# FirstRand sees bad loan ratio below target range

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FirstRand, South Africa's biggest bank by market value, said on Wednesday, 21 June, its non-performing loan ratio would stay below its target range as it maintains its conservative lending stance.


Source: Reuters.

South Africa has some of the continent's biggest banks, which have built up a reputation for conservative lending policies.

But the country's high inflation and a rapid rise in interest rates - up 4.75 percentage points in a year and a half - have put pressure on consumers and businesses, which is beginning to be reflected in the falling quality of loan books.

The economy is also facing pressures from frequent rolling power cuts and problems with government infrastructure in terms of water, road and rail.

Africa's biggest lender by assets Standard Bank and major local lender Nedbank have said that their bad loans would rise this year.

But FirstRand said its credit loss ratio (CLR) for the year would remain below its stated range.

This was primarily because of "conservative origination approach... targeting low- and medium-risk customer cohorts," the bank said.

A credit loss ratio is a measure of the quality of a bank's loan portfolio, and is calculated as the amount of loan losses that it experiences as a percentage of its total loans.

While FirstRand did not mention a specific range on Wednesday, in its annual results published last year it had reported a CLR of 56 basis points, calling it "at or below" the range.

Its return on equity - a measure of bank profitability - is expected to remain at the upper end of the stated range of 18% to 22%, FirstRand said.