings. These cost savings are partially offset by the impact of ongoing IT investments (financial capital), investment in skills appropriate to compete in a more digital world, and increasing fee pressure as clients migrate to more affordable digital solutions.



## Net promoter score



### Takeaways

- + Digitally active clients on the upswing
- + Usage of the ActiveMoney App rising YoY
- + Digital transaction volumes rising while branch teller transaction volumes reducing
- + Nedbank has moved up to occupy the #1 slot in NPS among the Big 5 banks in South Africa

## Digital Strategy

The groupwide approach of 'Digital when you want it; human when you need it' offers clients cutting-edge, fast, safe and convenient digital banking while keeping the option of a human touch accessible. A key objective is to amplify the digital experience (DX) for clients and employees by leveraging and commercializing the IT foundations.

The Imagine branch design focuses on convenience and digital self-service banking, with features like an appointment booking system through the banking app suite. In-branch, clients are presented with 3 distinct service zones, offering self-service options, employee-assisted services, and expert advice. This has unleashed sales productivity. Along with the Everyone Sells Strategy, in-branch sales and service productivity improving by 24% after a 47% increase in 2022.

As the ME programme draws to a close, the focus is shifting towards leveraging the technology investments. The strategy covers the following:

- Leveraging data and GenAI for commercial advantage.
- Optimizing processes end to end.
- Accelerating our cloud migration strategy, with the aim of almost doubling our use of cloud computing and storage from 45% in 2023.
- Converging for scale, including aligning the 3 Nedbank mobile apps and the NAR IT systems to the ME IT stack to further enhance client experiences and efficiencies.
- Protecting against disruption and enabling continued growth through payment modernization.

### *Future direction in digital and Nedbank's preparedness*

Financial services companies continue to embrace and leverage new technologies such as cloud computing, big data, advanced analytics, machine learning, blockchain, AI, robotics, and biometrics in the optimization of legacy IT infrastructure. These technologies assist clients in accessing banking services more efficiently through digital channels, making payments, investing, and managing their finances, while they assist employees to become more efficient and productive.

### *Creation of alternate revenue streams*

As traditional revenue streams come under pressure from increased competition, banks are increasingly looking to unlock new sources of revenue and cross-sell while focusing on acquiring and retaining clients.

Nedbank's Beyond Banking Strategy is to integrate seamlessly, through digital engagement platforms, within selected ecosystems to assist businesses and consumers in acquiring solutions, goods and services.

### *Payment modernization*

The modernization of payment systems will continue cyclically with advances in technology. It is a slow process as it is a multi-stakeholder initiative requiring participation of and cooperation between competitors, along with the regulator, such as PayShap, the low-cost, immediate and interoperable digital payments solution launched successfully in 2023.

With its modern technology stack, Nedbank is well placed to participate in industry modernization initiatives as well as create a fully interoperable enterprise payment service hub that will optimize the cost to serve, increase innovation cadence, respond to open-finance opportunities, and unlock competitive advantages by enabling contextual and embedded payments.

### *The growing potential of AI*

AI is driving change in financial services by enabling the automation of processes, improving client experiences, and enhancing risk management. AI technologies such as



machine learning, natural language processing, and predictive analytics are being used to automate routine tasks, reducing costs and increasing efficiency. AI can also help improve client experiences by providing personalized services, such as chatbots and virtual assistants, which can respond to queries in real time. In risk management, AI can be used to detect and prevent fraud, assess credit risk, and monitor transactions for suspicious activity.

Nedbank have already delivered numerous AI solutions that have generated benefits by using machine learning and data science techniques to make intelligent decisions based on data, including next-best-action strategies to drive higher levels of cross-sell. In support of our focus on data, we have created the role of a Chief Data Officer to spearhead initiatives across the group. Going forward we will accelerate our AI capabilities with a further 53 data and AI analytics use cases being explored. In partnership with Microsoft, the MS365 Copilot

The Early-access Programme was launched with early adopters from across the bank participating in the program identifying and validating high-value use cases in support of organizational readiness and the adoption of GenAI. Pilot users have noticed an average time saving of 42 minutes a day, with the top time-saving activities relating to creating and summarizing documents, emails and chats. Copilot Web, formerly known as Bing Chat Enterprise, was launched in October 2023, providing personal and company data protection and extending GenAI capabilities to all Nedbank employees.

#### Commercialization of data and use of AI

Key targets and KPIs Include digitally active clients, digital sales and Avo super app clients. We are busy exploring new KPIs as we seek to increase client digital activity and measure the impact of new technologies such as AI (see page 47 for more detail)

### Future plans and strategy

#### *Opportunities*

Nedbank is looking at leveraging its technology investments to deliver savings in technology include efficiencies in network costs, a reduction of printing costs, the implementation of agile methodologies, and new ways of work (nWoW), with overall reductions in headcount, rigorous license and service vendor management as well as the implementation of cloud migration plans, with reductions in on-premise costs. Their chatbot, Enbi, is assisting clients at scale, with over 10 million interactions recorded to date. Of all engagements, 78% are managed through this chat function, freeing up the capacity of agents to support clients with more complex queries. Enbi is now also available on their website, nedbank.co.za, and assists clients in real time within digital

onboarding flows. The Money app and other self-service channels play the primary role in providing clients with simple and convenient banking, anytime, anywhere.

### *Digital strategy*

On the digital front, Nedbank plans to:

- Monitor operational resilience, including:
  - the availability and stability of systems;
  - operational and strategic technology risks, cyber resilience, and emerging cyber- and technology trends.
- Monitor execution and commercialization of the IT strategy, including:
  - the completion of ME and other large technology initiatives;
  - migration of NAR to the South African technology stack (ie harmonization strategy);
  - scaling of Nedbank's 'beyond banking' and platform strategies;
  - the progress of Nedbank's hybrid multi-cloud and data capabilities; and
  - the optimization and automation of processes across Nedbank.

### *Risks*

Cybersecurity is a growing concern in the financial services industry, as the increasing use of technology and digitalization has made financial institutions more vulnerable to cyberthreats. Financial institutions are prime targets for cybercriminals due to the sensitive nature of the data they hold and the substantial amounts of money they handle. According to the Boston Consulting Group, financial services companies are 300 times more likely to be targeted by a cyberattack when compared to other companies. Common types of cyberthreats faced by financial institutions include phishing, malware, ransomware, and distributed denial-of-service (DDoS) attacks. To mitigate cyber risk, financial institutions, including Nedbank, are investing in cybersecurity measures such as firewalls, intrusion detection systems, and encryption, while also implementing employee and client training programs to raise awareness of cyberthreats and promote safe online behavior.