

# Banking, Finance and Insurance

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## BANKING IN SHORT

In Banking news this morning, Absa will sell its entire shareholding in Pinnacle Point Properties for R150 million to the Trilinear Empowerment trust, Pinnacle said yesterday; and Nedbank Group, which is being sued by investors in property company Acc-Ross Holdings, did not do "anything wrong" when it hedged positions in that company's stock to avoid losses, the Registrar of Banks, Errol Kruger, said yesterday. Looking at the economy, South Africa's economy stopped haemorrhaging jobs in the final quarter of last year, but the unemployment rate is virtually unchanged and job creation has not picked up very much, official data showed yesterday; and government won't realistically be able to count on much more additional revenue in next week's budget, which means there will be immense pressure to cut spending to meet the deficit targets set out in the mini-budget, according to economists.

NEWS REVIEWS

## NATIONAL ECONOMY

### Rand and dollar report

The rand was range bound in the afternoon session yesterday as it looked to consolidate amid uncertainty within the global currency markets. At 15:41, the rand was bid at R7.692 to the dollar from R7.720. It was bid at R10.575 to the euro from R10.557 and at R11.997 against the sterling from R12.033. The euro was bid at \$1.375 from \$1.365.

BUSINESS DAY (National), Companies & Markets

### 'Dramatic' halt to job losses as recovery kicks in

South Africa's economy stopped haemorrhaging jobs in the final quarter of last year, but the unemployment rate is virtually unchanged and job creation has not picked up very much, official data showed yesterday. The official jobless rate dipped to 24.3% from 24.5% in the third quarter, bringing the total number of jobs shed last year to 870 000 - not quite as bad as anticipated losses of 1-million. However, the Statistics SA data showed unemployment was not recovering, despite the economy having emerged from recession.

BUSINESS DAY (National) ; BUSINESS REPORT (Star)

### KZN economy loses jobs

The KwaZulu-Natal economy lost 49 000 jobs during the fourth quarter of last year, with most sectors - including transport, manufacturing, construction, finance and private households - losing thousands of jobs. This is in contrast to the national trend, which revealed that the number of people employed in South Africa increased by 89 000 during the final quarter of last year. According to Statistic South Africa's Quarterly Labour Force Survey (QLFS) released yesterday, during the quarter, KZN recorded the most job losses from all the provinces.

WITNESS

### Gordhan's deficit albatross

Government won't realistically be able to count on much more additional revenue in next week's budget, which means there will be immense pressure to cut spending to meet the deficit targets set out in the mini-budget, some economists said this week. Finance Minister Pravin Gordhan said in October the deficit would be cut from 7.6% of gross domestic product (GDP) in the current fiscal year to 6.2% in the next, 5% in the year after that and 4.2% of GDP in 2012/2013. The deficit is important, as it is a measure of net government borrowing and an indicator of how much of government's future revenues will have to go towards servicing debt. Though SA's deficit is much lower than, for instance, Greece's horror 12.7% of GDP this fiscal year, it has to be borne in mind that the country's whole public sector borrowing requirement isn't far off that of Greece.

FIN24.CO.ZA - FINWEEK

### Talk of hiking interest rates is 'ludicrous'

With conflicting speculation about the direction interest rates are likely to take - with some arguing they are likely to be cut amid indications that they might actually be hiked - many economists tend to think they are likely to remain on hold. Luke Doig, senior economist at Credit Guarantee Insurance Corporation, said that talks of hiking interest rates at this stage is ludicrous. "Indeed, murmurings are that the inflation target band may well be widened somewhat to accommodate the debilitating electricity price increases".

BUSINESS DAY (National)

## R5.6 billion bid for bank bonds

South Africa received bids worth almost six times the R1 billion of three-year bonds offered at an auction yesterday amid speculation that the Reserve Bank might cut the interest rate. Investors bid for R5.6 billion of the 7.5% bonds due January 2014, the central bank said on its website. "There's still a lot of speculation that we might see another rate cut," said Victor Mphaphuli, a portfolio manager at Stanlib Asset Management. "That's boosting the demand for securities offering a higher rate at the short end of the yield curve".

BUSINESS REPORT (Star)

## NATIONAL BUSINESS

### Small stocks, big opportunity

Investors' appetite for the smaller listed stocks has not returned. Warren Jervis, sector head for small companies at Old Mutual Asset Management, says this is because many issues related to the credit crisis still worry investors. Investors' risk appetites have waned since the credit crisis and small shares, in particular, have become unpopular. The AltX was especially massacred in 2009. Neither does Jervis expect much of a recovery in demand for smaller stocks in 2010. Coronation Portfolio Manager Alistair Lea, who is responsible for the Coronation Smaller Company Fund, says that when investors' appetite for risk is very low, smaller shares are generally mispriced. For that reason he believes that investment opportunities exist for those who are prepared to do their homework.

FIN24.CO.ZA - FINWEEK

### Bridging finance scrutinised

Financial advisers and intermediaries who market bridging finance to clients and believe that the Financial Advisory and Intermediary Services Act (the Fais act) does not apply to them, need to reconsider. Fais ombudsman Charles Pillai recently stated that a financial adviser should repay his client any monies invested on his advice in a bridging finance scheme. This is the third time that the Fais ombudsman has had to handle a complaint about financial adviser Willie Adriaan Jordaan, previously of East London. Jordaan also previously advised various clients of his to invest in the now-defunct Fidentia. The complaints relate to financial advice that Jordaan gave clients while he was working for Sanlam in East London, from which he was subsequently fired.

FIN24.CO.ZA - FINWEEK

### 'Supplements threaten insurance'

The use of sporting drugs and supplements could have significant consequences for the insurance industry. On Monday, Professor Tim Noakes of the University of Cape Town told the International Committee for Insurance Medicine congress that heart problems and drug dependency are among the major health risks for sportspeople using drugs and other supplements. Insufficient data have been compiled on the extent of the risk for the life insurance industry, but the ingestion of such agents is increasing dramatically, with consequent raised implications for assurers. According to Noakes, the big difference between supplements and sports drugs is that the former are legal but unregulated, while the market for the latter is estimated to be much larger than that for so-called recreational drugs - which include substances like cocaine and heroin.

FIN24.CO.ZA - FINWEEK

### Virgin launches 'no excess' insurance

Virgin Money's "Insurance like it should be" product - which does not charge insurance excesses - has been launched in South Africa. This is a first for the insurance industry in SA, where consumers paid R1.2 billion in excess payments last year, Virgin Money SA MD Vinay Padayachee said.

BUSINESS DAY (National), Companies & Markets

### ARB interim profit falls

ARB Holdings, an investment company that owns fixed property and vehicles for letting, reported lower diluted headline earnings per share of 15.15c for the six months to 31 December from 19.23c previously. Headline earnings were R35.69 million from R45.18 million a year earlier. Looking ahead, ARB said its focus on market share growth would be achieved through a combination of acquisitive and organic initiatives. "With an ungeared balance sheet and significant cash resources, the group remains well positioned to take advantage of any such opportunities," the company said.

BUSINESS DAY (National), Companies & Markets

### Capitec foresees higher earnings

Capitec Bank Holdings said it was reasonably certain that earnings and headline earnings per share for the year ended 28 February would exceed the comparable earnings and headline earnings per share for the previous corresponding period by 30% to 50%. The financial results for the year were expected to be published on or about 31 March.

*BUSINESS DAY (National), Companies & Markets*

### Pinnacle not a case for registrar

Nedbank Group, which is being sued by investors in property company Acc-Ross Holdings, did not do "anything wrong" when it hedged positions in that company's stock to avoid losses, the Registrar of Banks, Errol Kruger, said yesterday. He was not in a position to comment on allegations by investors that Nedbank had contravened securities regulations by accumulating a majority stake in Acc-Ross without informing other shareholders. "Let the law take its course," said Kruger. He added that the dispute was between two parties who had a disagreement, "They need to sort it out".

*BUSINESS DAY (National), Companies & Markets ; BUSINESS REPORT (Star) ; CITIZEN, Citi Business*

### Absa to exit Pinnacle Point at huge loss

Absa will sell its entire shareholding in Pinnacle Point Properties for R150 million to the Trilinear Empowerment trust, Pinnacle said yesterday. Pinnacle said on Monday Absa had agreed to sell its entire 39% stake in Pinnacle to Trilinear for R150 million. In January last year Absa acquires 28% in Pinnacle for R931.4 million after clients defaulted on futures contracts. Absa will pay R95 million upfront and the balance will be settled in two later tranches. As a result of the deal, Trilinear would increase its shareholding in Pinnacle to about 48.4%. Absa had undertaken to implement the agreement by Monday.

*BUSINESS REPORT (Star)*

## GENERAL NEWS

### Transnet simplifies its foreign bond issues

Transnet said yesterday that it had launched a \$2 billion global medium-term note programme on the London Stock Exchange. This paved the way for the transport parastatal to issue bonds in US or European capital markets when conditions were favourable. Transnet said it planned roadshows in key financial centres in the US and the UK to assess investors' appetite for a possible debut issue. "With the (global medium-term note programme) in place, Transnet does not have to go through the cumbersome process associated with preparing the legal documentation required for listing a bond each and every time it wishes to raise debt funding," it said. The global bond issue would complement its R30 billion domestic medium-term note programme and help diversify its funding sources.

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

### Zikhulise faces deregistration from board

Zikhulise Cleaning, Maintenance and Transport faces deregistration from the Construction Industry Development Board if it fails to settle its massive tax debt with the South African Revenue Service (SARS). The company's tax-clearance certificate, which is required for the company to be registered with the board, expired at midnight. Kotli Molise, board spokesperson, said that the board would give Zikhulise three months' grace before deregistering the company, because it might have been given a new tax-clearance certificate from SARS and failed to give it to the board.

*MERCURY*

## PROPERTY AND HOUSING

### Big house, better value

Large houses have shown the greatest resilience in the face of South Africa's first recession in over a decade, according to data released on Monday. According to Absa's House Price Index the average large house (221m2 to 400m2) lost 3.7% of its price in December 2009, compared to the same period in 2008. Small- and medium-sized homes lost 6.6% and 6.9% of their value respectively, compared with December 2008. Although still lower than pre-financial crisis prices, large home prices have shown a gradual recovery since February 2009. "[Large houses] have shown positive growth for a decent while now," said Absa's senior property economist Jacques du Toit. "The wealthier households are a little more resistant against the [downturn in the] economy. Debt caught up much faster with the poorer households."

*FIN24.CO.ZA - FINWEEK*

### Battle over Gauteng land

The dispute between the Johannesburg municipality and the Gauteng Development Tribunal as to who has the authority to regulate and control land use will proceed in the Constitutional Court this month. Although authority over land use usually lies with municipalities, the Development Tribunal can also make decisions in terms of the Development Facilitation Act - and it in fact does. The tribunal has often approved property developers' applications for development rights. However, on 22 September last year the Court of Appeal found Chapters V and VI of the Development Facilitation Act, which deal with land development usage, unconstitutional. Because of this ruling the municipality does not recognise decisions made by the Development Tribunal.

*FIN24.CO.ZA - FINWEEK*

### Real estate markets 'attractive'

Global real estate markets appear attractively priced for an investor with a long-term time horizon, according to Catalyst Fund Managers in its latest property report. At the end of last month, the historic yield on the Catalyst Fund Managers' core universe (of stocks recovered) was 5.09% against the US government 10-year bond yield of 3.63%. Income growth is expected to be slightly positive over the next few years.

*BUSINESS DAY (National), Companies & Markets*

### Property supplement

Business Day, Companies and Markets contained a Property supplement with the following headings: "Industry given a say in crucial land use case"; "Mozambique offers new opportunities"; "Tax must be paid on World Cup income"; "Young buyers a leading force"; "Property valuation could cost buyer"; "LaSalle to invest in Australia"; "Lephalale centre to be Limpopo's 'foremost shopping destination'"; "There is a science to getting estate living right, says Golding"; and "Auctioneers doing a brisk trade in filling-station sites".

*BUSINESS DAY (National), Companies & Markets*

## OIL NEWS

### Oil Report

In London, Brent crude for March delivery climbed \$1.02 to \$71.13 a barrel (R3.44 a litre) in the afternoon.

Sweet crude added \$1.17 to \$73.06 in New York.

*BUSINESS REPORT (Star)*

## INTERNATIONAL ECONOMY & BUSINESS

### Sanctions backed to boost loans

The UK Treasury should impose "effective and enforceable" sanctions to encourage the country's bailed-out lenders to meet loan promises made as a condition of receiving taxpayer support, MPs said in a report. Both part-nationalised Royal Bank of Scotland and rival Lloyds Banking Group, 43% state-owned, have indicated in recent months they have not met lending commitments made to businesses, blaming reduced demand as many small and medium-sized firms repay debt and borrow less. In its report on financial stability in the banking sector published on Tuesday, the influential parliamentary Committee of Public Accounts said the Treasury had been unable to explain the banks' failure to fulfil promises, and was also largely powerless to force them to increase their lending.

*UK.REUTERS.COM*

### Retail sales fall 0.7%

Retail sales fell in January to record the worst performance for that month in 15-years, a survey by the British Retail Consortium showed yesterday. The BRC said the value of sales last month was 0.7% lower than a year ago when measured on a like-for-like basis. That followed a 4.2% annual gain December. Total sales, which include new floorspace, rose by 1.2% on the year in January. "An awful start to the year and in stark contrast to an upbeat December. This is the worst January sales growth in the 15 years we have been running the survey," said Stephen Robertson, Director General of the BRC. He said the snow at the start of the month had boosted food sales but hit other sectors. Food sales growth slowed in the second half of the month, however, and clothing and footwear sales picked up.

*UK.REUTERS.COM ; FIN24.CO.ZA - FINWEEK*

### Investors get tax break offer

Zimbabwe is offering tax breaks to investors willing to put big money into power generation projects to help ease the country's power house shortage. Energy Minister Elias Mudzuri said yesterday that the tax breaks would be negotiated on a case-by-case basis, depending on the size of the project. "We are desperate for power: If you come with a proposal that talks about \$2.5 billion (R19 billion) ... that is not small money. It is available right now for mega projects," says Mudzuri.

*BUSINESS REPORT (National)*

### UBS back to profit in fourth quarter

Swiss bank UBS posted its first quarterly net profit since Oswald Gruebel took the helm a year ago, but clients withdrew far more money than forecast, signalling that he may need more time to steady the ship. UBS, left damaged by the credit crisis and a bitter US tax row, is struggling to secure the sustainable recovery it needs to win back the trust of clients and investors, particularly as a US settlement is now in question and the Swiss banking industry's culture of secrecy remains under attack. Pressure from an aggressive Italian tax amnesty in the final quarter of 2009 added to persistent brand damage that has hampered UBS' performance in the last two years, and CEO Gruebel said the bleeding of client money would continue.

UK.REUTERS.COM

### RBS, Lloyds stakes may be sold by UK in 5 Years

British taxpayers may be able to sell their stakes in Royal Bank of Scotland and Lloyds Banking Group in five years, with RBS exiting the government's asset-insurance programme in "two to three years," a panel of lawmakers reported, citing testimony by Treasury officials. The report published today by Parliament's cross-party Public Accounts Committee also cited Treasury officials saying they believe they will make a profit when the government's stakes in the two banks are sold. It said the measure of "true success" for the privatisation will be whether competition in the banking sector is maintained. Prime Minister Gordon Brown hasn't disclosed a plan for the sale of the stakes, which were taken in the wake of the bankruptcy of the 2008 Lehman Brothers Holdings.

BLOOMBERG.COM

### Greece says call for Aid would send 'worst signal'

Greek Finance Minister George Papaconstantinou said he can't call for outside aid as his government struggles to cut the European Union's largest budget deficit. "The worst possible signal which we could send out is one calling for outside help," he said in an interview with Bloomberg Television in Athens yesterday. "We will tackle the deficit," he said, adding that tax revenues in January exceeded forecasts "by some percentage points." Papaconstantinou has so far failed to convince investors that Greece can push the deficit below the EU's ceiling of 3% of gross domestic product. With European leaders meeting on 11 February to discuss the economic outlook, Greek two-year bond yields have surged to the highest in almost a decade and concerns about budget sustainability are spreading to Spain and Portugal.

BLOOMBERG.COM

### Indonesia's economy expanded at fastest pace

Indonesia's economy probably expanded at the fastest pace in a year in the fourth quarter as lower interest rates and government stimulus spurred consumer spending. Southeast Asia's largest economy grew 5% in the three months to 31 December from a year earlier, compared with 4.2% in the previous quarter, according to the median forecast of 18 economists in a Bloomberg News survey. The statistics bureau is due to release the data at about today in Jakarta. Asian economies from China to Vietnam are picking up speed after policy makers boosted spending and cut borrowing costs to counter the global recession. Indonesia has fared better than its neighbours during the slump as it relies less on exports and consumer confidence has been buoyed by the most stable political climate since the ouster of former dictator Suharto in 1998.

BLOOMBERG.COM

### Central Banker Zhou says China must monitor inflation

People's Bank of China Governor Zhou Xiaochuan said China needs to monitor inflation as analysts forecast consumer prices rose in January by the most since 2008. "We need to closely watch" the inflation rate, Zhou told reporters in Sydney today after a meeting of central bankers. "Right now the inflation rate has started to go up, but the level is still relatively low." Consumer prices probably advanced 2.1% in January from a year earlier, a third straight gain, according to the median estimate of a Bloomberg News survey. Trends show accelerating price pressures across the economy that is poised to become world's second biggest this year, behind the US.

BLOOMBERG.COM

### Santander mulls UK IPO

Spanish bank Santander is mulling the sale of a minority stake in its British arm through a London listing, industry sources said, in a move that could help shield it from rising loan losses at home. Analysts and industry observers have been speculating about a potential public share offering for Santander's fast-growing British unit since the euro zone's largest bank struck gold with the market debut of its Brazilian subsidiary in October last year. The bank expressed interest in some of the assets being sold by bailed-out British banks has further fuelled talk of an IPO, possibly alongside a British acquisition. However, a British spin-off was not seen as imminent as Britain limps out of recession and bank sector valuations remain depressed.

UK.REUTERS.COM

### Lloyd's sees regulation challenge

The Lloyd's of London insurance market has weathered the financial crisis well, but faces challenges over the next three years from growing regulation and the rise of new regional insurance hubs, the group said. Lloyd's plans to lobby against excessive regulation while ensuring that it can provide access to competing insurance centres such as Singapore where necessary, it said on Monday in a strategic review that recommended no major changes. Lloyd's warned that new regulations and taxes imposed in the wake of the financial crisis could erode London's status as a global financial centre, making it more difficult to recruit highly-skilled insurance workers. "International competition, higher tax rates and increasing City regulation have put London's position as a global financial centre at risk," Lloyd's said.

UK.REUTERS.COM

### Plunge in German exports lets China take the lead

German exports tumbled by nearly one-fifth last year, the biggest fall for 60-years and one that officially knocked the country off its perch as the world's top exporter, government data showed yesterday. The figures provided final official confirmation that China overtook Germany as the world's biggest exporter last year. Chinese authorities said last month that total exports were more than \$1.2 trillion last year. However, German exports unexpectedly jumped in December, notching their fourth successive monthly gain, as the global recovery bolstered demand for goods from Europe's largest economy.

BUSINESS DAY (National)

### Dole system 'unconstitutional'

Germany's top court yesterday ruled that the country's dole benefits system for its poorest citizens was unconstitutional, a decision that could cost the heavily indebted nation billions of euros. The system, which combines social welfare and long-term unemployment benefits, "is incompatible with ...the constitution", which guarantees to all citizens the right to a "dignified existence", the Constitutional Court said.

BUSINESS DAY (National)

### Future hazy for UK finance watchdog

Hector Sants, CEO of Britain's financial regulator, will leave the agency after a general election that will determine the future of the Financial Services Authority (FSA). The move surprised markets and cast doubt over the future of the FSA and broader banking reform. The opposition Conservatives tipped in polls to win the next election expected in May, have said that they want to abolish the FSA and hand its banking supervisory powers to the Bank of England, saying it failed to spot problems ahead of the financial crisis. He began his role in July 2007, just weeks before problems emerged with subprime mortgages that triggered the financial crisis, and months before a run on deposits at Northern Rock, Britain's first credit crunch victim.

BUSINESS DAY (National)

### Arab Bank posts \$783 million profit

Arab Bank, Jordan's largest lender, said yesterday that it had posted a 2009 pre-tax profit of \$783 million. It did not provide a comparable figure for the previous year. Customer deposits grew 11% to \$34.9 billion last year from 2008, accounting for 69% of the bank's total assets. Assets rose 11% to \$50.6 billion. The board recommended to the general assembly, which meet on 26 March, that it pay a dividend to shareholder at 20% of the share's nominal value, equivalent to 106.8 million dinars.

BUSINESS DAY (National), Companies & Markets

### British Land rallies on commercial recovery

British Land, the UK's second-largest real estate investment trust, yesterday reported a third-quarter profit after commercial property values recovered, cheering banks. Net income for the three months ended 31 December was £623 million, or 72p per share, compared with a loss of £1.59 billion, or 257p a year earlier, it said. Net asset value rose 18% to 438p per share. British Land, which owns half of the Broadgate office complex in London, has about £1 billion to invest after selling shares and assets. The company is competing with other real estate investment trusts and funds as a limited supply of available properties fuels price increases.

BUSINESS DAY (National), Companies & Markets

### UBS eager to stem wealthy client exodus

UBS, the European bank with the biggest losses from the credit crisis, yesterday said that withdrawals by wealthy clients accelerated in the fourth quarter even as the company reported its first profit in more than a year. The bank fell as much as 4.3% in Swiss trading yesterday after saying redemptions at its wealth management units increased to Sf45.2 billion from Sf26.6 billion in the previous three months. UBS earned Sf1.21 billion in the fourth quarter, its first profit since the third quarter of 2008, buoyed by gains at the investment bank, lower costs tied to the company's debt, and a tax credit.

BUSINESS DAY (National), Companies & Markets

**Swedbank posts loss but expects profit this year**

Swedbank, the largest bank in the Baltic region, said yesterday that posting a profit this year was "feasible", after reporting a fourth consecutive quarterly loss in the three months to December. The fourth-quarter net loss of 1.8 billion krona compared with profit of 1.9 billion krona compared a year earlier, Swedbank said. That beat the average estimate for a 2.02 billion krona loss of 10 analysts surveyed by Bloomberg. Credit impairments more than tripled to 5-billion krona from a year earlier. CEO Michael Wolf said Swedbank's October forecast - that growth in new loan losses in the Baltics had peaked - had been "proven right".

*BUSINESS DAY (National), Companies & Markets*

**INDICATORS**

Rand - Dollar \$	7.6827	(+0.0123)
Rand - Sterling £	12.0219	(-0.0046)
Rand - Euro €	10.5729	(-0.0531)
JSE Allshare	26455.1	(+413.14)
Gold	1071.2	(+7.25)
Platinum	1496.0	(+19.00)
Brent Crude Oil	71.1	(+1.02)

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