

SPEECH BY THE MINISTER FOR FINANCE, HON. ROBINSON NJERU GITHAE, EGH, MP DURING THE OFFICIAL OPENING OF FIRSTRAND BANK LIMITED'S REPRESENTATIVE OFFICE IN KENYA AT THE SERENA HOTEL ON 2ND MAY, 2012 AT 7.00 P.M.

The Governor of the Central Bank of Kenya, Prof. Njuguna Ndung'u;

The South African High Commissioner to Kenya, His Excellency Mr N. N. Ntshinga;

The Group Chief Executive Officer, FirstRand Bank Limited, Mr. Sizwe Nxasana;

Distinguished Guests;

Ladies and Gentlemen:

I. Introduction

1. It gives me great pleasure to be with you this evening at the official opening of FirstRand Bank's Representative Office in Kenya. We welcome FirstRand's presence in Kenya. FirstRand identified Kenya some time ago as a key market in Africa with excellent growth prospects. The launch of the Representative Office, I am told, is a continuation of FirstRand's broader strategy to grow in selected markets across the African continent. The Representative Office licence, which was granted by the Central Bank of Kenya in December 2011, allows the bank to provide sales and marketing services to large companies and Government organisations based in Kenya, as well as companies looking to invest in Kenya.

2. FirstRand Bank, which is based in South Africa, already has business operations in Angola, Botswana, Lesotho, Mozambique, Namibia, Nigeria, Swaziland, Tanzania and Zambia. I am given to understand that the Representative Office in Nigeria is expected to be converted to a merchant banking operation by the end of the year. The Bank also has representation in Australia, China, Dubai, India and the United Kingdom.

3. The establishment of FirstRand Bank's Representative Office in Kenya is in line with our Vision 2030, which identifies financial services sector as a priority sector under the Economic pillar. Our Vision for the Financial Sector is to create a globally competitive financial sector able to mobilize savings required to finance the country's investment needs under Vision 2030. We seek to establish Kenya as a leading financial centre in Eastern and Southern Africa. We will continue to encourage foreign direct investment as we build a safe and sound financial system. We believe FirstRand can contribute to meeting these objectives, given that it is the second largest financial institution in South Africa providing retail, commercial, corporate and public sector banking services. We believe the expertise that you have can help broaden and deepen the financial sector in Kenya, particularly in the provision of international financial services.

II. Recent Economic Developments and Outlook

4. **Ladies and gentlemen**, let me briefly share with you some highlights covering Kenya's recent economic developments and medium term outlook.

5. First, I am pleased to inform you that our economy has demonstrated strong resilience and continues to expand notwithstanding oil price and weather related shocks experienced in the second half of 2011. We now estimate the overall economic growth for 2011 to average about 4.5 – 5.0 percent. Although down from 5.6 percent in 2010, we consider this to be a good performance under the circumstances.

6. As you may be aware, part of the reasons for the slowdown in economic growth was the macroeconomic challenges experienced in the second half of 2011. To stem these challenges and restore stability, we imposed greater fiscal discipline and tightened monetary policy in the last quarter of 2011. As a result, the exchange rate

has stabilized, inflation has begun to ease and interest rates are now trending downwards. We expect further easing going forward with improved food supplies and stable oil prices, although there are downside risks of inadequate rainfall and oil price increase again.

7. In the medium term, our policy objective is to sustain economic growth by maintaining macroeconomic stability and focusing on policies and structural reforms aimed at removing the binding constraints to higher growth. At the same time, we need to facilitate the private sector to expand its business, enhance productivity and build resilience necessary for employment creation and poverty reduction. We are optimistic that our growth would rise to 6 percent if global conditions improve and macroeconomic stability takes hold. This growth will be bolstered by continued expansion in agriculture, transport & communication, mining, tourism, exports and financial services, with continued growth in the sub region.

III. Role of Financial Sector in the Economy

8. **Ladies and gentlemen**, the financial sector plays an important role in economic development. Better developed financial systems – mostly aided by access, efficiency and stability measures – are associated with faster economic growth. Kenya's financial sector is relatively well developed and has the potential to contribute much more to the achievement of sustained, broad-based growth. It is in this respect that the Government expects a strong and vibrant financial system to play a critical role in the Vision 2030 goal of achieving economic growth rates of 10 percent over a sustained period. We expect the financial sector players, including banking institutions, to contribute towards achieving this important goal by mobilizing adequate funds and channelling them to productive investments in priority areas of our Vision, particularly in financing the flagship projects.

9. On its part, the Government is committed to deepening structural reforms aimed at promoting access, efficiency and stability. A number of reforms are currently being implemented to enhance efficiency and access in the banking sector. In particular, the National Payment System law is being operationalized, while agent banking is expanding rapidly. We are also fast-tracking implementation of financial sector reforms both at the domestic and regional levels to promote financial stability and integration.

10. **Ladies and gentleman**, the banking sector in Kenya has grown tremendously over the years. In December, 2011 total assets of the sector stood at KSh.2.1 trillion, while total deposits stood at KSh.1.6 trillion, and total loans at KSh.1.2 trillion. As may be appreciated, this growth is largely attributed to the resilience of our economy that has provided opportunities for investment and lending.

IV. Conclusion

11. **Ladies and gentlemen**, in conclusion, I wish to call upon the banking sector to work closely with the Central Bank of Kenya (CBK) and, through CBK, with the Ministry of Finance in order to increase financial access and inclusion. Banks need to see how they can deliver financial services and products to customers in a more cost effective way so as to contribute to lowering the cost of credit. With the fall of non-performing loans to 3%, introduction of innovative banking, including agent banking, adoption of robust banking applications and risk based approach to banking; operating costs for banks should reduce. Part of the benefits of these cost reductions should be passed on to the banks' clients.

12. It is my sincere hope that FirstRand Bank will follow up quickly on the Representative Office and upgrade it to a fully-fledged merchant banking operation.

13. With these few remarks, it is my great pleasure to declare the Representative Office of FirstRand Bank Limited officially open.

Thank You.

2nd May, 2012