BUSINESS SEGMENTS ACHIEVEMENTS (CONTINUED)

SOUTH AFRICAN REPRESENTATIVE OFFICE (SAREPO)

With its offices in South Africa, the SAREPO has continued to play a key role in consolidating AfrAsia's regional presence in Africa. Straddling Global Banking, Corporate Banking as well as Financial Institutions, this office has an extensive network and years of market knowledge in South and East Africa.

Politically and economically, 2017/18 was a better year for South Africa. In February 2018, Mr. Cyril Ramaphosa replaced Mr. Jacob Zuma as South Africa's new president with an immediate positive impact on business sentiment. Although Mr. Ramaphosa made some key moves on the corruption that flourished under the previous regime, the corporate sector appears to have adopted a wait and see attitude for national elections expected sometime between May and August 2019.

Monetary policy remained conservative out of concerns for knock-on inflationary price pressures from a hike in the VAT rate and increased fuel prices. The GDP growth rate turned positive during 2017/18 but is nowhere near high enough to make a significant impact on 26.6% reported unemployment rate. Potential land reform allowing land expropriation without compensation has raised uncertainty about property rights. However, there are arguments that under the leadership of Ramaphosa, this will be done in a pragmatic fashion without trampling on personal rights and food security. But it does contribute to a climate of uncertainty.

On the positive side, rating agencies recognised the favourable political developments and since the end of 2017 refrained from further downgrades. Thanks to high local interest rates the currency remained relatively stable and the agricultural sector rebounded from a terrible drought in 2016. At the time of coming to office, Ramaphosa set an ambitious target of USD100 billion in foreign direct investment into South Africa over the next 5 years. So far he has secured undertakings of USD10 billion from Saudi Arabia and USD14,7 billion in investment from China who also promised USD2.8 billion lending to local cash strapped state-owned enterprises.

In East Africa, the Kenyan economy was impacted by continued drought and a difficult presidential election. Although not conclusively assessed, interest rate caps have reportedly constrained credit expansion, leading to reduced private sector investment. However, Kenya's economy remains resilient due to its diversity with services contributing the highest proportion to GDP growth. This is expected to continue as the country remains the leading regional hub for information and communication technology, financial, and transportation services. Recent investment in rail and road and planned investment in a second runway at Jomo Kenyatta International Airport are potential growth drivers. Kenya has also moved up 12 places to a ranking of 80 in the World Bank's 2018 Doing Business report.

It is within this context the Bank's team located in the representative in Johannesburg continued to promote AfrAsia to corporates, funds and financial institutions seeking opportunity in the Southern and East African regions as well as other international markets together with private individuals seeking global diversification.