

# Banking, Finance and Insurance

Friday, 05 Mar 2010

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## BANKING IN SHORT

In Banking news this morning, Economic Development Minister Ebrahim Patel is to explore ways of investing some of the R1.5 trillion of public and private retirement funds in development projects, including the possibility of issuing a development bond; the minister also took firm control of macro economic policy yesterday with the launch of his strategic plan. Finance Minister Pravin Gordhan said yesterday that he was "disappointed" by the response of developed countries to Eskom's plan to seek about \$4 billion in loans from the World Bank to build power plants; and foreigners seem to perceive SA's political risk as far lower than what locals believe it to be, after treasury succeeded in raising its biggest global bond (\$2 billion, or R15.16 billion) at a historically low rate.

NEWS REVIEWS

## NATIONAL ECONOMY

### Rand and dollar report

The rand rallied in the afternoon session yesterday, breaking a key level of R10.25 against the euro. The local currency also tested R7.42 against the greenback. At 15:27, the rand was bid at R7.437 to the dollar from R7.484. It was bid at R10.270 and at R11.234 against the sterling from R11.311. The euro was bid at \$1.366 from \$1.370.

BUSINESS DAY (National), Companies & Markets

### Private sector's recession over

The South African private sector can be very pleased that it has emerged from the recession with the rest of the world, after having entered it later than most other countries. Sake24 and BoE Private Clients' provincial barometers - which measure activity levels in the private sector economy of four provinces - in January all rose month on month as well as on a three-month basis. The private sector's recession is over, says Mike Schüssler, an economist at Economists.co.za and the compiler of the barometers. The barometers show clearly that, although activity levels in most sectors are still much lower than those in January last year, over the past three months in Gauteng, the Western Cape, the Eastern Cape and the Free State they have begun to rise. In January the Gauteng barometer lifted to 127 points.

FIN24.CO.ZA - FINWEEK

### SA shrugs off Zuma 'comic opera'

Foreigners seem to perceive SA's political risk as far lower than what locals believe it to be, after treasury succeeded in raising its biggest global bond (\$2 billion, or R15.16 billion) at a historically low rate. Director-General in the treasury, Lesetja Kganyago, confirmed the bond was allocated to 320 different investors on Tuesday, with 59% going to the US, 33% to Europe, 4% to Asia and a small percentage to Latin America. The ten-year bond gives South Africa a coupon of 5.5% and completes the funding required for the 2010/11 fiscal year. "This is definitely an indication of [investor] appetite and confidence," said FNB economist Cees Bruggemans. News of treasury's success in registering this bond coincided with President Jacob Zuma's first state visit to Britain.

FIN24.CO.ZA - FINWEEK

### 'Economy must be restructured' to cut unemployment

The government needed to restructure the economy, developing industries such as mineral processing and agriculture, if it wanted to slash unemployment, Finance Minister Pravin Gordhan said in an interview yesterday. "We recognise that the current growth plan won't give us the jobs that we require," Gordhan said in London. "Our emphasis is on growing the South African economy differently so that we can raise our potential growth levels and find new ways of employing people." Industry should refine and process some of the minerals extracted, "create more jobs in the agricultural industry, look for niche knowledge industries and create more green jobs". SA is expected to expand an annual 3% over the next three years. That is not enough to meet a government pledge to cut unemployment to 14% by 2014 from 24.3% currently.

BUSINESS REPORT (National) ; CITIZEN, Citi Business

### Tariff hike effect to be 'broadly neutral' on economic growth

The lower than expected increase in the electricity tariff would have a "broadly neutral" effect on the Treasury's economic growth projections over the next three years, Deputy Finance Minister Nhlanhla Nene said in Parliament this week. The Treasury assumed an annual electricity tariff increase of 35% over three years when it forecast a 2.3% growth in gross domestic product (GDP) this year. Replying to the debate on the budget's fiscal framework and revenue proposals, Nene said "the impact of the awarded increase being closer to 25% is that real GDP growth would marginally higher and inflation will be lower in the next three years". "As a result, the impact of higher GDP growth would be offset by the lower inflation, and nominal GDP is not expected to change very much as a result of the decision of the regulator. Therefore, the impact on tax revenue and the budget framework is expected to be broadly neutral."

BUSINESS DAY (National)

### Equity values lift Mvela

Investment holding company Mvelaphanda Group has reported an eleven-times profit growth on the back of higher equity prices in the interim period to December. The R522 million net profit (R46 million in December 2008) came on the back of sluggish revenue growth of only 1% to R1.9 billion. Mvela revalued its investments upwards to R544 million, a 412% growth from the R106 million book value they held in the previous corresponding period. Those were mainly its minority stakes in banking group Absa, construction company Group Five and hospital chain Life Healthcare. The upward share valuations lifted Mvela's net asset value to 932c/share, up from 736c. Together with the rising equity prices, Mvela's cash pile increased 4% to R558 million in the period. The company maintained its interim dividend at 27.5c.

FIN24.CO.ZA - FINWEEK

### Moody's rates SA bond issue A3

Moody's Investors Service has assigned an A3 rating to the new \$2 billion, 5.5% global bond issue from South Africa. Moody's said the government would continue to have relatively low external debt vulnerability, even with the stepped-up issuance, since it is starting from a low base. As a proportion of total debt, foreign currency debt will actually decline because of increased borrowing requirements domestically.

BUSINESS DAY (National)

### Economic confidence on the rise

South Africa's economic confidence rose last month on optimism that the economy will grow this year and next, with interest rates remaining low for most of this year. The Reuters Econometer - an index of six weighted indicators - rose to 240.55 this month from 236.45 in January.

BUSINESS DAY (National)

### Gordhan bemoans response to Eskom

Finance Minister Pravin Gordhan said yesterday that he was "disappointed" by the response of developed countries to Eskom's plan to seek about \$4 billion in loans from the World Bank to build power plants. "It's the first loan SA is asking the World Bank for, and suddenly there's all sorts of doubts," Gordhan said in an interview with Bloomberg TV. There are "moral voices being raised about why the World Bank should not be financing coal-fired power stations". Eskom is struggling to fund a R460 billion five-year extension plan, and has discussed terms of a \$3.75 billion loan for the construction of the Medupi coal-fired plant. An extra \$250 million was requested from the World Bank's Clean Technology Fund.

BUSINESS DAY (National) ; BUSINESS REPORT (Star)

### Patel eyes pensions billions for state fund

Economic Development Minister Ebrahim Patel is to explore ways of investing some of the R1.5 trillion of public and private retirement funds in development projects, including the possibility of issuing a development bond. The use of retirement funds for development is one objective of the Department of Economic Development's strategic plan tabled in Parliament this week. The private retirement fund industry with an estimated R800 billion in assets under management said it supported socially responsible investments. However, there were fears that the strategy document envisaged the reintroduction of prescribed assets - the mandatory apportionment of a fixed percentage of assets to identified investments regardless of the return - but department officials stressed that this was not the case. The strategic plan is expected to be debated in Parliament today.

*BUSINESS DAY (National); ENEWS PRIME @19:00 ; TIME, The*

### Auditor-General takes on Gauteng councils

Most Gauteng municipalities breached financial management regulations because they do not have enough people skilled and experienced in managing public funds. Auditor-General Terence Nombembe said that about 78% of Gauteng municipalities did not follow the Public Finance Management Act as they did not provide quarterly financial reports to councils in the 2008/2009 financial year. Some did also not adhere to the supply management policy when awarding tenders. Speaking to the Gauteng mayors and city managers at the provincial legislature yesterday, Nombembe said that 22% of reported performance information supplied by municipalities was not reliable. Gauteng municipalities are failing to receive clean audits partly because they cannot collect money for electricity bills. Gauteng municipalities had "material losses" of R787 million from unpaid electricity bills in the 2008/09 financial year.

*BUSINESS DAY (National) ; BUSINESS REPORT (Star)*

### Patel plans for more decent jobs

Economic Development Minister Ebrahim Patel took firm control of macro economic policy yesterday with the launch of his strategic plan. The plan focuses on creating decent work and avoiding de-industrialisation through growth in infrastructure spending and public works programmes. Patel stopped short of calling for labour broking ban, which has until recently been a key driver of the thinking in the labour portfolio committee, led by African National Congress (ANC) MP Lumka Yengeni. The economic development medium-term strategic plan reports that the government would introduce laws to regulate contract work, subcontracting and outsourcing, while addressing the problems in labour broking "and prohibiting certain abusive practices".

*BUSINESS REPORT (Star)*

## NATIONAL BUSINESS

### Standard eyes R14bn in profit

Standard Bank was pinning its hopes on a strong rebound in emerging markets in an effort to reclaim 2008 earnings - a self-imposed target - and added that developed markets would only show "hesitant" recovery in 2010. In comments to the group's full-year results, in which it posted a one fifth earnings decline, Jacko Maree, Standard Bank CEO, also laid into the National Credit Act criticising how it had been implemented. Share earnings came in at R11.2 billion, as expected by the market. In 2008, Standard Bank, which is South Africa's largest banking group, produced R14 billion in earnings. For the period under review, the earnings contribution from personal and business banking slid 19% to R3.8 billion, while wealth management - comprising a stake in Liberty Holdings - contributed 89% less to the bottom line at R72 billion. The dividend was unchanged at 386c per share.

*FIN24.CO.ZA - FINWEEK*

### Imperial and Wesbank to team up with new venture

Imperial Holdings, the transport and logistics group, and Wesbank, the vehicle financier, will commit R100 million in seed capital to a 50-50 joint venture that seeks to boost companies' presence in the fleet market. In terms of the deal announced yesterday, the new venture, to be called Imperial Fleet Management and to become a Wesbank division, will offer vehicle leasing solutions to corporate fleet clients. By creating the leasing or rental option, the deal signals that fleet companies are keen on easing the pressure on their balance sheets by entering into off-balance-sheet transactions.

*BUSINESS DAY (National), Companies & Markets; BUSINESS DAY (National)*

### No clarity yet on Mvela stake in Life Healthcare

An announcement was "fairly imminent" about the future of Mvelaphanda Group's (Mvela's) 22% stake in Life Healthcare, Mvela Financial Director Ernst Roth said yesterday. Speculation has been circulating that Life Healthcare may list on the JSE, but Roth said he was unable to provide details of the plans at this stage. Mvela's stake in Life Healthcare makes up 42% of Mvela's intrinsic net asset value of R9.32 per share. Life Healthcare, which "has continued to perform well" in the six months to 31 December last year, said in November it had appointed advisers to advise it on a strategic plan to be followed. This was after Mvela Group said last year it intended to realise value in the most efficient way for its shareholders by unbundling or disposing of investments.

*BUSINESS DAY (National), Companies & Markets; BUSINESS DAY (National)*

### Life companies can honour payments

Life companies remain well-positioned to honour benefit payments due to clients, the Association for Savings and Investment SA (Asisa) said on Thursday. In a statement it said that South Africans bought life insurance products worth R62 billion in new premiums last year, only five percent less than was spent on new recurring and single premiums in 2008 when R65.5 billion was received. Reporting back on the 2009 sales statistics for the SA long-term insurance industry, Peter Dempsey, Deputy CEO of Asisa, said the uncertainty caused by the global financial crisis and the resulting economic woes had slowed consumer uptake of life products, particular in the single premium space, in the second half of 2008 and during the first half of 2009.

*FIN24.CO.ZA - FINWEEK*

### Money market begins trading electronically

South Africa's multibillion-rand money market industry has officially commenced the electronic issuing, trading and settlement of securities in place of the manual paper-based system, which has been in existence since the inception of the market. As the largest issuer of money market securities, the Reserve Bank has welcomed the implementation of a fully dematerialised money market. Anthony van Eden, the Chief Operating Officer of Strate, which is providing the new system, said the money market's move from the manual custody, clearing and settlement processes into a fully electronic environment had allowed enhanced straight-through processing and risk mitigation for all issuers and investors in this formal over-the-counter financial market.

*BUSINESS DAY (National)*

### FNB wins Vodacom award for lottery

First National Bank Cellphone Banking's national lottery service won the innovation award at Vodacom's wireless application services provider awards for last year, the bank said yesterday. The service was launched online, on cellphone banking and ATMs.

*BUSINESS DAY (National), Companies & Markets*

### Standard profit falls as borrowers battle

Standard Bank group said yesterday that its profits for the year to December fell 20% in line with market expectations as customers struggled to repay loans in the economic slump. Attributable profit fell to R11.1 billion from R13.9 billion a year earlier. Headline earnings, excluding accounting adjustments and one-off items, fell 17% to R11.7 billion. CEO Jacko Maree said, "It was an extremely tough year, but one in which our focus on developing markets stood us in good stead. As the recession took its toll, demand for credit in both corporate and retail sectors fell". Three bank analysts polled by Business Day said the key factor for Standard Bank and all of South Africa's banks this year would be the extent of the expected decline in impairments. One was concerned that heavily indebted individuals were taking much longer than expected to reduce debt.

*BUSINESS DAY (National), Companies & Markets ; BUSINESS REPORT (Star) ; TIMES Business Times*

### Absa wants to help the state to uplift poor

Absa, South Africa's largest retail bank, yesterday said it planned to play a more "relevant" role in ensuring it complemented the government's efforts to uplift the poor, and would continue to allocate at least 1% of its headline earnings to social investment programmes. Absa's recently-appointed Executive Director in charge of corporate affairs and sustainability, Venete Klein, said the bank wanted to ensure its support was "aligned to the country's social needs". Klein said the bank would be more focused on projects that had a wider impact. Last year, Absa spent about R50 million on its social investment programme and estimated expenditure could be R35 million this year, she said.

*BUSINESS DAY (National), Companies & Markets*

## GENERAL NEWS

### 'RAF could collapse'

There is a real risk the Road Accident Fund (RAF) could collapse and its R40 billion deficit transferred to the public if sections of the RAF Amendment Act were to be declared invalid, the High Court in Pretoria heard on Wednesday. Any immediate declaration of invalidity of portions of the Act would have disastrous effects, Steven Budlender, appearing for the RAF, argued. Budlender joined lawyers for the transport minister in urging the court to dismiss outright the application by the SA Law Society, Association for Personal Injury Lawyers and others, to declare certain sections of the Act and regulations unconstitutional and unlawful. He however said if the court granted any order of invalidity, it should be suspended for two years to ensure that government entities remained functional and to give Parliament time to correct any defects.

*IAFRICA.COM*

### Plans to slash R2.1 billion off the WC budget

Plans to slash R2.1 billion off the provincial budget for the next three years have been slammed by NGOs after it emerged that they would face the brunt of cuts. Finance and Economic Development MEC Alan Winde said that most of the funds would be diverted to the Health Department. Winde's spokesperson Tammy Evans said that they have increase co-operation between departments so that applications for funding are only given once per request.

CAPE TIMES

### Msunduzi finances takes positive turnaround

The financial situation at the Msunduzi Municipality has taken a positive turn since the appointment of a provincial task team. As of 1 March, the municipality's bank balance stands at R65 878 665.38. This was revealed at a meeting by the executive committee yesterday where the second task team report was read. The figure is a huge improvement from the net cash amount of R1.7 million reported to be available on 30 June last year.

WITNESS

### Cronje's budget gets approval of business

Enthusiasm has been expressed by business leaders over Finance MEC Ina Cronje's planned measures to tighten the screws on wasteful expenditure in government. The measures were announced in her budget speech yesterday. Durban Chamber of Commerce and Industry CEO, Gugu Mazibuko has applauded Cronje's plan for the government to get better value for the money spent. The Chief Executive of the Pietermaritzburg Chamber of Business, Andrew Layman also noted that the example has been set on wasteful spending because for the first time in years, the budget speech was not followed by a gala dinner. He said business people are weary of gala dinners and other expensive events that fall into the realm of awareness campaigns or promotional exercises.

MERCURY

### Auctions supplement

Business Day contained an auctions supplement with the following headings: "Kentrige silkscreen fails to attract buyer at Sandown art sale"; "A top array of quality work on offer"; "Park Village soars to new heights with Piper Seneca sale"; "Five cars in top league, fetching R1m-plus"; and "Boonzaier and Kentridge works to feature among Kaplan offerings".

BUSINESS DAY (National)

### Offshore Investments supplement

Business Report contained an Offshore Investments supplement with the following headings: "Economic performance no guarantee of investment returns"; "The world's your oyster offshore"; and "On the cusp of change".

BUSINESS REPORT (Star)

## PROPERTY AND HOUSING

### Jozi beats Cape in rental growth

Cape Town's posh residential areas remain more expensive than those of Johannesburg northern suburbs, but South Africa's business capital offers investors seeking rental growth the best returns. The average price of brag homes in Sandhurst, Westcliff and Houghton is lower than that of properties on the Atlantic Seaboard, Cape Town's City Bowl and the Waterfront, according to recent data from the Global Property Guide. The guide shows an upmarket four-bedroom house in Johannesburg costs an average \$830 441 (R6 261 525), compared to a similar house in Cape Town at \$1 705 999 (R12 863 232). Absa's housing review statistics showed house prices were down in all major metropolitan areas last year, except in the greater Johannesburg area, where a nominal increase of almost 3% was registered. Cape Town home prices dropped by 0.7% in 2009.

FIN24.CO.ZA - FINWEEK

### Rezidor in Rwanda

The Rezidor Hotel Group is adding Rwanda to its portfolio, the 62nd nation where the company now has a footprint. The Radisson Blu Hotel & Convention Centre, Kigali, features 292 rooms and is scheduled to open in 2012. Rezidor has numerous hotels under development in African capital and major cities. This year, the group plans the opening of Radisson Blu hotels in Johannesburg and Cape Town; Lagos, Nigeria; Addis Ababa, Ethiopia; Maputo, Mozambique; and Lusaka, Zambia. Rwanda, "The land with a Thousand Hills," is one of the few places in the world where tourists can track mountain gorillas.

BUSINESS DAY (National)

### RBA streamlines structure to become more efficient

Housing construction group RBA Holdings is to simplify its structure into four operating companies from as many as 24 legal entities to reduce costs and increase efficiencies. It said yesterday that the structure that came into effect in January consisted of the holding company, Ground Base, which would be in charge of land procurement; Gemini Moon, responsible for sales; and RBA Developments. It also said the RBA Holdings board would now consist of three executive and two independent non-executive directors, in line with the corporate guidelines of the third King report.

BUSINESS DAY (National), Companies & Markets

### Vukile cautions on acquisition

Vukile, the listed property loan stock company, yesterday advised its unitholders to continue exercising caution over the company's acquisition of a portfolio of 13 commercial properties for R775 million in cash from Sanlam. The company's unitholders should remain cautious until the pro forma financial effects and profit forecasts relating to the acquisition was published. The properties being acquired have more than 140 000m<sup>2</sup> of retail, office, industrial and storage space.

BUSINESS REPORT (Star)

## OIL NEWS

### Oil Report

Brent crude oil was unchanged at \$79.25 a barrel (R3.70 a litre) in London. Sweet light crude rose 6c to reach \$80.93 a barrel in New York.

BUSINESS REPORT (Star)

## INTERNATIONAL ECONOMY & BUSINESS

### HSBC launches A\$ 5-year issue at 125bps over swap

HSBC Bank today said it had launched a benchmark five-year fixed rate issue with price guidance at 125 basis points over swap. The issue is expected to price on Friday. Joint lead managers are HSBC, Australia and New Zealand Banking Group, Commonwealth Bank of Australia National Australia Bank and Westpac Institutional Bank.

REUTERS.COM

### Africans becoming richer, and quickly

Africans are getting wealthier more quickly than previously believed, according to a new study that also suggests the poorest continent's riches are spreading beyond the narrow confines of its elite. "Africa is reducing poverty, and doing it much faster than we thought," said a study by economists Xavier Sala-i-Martin and Maxim Pinkovskiy.

BUSINESS REPORT (National)

### Renaissance hiring for African unit

Clifford Sacks, hired by Renaissance Capital from Bank of America Merrill Lynch to build its African equity business, plans to complete the hires he needs over the next six months. "We want a business that cover equities from Cape to Cairo," Sacks said yesterday.

BUSINESS DAY (National), Companies & Markets

### AMI accuses HSBC of broker 'abuse'

The Association of Mortgage Intermediaries (AMI) has slammed HSBC for abusing its position and attempting to steal business from other banks by forcing homebuyers to consider its own mortgages.

Mortgage Solutions understands that Woolwich requires applicants for its mortgages who have an online current account with another bank to provide bank statements endorsed by a stamp and a sign-off from a branch. However, HSBC will not provide this stamp and sign-off for its online current account customers unless they agree to meet with an in-branch mortgage adviser. Several brokers contacted Mortgage Solutions to say they were angered at the opportunistic practice from the lender, who has been vocal in its attitude to brokers. Chris Cummings, director-general at AMI, said HSBC was showing a lack of respect to its customers and to the broker community.

MORTGAGESOLUTIONS-ONLINE.COM

### China Dev Bank to review strategic tie with Barclays

China Development Bank, a former policy lender that has become a commercial bank, said on Thursday it will review its strategic tie-up with Barclays PLC, including its equity stake in the British bank. "We are now reviewing our ties with Barclays," China Development Bank President Jiang Chaoliang told Reuters on the sidelines of the Chinese People's Political Consultative Conference in Beijing. "A review report will be submitted to board members for consideration," he said, adding CDB's board would meet in June to discuss both the bank's equity investment in Barclays as well as their strategic cooperation. China Development Bank currently holds a 2.07% stake in Barclays.

UK.REUTERS.COM

### Lloyds Banking Group: Investors want answers

Big City investors in Lloyds Banking Group are demanding further information about the decision to offer Chief Executive Eric Daniels a £2.3 million bonus last week. While Daniels immediately turned down the payment in an effort to deflect criticism of bankers' pay, shareholders are asking for clarity about the performance criteria which were used to decide that the chief executive was entitled to his maximum payout. "Shareholders are questioning Lloyds about how they could justify giving Daniels his maximum bonus for last year," a major institutional investor said. "We are asking for a clear rationale for the award." Lloyds disappointed investors last week with the size of its 2009 losses, which showed the extent of the problems stored inside HBOS, the operation it rescued in September 2008.

GUARDIAN.CO.UK

### Charterhouse said to hire Lloyds

Charterhouse Capital Partners hired Lloyds Banking Group Plc to arrange about £150 million (\$225 million) of loans for the buyout of skincare products maker Deb Group, according to three people familiar with the transaction. Charterhouse is paying Barclays Plc's private-equity unit £325 million for the Denby, England-based maker of Swarfega hand cleanser, Barclays said in a statement today. Barclays bought 55% of Deb in March 2004. Lloyds has underwritten the loans, with HSBC Holdings Plc and ING Groep NV helping to provide financing, said the people, who declined to be identified because the deal is private. Charterhouse Chief Executive Officer Gordon Bonnyman didn't return two phone calls and an e-mail seeking comment. Sara Evans, a spokesperson for Lloyds in London, declined to comment.

*BUSINESSWEEK.COM*

### Northern Rock cuts rates on fixed and trackers

Northern Rock has reduced the rates on some of its fixed and tracker mortgage products by up to 0.5%. The lender has cut the rates on its 'Everyday' range including reducing the rate on its two-year fixed mortgage to 3.45%, with a product fee of £595. This rate increases to 4.89% for customers with a 20% deposit. In addition, tracker rates in the range will now start from 2.60%. Purchase customers opting for a tracker can now select a loan-to-value of 80% with a £595 product fee and pay a rate of 4.49%. Meanwhile, remortgage customers with a 20% deposit can now opt for a two-year flexible fixed rate at 4.89% with a product fee of £995 - a reduction of 0.5%.

*FTADVISER.COM*

### Virgin Money unveils market-leading charity credit

Virgin Money has launched a new charity credit card, the first product it has unveiled since becoming a bank. The card can donate one per cent of customer's spending to a charitable organisation of their choice and is the first product of its kind to enable Gift Aid for cash back. With Gift Aid factored in, the card will increase cash back donations to one per cent, more than anything else on the market. Scott Mowbray, spokesperson for the bank, said, "The Virgin Money charity credit card is an easy and convenient way to support good causes and the addition of Gift Aid ensures charities get the maximum benefit from donations."

*MYFINANCE.CO.UK*

### European central banks hold rates low

The European Central Bank (ECB) left its benchmark interest rate unchanged at 1% yesterday as markets waited to see if it would scale back special lending to banks introduced during the financial crisis. The bank's decision was not a surprise. Earlier in the day Bank of England also announced it was keeping its interest rates at a record low of 0.5% and was not going to take further action on buying assets to boost its money supply. The decision was widely anticipated after a month of mixed signals on the UK economy.

*BUSINESS REPORT (Star)*

### Bank of England keeps rates, easing on hold

The Bank of England took a "wait and see" stance on the country's hesitant economic recovery yesterday, holding interest rates at a record low of 0.5% and making no increase to its unprecedented scheme of pumping money into an economy struggling to get back on its feet. The decision from the monetary policy committee, which marks the 12th successive month it has held rates steady, was widely expected after a month of mixed signals on the economy as Britain heads out of its worst recession in decades. "We expect the Bank of England to keep interest rates down at 0.5% through 2010 given likely persistent concerns about the strength and sustainability of the recovery," said IHS Global Insight economist Howard Archer.

*BUSINESS DAY (National)*

### Greece acts to avoid bankruptcy

Greece froze pensions and raised a string of taxes to cut spending by €4.8 billion on Wednesday in a frantic bid to persuade its EU partners and the markets that it can dodge bankruptcy. The government, sending a strong signal that European support might be in the air, said it would increase sales tax, tobacco and alcohol taxes and institute a 30% cut in public sector holiday allowances. The Socialist government said it hoped to muster an additional €4.8 billion from the new measures. That amounts to about 2% of gross domestic product. Pensions in the public and private sector were also being frozen. "These decisions are necessary for the survival of the country and the economy," Prime Minister George Papandreou told reporters. They would be carried out "so that Greece can exit the vortex of speculators and defamation, so that we can breathe and keep on fighting," he added.

*FIN24.CO.ZA - FINWEEK*

### Greece launches bond issue, waits for support

Greece began selling 10-year bonds yesterday as protesters in Athens stormed the finance ministry and blocked roads after Prime Minister George Papandreou pledged to reduce Europe's largest budget deficit by cutting wages and spending. Greek bonds fell after a banker involved in the sale said the securities would yield about 310 basis points over the benchmark mid-swap rate, which equates to a yield of 6.47%. The government hired Barclays Capital, HSBC, Nomura, National Bank of Greece and Piraeus Bank as lead managers for the bond issue, the banker said.

*BUSINESS DAY (National)*

### ECB hails Greek austerity plan

The European Central Bank (ECB) welcomed late on Wednesday measures unveiled by Greece to cut its swollen public deficit, but said Athens should quickly adopt "decisive structural reforms" as well. The ECB governing council "welcomes the convincing additional and permanent fiscal consolidation measures," which the Greek government had announced earlier in the day. Greece launched a fresh round of draconian austerity measures, winning respite on the markets and setting the scene for crucial European support that analysts say could come soon. The government increased sales, tobacco and alcohol taxes and cut public sector holiday allowances to save €4.8 billion, or about 2% of gross domestic product (GDP). Pensions in the public and private sector were also frozen.

*FIN24.CO.ZA - FINWEEK*

### Africa ready for energy transformation – World Bank

Just as Africa spent a decade transforming its telecoms market that connected huge swathes of the continent, the World Bank's top official for Africa sees the next giant developmental leap in the power sector. New technology and legal reforms in Africa's telecoms market opened the way for a boom in affordable mobile phone service, said Obiageli Ezekwesili, vice president for Africa at the World Bank. A similar transformation could repair Africa's power sector that has suffered from years of underinvestment. "The next big thing that will happen on the continent is going to be massive investment of private capital into Africa's energy sector," Ezekwesili said in an interview with Reuters. The changes are being forced by a critical shortage in power supplies across Africa that is stifling economies.

*ENGINEERINGNEWS.CO.ZA*

### Royal Bank first quarter net up 35%

Royal Bank of Canada's (RY) first-quarter profit rose 35%, as the country's largest bank benefited from lower loan-loss provisions, its domestic franchise, and higher trading revenue. Net income rose to C\$1.49 billion or C\$1 a share from C\$1.11 billion or 78 Canadian cents a year earlier. The Toronto-based bank said cash earnings were C\$1.03. Though it posted strong results, Royal is the only one of Canada's big banks reporting so far to fall just under analysts' estimates.

*ONLINE.WSJ.COM*

### Citigroup Finance Canada sells C\$250m notes

Citigroup Finance Canada on Wednesday sold C\$250 million (\$243 million) of three-year medium-term notes, according to a term sheet seen by Reuters. The 4.35% notes were priced at 99.922 to yield 4.378%, or 259.3 basis points over the Canadian government benchmark, according to the term sheet. The investment dealer arms of Royal Bank of Canada, Scotia Bank and Toronto Dominion Bank were the joint lead managers on the sale.

*REUTERS.COM*

### Prudential to buy AIG Asia for \$35.5 billion

Prudential said it would buy AIG's Asian life insurance arm for \$35.5 billion (£23.4 billion), making it the undisputed foreign leader in one of the world's fastest-growing financial services markets. The acquisition of AIA will be funded by a rights issue of \$21 billion including costs and fees, the biggest ever acquisition-related cash call, and by a \$5 billion debt issue, Prudential said on Monday, confirming an earlier Reuters report. The takeover of AIA will make Prudential Asia's biggest foreign insurer overnight, boosting its exposure to soaring demand for financial services across the region as rapid economic growth lifts consumers' spending power, and as growth at home declines. "Transformational is an overused word, but this deal is truly transformational," Prudential Chief Executive Tidjane Thiam told reporters.

### UBS, Ernst & Young stave off claims

UBS and Ernst & Young yesterday won a Luxembourg court ruling potentially nullifying hundreds of claims by investors who lost money in funds toed to Bernard Madoff's fraud. Luxembourg's commercial court found in its ruling on 10 test cases that investors could not bring individual lawsuits for damages. The recovery of the capital assets "belongs exclusively to the liquidators" of mutual funds that invested with Madoff, the court said. The case came as UBS aimed to post its first annual profit since 2006 this year and halt withdrawals by wealthy clients after spinning off toxic assets.

*BUSINESS DAY (National), Companies & Markets*

### Citigroup's auction-rate bonds freeze \$1 billion

Two years after the auction-rate bond market froze, Hawaii has lost about \$250 million in market value on \$1 billion in student-loan securities sold by a single Citigroup Inc. broker as a cash substitute that the state has had difficulty unloading. Hawaii purchased half of the securities for its short-term treasury account from Honolulu broker Pete Thompson, 60, in the eight months before the market collapsed, according to Scott Kami, an administrator at the state finance department. The transactions came while Citigroup was increasing brokerage commissions and traders were being told to "make sure all hands are on deck" and "do whatever is necessary" to dispose of auction-rate bonds as the \$330 billion market began to fail, according to a 2008 US Securities and Exchange Commission complaint against the New York-based bank in a separate case related to sales of the debt.

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### Iceland set to reject debt repayment terms

Iceland's economic woes looked set to worsen as it headed for a "no" vote in a referendum on terms for repaying "Icesave" debts that have held up vital aid to the crisis-hit North Atlantic island nation. The finance minister said yesterday that a referendum on Saturday was now unavoidable, though a new and better deal with British and Dutch creditors might not be far off. "Time has run out," Finance Minister Steingrimur Sigfusson told parliament. "Technically, (the referendum) could be scrapped any time until (tonight), but there are no such plans". Iceland's banks collapsed in late 2008, victims of the global credit crunch and a decade of debt-fuelled expansion across northern Europe.

BUSINESS DAY (National)

### INDICATORS

Rand - Dollar \$	7.4909	(+0.0861)
Rand - Sterling £	11.2648	(+0.0484)
Rand - Euro €	10.2236	(+0.0266)
JSE Allshare	27683.7	(+311.73)
Gold	1136.5	(+10.00)
Platinum	1580.0	(+18.00)
Brent Crude Oil	79.2	(+1.02)

The figures quoted are from the close of business yesterday, along with any movement, either up or down, from the previous day.