

Nedbank says bad loans to rise, hunts for new CEO

By [Promit Mukherjee](#)

5 Jun 2023

One of South Africa's top five lenders Nedbank group expects its bad loans to rise in the year, under pressure from a worse-than-expected economic situation, it said on Friday, 2 June.



Source: Nedbank.

South African banks - among the continent's biggest - have traditionally drawn strength from their discipline to stay well-capitalised, conservative in lending, and reliant on a large pool of relatively strong retail investors.

But a combination of widespread macro-economic issues, such as inflation and rising interest rates, as well as the specifically South African problem of a shortage of electricity and a collapsing local currency, had weakened the sector, the bank said in a statement.

"The primary implication for banks of these worse-than-expected macro-economic outcomes is increased levels of consumer stress and resultant increases in credit losses," it said.

Its credit-loss ratio (CLR) for the four months to April 30 was higher than its full-year target range of 80 basis points (bps) to 100 bps, it said, adding the CLR would remain above elevated for the remainder of the year.

CLR is a financial metric that measures the amount of bad loans as a percentage of its total loans.

The higher CLR is primarily led by an increase in bad loans from its retail and business banking division, its second biggest segment that accounts for over a third of its profits.

This was because high interest rates have affected already constrained consumers, Nedbank said.

The South African Reserve Bank increased its main lending rate to a 14-year high, its tenth consecutive increase as it tries to tame inflation and stem losses in a local currency that has hit record lows against the dollar.

The lender is also seeking a new chief executive officer to succeed chief executive officer Mike Brown, who has led the company for more than a decade.

Brown "will retire after an appointment has been made and a suitable handover process has been completed," the lender said.

For more, visit: <https://www.bizcommunity.com>