

FirstRand gets credit line of US\$300m

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FirstRand has received a US\$300m seven-year multi-currency credit line from the African Development Bank (AfDB) to on-lend to clients in their local currencies in several markets in Africa.

The credit line would provide more cash to the JSE-listed banking group which is expanding its business and corporate client base in sub-Saharan Africa.

However, some of its clients have struggled to access bank credit owing to a lack of local currency. This had resulted in some companies resorting to borrowings denominated in a foreign currency.

"Thus, there is a clear need to provide stable sources of local currency financing," the AfDB said in a statement on Thursday (13 December). "The line of credit from the AfDB will contribute to filling this gap by making available medium-term local currency financing to sub-borrowers across Africa," it said.

It said the line of credit was also expected to contribute to government revenues, the development of local capital markets as well as African regional integration.

Under the deal with FirstRand, the banking group would borrow US\$300m that would be drawn in the Nigerian naira, Kenyan shilling, Zambian kwacha, the Ghanaian cedi, the Mozambican metical and the Tanzanian shilling.

The AfDB said it expected that further funding could be raised in these markets through the issuing of local currency denominated bonds.

It said these programmes were expected to complement existing efforts to develop Africa's local capital markets, in turn providing "a strong catalytic and demonstrative effect".

FirstRand group treasurer Andries du Toit said the line of credit would provide the local currency requirements for its clients.

"We are very pleased with this loan facility as it deepens our relationship with AfDB, and provides FirstRand and our clients access to in-country local currency throughout the African continent," said Du Toit.

"This innovative solution will certainly contribute to growth in corporate activity, which in turn supports our own African expansion strategy," he said.

Timothy Turner, director of the AfDB's private sector department, said: "With this line of credit, the AfDB is introducing a new and innovative form of local currency financing. This structure can be replicated by other banks in Africa to gain access to funding in African currencies thus reducing unnecessary currency mismatches and deepening the local capital markets."

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