

Standard Bank sees high bad loans in second half

Africa's biggest lender by assets Standard Bank said on Thursday, 17 August its bad loans would stay elevated in the second half of the year but within its preferred range, as high borrowing costs pressure debt repayments.



Source: Standard Bank Group.

Its loan losses for the first half ended 30 June jumped by more than 40%.

South African banks are among the largest on the continent and are known for their well-capitalised balance sheets and conservative lending practices.

But local daily power blackouts and a rapid rise in interest rates - by 350 basis points in the last 12 months - have put retail and small business customers of banks under extreme stress, leading to a rise in bad loans.

Standard Bank's credit loss ratio, a measure of bad loans as a percentage of total loans, stood at 97 basis points (bps), close to the upper end of its target range of 100 bps or 1.0%.

Chief executive officer Sim Tshabalala said the lender would be able to keep the credit lending ration (CLR) for the rest of the year within the target range, though it would be close to the upper end.

The second half will see cooling inflation, interest rates at current levels and electricity woes easing in South Africa,

Tshabalala said. However, tough market conditions will persist, making the bank's 2025 financial goals difficult but achievable, he added.

"The path to 2025 will be more winding and bumpier than in a perfect world," the chief executive officer said during an investors' conference.

It has a return on equity (RoE) target of 17% to 20% for 2025 and reported 18.9% for the first half. The metric measures how much profit a firm generates for each rand of shareholder investment.

Standard Bank posted headline earnings per share - a profit measure - of R12.8 (\$0.67) for the six months, up 34% from R9.55 a year earlier.

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