

Banking, Finance and Insurance

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BANKING IN SHORT

In Banking news this morning, the African National Congress Youth League (ANCYL) said yesterday that it is losing confidence in Finance Minister Pravin Gordhan for "not following party policy" and "ignoring the plight of the young"; in addition, Gordhan yesterday accused some SA Reserve Bank shareholders of trying to create the conditions for the bank's liquidation for their own gain. He also said that South Africa's Reserve Bank will shortly release results of a study into the gap between the central bank's main interest rate and prime lending costs, but is not formally investigating competition between commercial banks. In business, investment bank Investec is set to replace insurance-focused takeover vehicle resolution in the FTSE 100 index after the latest quarterly index review yesterday.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand remained in a tight range yesterday afternoon, tracking the US dollar performance against the majors for any clear direction. At 15:44, the rand was bid at R7.385 to the dollar from R7.377 at its previous close. It was bid at R10.065 to the euro from R10.038 and at R11.031 against the sterling from R11.062. The euro was bid at \$1.359 from \$1.360.

BUSINESS DAY (National), Companies & Markets

Gordhan slams Sarb shareholders

Finance Minister Pravin Gordhan on Wednesday accused some SA Reserve Bank shareholders of trying to create the conditions for the bank's liquidation for their own gain. Replying to a written parliamentary question by Dion George of the Democratic Alliance, Gordhan reiterated that no changes were being considered to the bank's shareholding structure. "No changes are under consideration at this stage," he said. In the vast majority of cases around the world, the central bank was owned by the state, and South Africa was an exception to the norm in having private shareholders. "However, the shareholding structure of the Reserve Bank should not impact on the bank's independence, mandate or daily operations." The Constitution enshrined the operational independence of the bank in pursuing its duties and mandate.

FIN24.CO.ZA - FINWEEK

Sarb report out soon

South Africa's Reserve Bank will shortly release results of a study into the gap between the central bank's main interest rate and prime lending costs, but is not formally investigating competition between commercial banks, Finance Minister Pravin Gordhan said yesterday. The banking sector in South Africa is dominated by four major banks, Standard Bank, Absa, Nedbank and FirstRand and has been criticised for being uncompetitive, allowing banks to charge consumers more than their overseas peers. On Tuesday Dominique Strauss-Kahn, managing director of the International Monetary Fund, said more competition should be introduced into the banking sector to help tackle inflation. "The South African Reserve Bank has indicated to the National Treasury that there is no investigation on interest rates charged by commercial banks," Gordhan said in response to a written question in parliament.

FIN24.CO.ZA - FINWEEK

Return of aluminium duties?

South Africa would consider reinstating import duties for aluminium on economic grounds, but industry would need to apply formally for the measure, Trade and Industry Minister Rob Davies said on Tuesday. Davies met in September with the Aluminium Federation of Southern Africa and Hulamin Ltd, Africa's biggest maker of semi-fabricated aluminium. The meeting discussed the adverse effects of removing import duties on downstream products, such as aluminium rolled products. The decision to remove import duties was taken by the government-aligned International Trade and Administration Commission (Itac), the minister said. "Taking into account the depressed economic conditions, as well as the phased closure of the cast house at Bayside smelter, it was agreed that there may well be economic grounds to reconsider the decision and therefore reinstate the import duty," Davies said.

FIN24.CO.ZA - FINWEEK

Tackle structural issues, Strauss-Kahn urges SA

The government could only address the problems of the jobless by tackling the country's "structural problems", International Monetary Fund (IMF) Managing Director Strauss-Kahn said yesterday at the end of a two-day trip to South Africa. He met President Jacob Zuma, Finance Minister Pravin Gordhan and other ministers during his visit. At a press conference ahead of his departure for Zambia, he said, "Monetary manipulation is always the easy way to hide the real problems". His comments followed repeated calls from trade unions and others for the government to cut interest rates and weaken the rand to stimulate the economy and create jobs. Strauss-Kahn identified the "real problems" as the failings in education and the lack of competition in the economy among other things.

BUSINESS REPORT (Star)

Stoke competition, says Strauss-Kahn

Lack of competition was a much bigger challenge for South Africa's economy than the level of the rand, the MD of the International Monetary Fund (IMF), Dominique Strauss-Kahn, said yesterday. He criticised the dominance of the country's banking, telecoms and food sectors by a few big companies, saying this was "not in the interests" of the economy. "For many historical reasons, competition was not as vivid and as active as we would expect," he told reported at the end of a two-day visit to SA. Improved competition would also create more jobs and curb inflation, raising the living standards of the poor, he said.

BUSINESS DAY (National)

Dykes hopes for economic surprise on the upside

The economy could "surprise on the upside", according to Dennis Dykes, the Nedbank group chief economist. At a presentation yesterday, he said that growth should come from an inventory bounce as businesses rebuild their depleted stocks, the World Cup effect, which could add 0.2 to 1 percentage points to gross domestic product (GDP) and a delayed response to interest rate cuts. The Reserve Bank slashed its repo rate from 12% to 7% between December 2008 and August last year, but household spending continued declining until at least the third quarter of last year, after starting to contract in the third quarter of 2008.

BUSINESS REPORT (Star)

Some sectors still in recession

Although the economy grew 3.2% in the fourth quarter, the agriculture, wholesale and retail sectors were still in recession, said Mike Schussler, CEO of Economists Dotcoza. "Many consumers are still hesitant to spend on big-ticket items". His group expects 3% growth this year, below the long-term potential of 4%.

BUSINESS DAY (National)

SARS investigated 1 740 taxpayers last year

The South African Revenue Service (SARS) conducted 1 740 in-depth investigations of individual taxpayers in the 2008/2009 tax year out of a total of 72 926 audits across all tax types and on all categories of taxpayers, Finance Minister Pravin Gordhan said in a written reply to a parliamentary question about lifestyle audits. Lifestyle audits have become a hot potato after calls were made by Congress of South African Trade Unions General Secretary Zwelinzima Vavi that politicians with flashy lifestyles be subjected to them.

BUSINESS DAY (National)

Youth league losing faith in Gordhan

The African National Congress Youth League (ANCYL) said yesterday that it is losing confidence in Finance Minister Pravin Gordhan for "not following party policy" and "ignoring the plight of the young". The league, which is pushing for mines to be nationalised, said Gordhan had ignored the development of poor and unemployed youth, its criticism of Gordhan, whose appointment last year was welcomed by markets and investors, is the most vocal yet from within the ruling party. Gordhan's budget, delivered last month, was criticised by the Congress of SA Trade Unions for not doing enough for the poor.

BUSINESS DAY (National)

NATIONAL BUSINESS

Metropolitan backers reap rewards

Insurance stalwart Metropolitan has upped its full-year dividend paid to shareholders by 9%, saying the increase is indicative of an "improved operating outlook". Reporting annual results for the year to end-December 2009, the group declared a final dividend of 60c. By adding the 40c dividend declared at the interim stage, the counter boasts a historical dividend yield of around 7%. Metropolitan has traditionally been a good dividend payer and has bucked its sector's trend where a number of banks and insurers have been cutting back on distributions to preserve their capital bases. However, despite Metropolitan's generous dividend payments, the group still holds nearly R2 billion excess capital on its balance sheet and investors will be pushing management to provide some indications as to how this is likely to be deployed.

FIN24.CO.ZA - FINWEEK

Women in business 'resilient'

Women in business are more resilient than men, a report released on Wednesday showed. "Resilience has been identified by corporate leaders globally as the most critical factor in helping businesses survive in tough economic times - and the good news for the fairer sex is that women are found to be more resilient than men," the report said. Research for "Women Leaders and Resilience: Perspectives from the C-Suite" was undertaken globally by consultancy Accenture. The report showed that 71% of more than 500 corporate leaders surveyed in 20 countries believed that resilience, defined by Accenture as the ability to overcome challenges and turn them into opportunities, was a key capability in determining who to retain. Within a South African context, 56% of respondents said women were very to extremely resilient and only 44% reported men as very to extremely resilient.

FIN24.CO.ZA - FINWEEK

Strong rand threatens car-parts sector jobs

The strong rand threatened more jobs and closure of some businesses, the National Association of Automotive Component and Allied Manufacturers (Naacam) said yesterday. Roger Pitot, Executive Director of Naacam, said some parts suppliers had cancelled export contracts worth hundreds of millions of rands due to the strong rands. The exchange rate was the "biggest headache" the component companies faced, Pitot said.

BUSINESS DAY (National)

Banks: winners and losers

FirstRand and Standard Bank have emerged as clear-cut winners from their most recent reporting periods, with Nedbank proving a laggard and Absa drawing mixed views. Simon Fillmore from Independent Securities said FirstRand remained his preferred banking stock. "Earnings next year will be positively impacted by the unwinding of bad debts," he said, adding that earnings growth of 20% in 2011 was "quite achievable". Francois du Plessis from Vega Capital said Standard is the only share he would hold in his portfolio on the back of the latest reporting period. In a snap note to clients, BoE Private Clients pointed out on Tuesday that FirstRand had achieved the highest return-on-equity level (17%) among the big four banks. Absa returned 15.5%, Standard Bank 13.6% and Nedbank 11.5% over their respective reporting periods.

FIN24.CO.ZA - FINWEEK

Metropolitan boosts its final dividend

Life assurance group Metropolitan Holdings raised its final dividend after growing embedded the value by about 6% to R17.09 per share in the year to December. Life companies struggled to grow profit meaningfully last year as new or existing premium growth slowed in line with slumping consumer spending, while volatile markets caused insurers' investment incomes to fluctuate. A final dividend of 60c a share was declared, 9% higher than the year-end declaration in 2008.

BUSINESS DAY (National), Companies & Markets

RMB Holdings sees investments again

RMB Holdings (RMBH), which has strategic shareholdings in FirstRand, Discovery and OUTsurance, increased the intrinsic value of its underlying investments by 15% to R31.94 per share, and an unchanged interim dividend of 54c a share was declared. RMBH's share price moved up 2.37% to R31.51 yesterday, slightly ahead of the 1% gain in bank sector shares where RMBH is listed and pretty close to embedded value. Traditionally, the share trades at a 6%-7% discount to intrinsic value of the share.

BUSINESS DAY (National), Companies & Markets

Investec in line for FTSE 100 promotion

Investment bank Investec is set to replace insurance-focused takeover vehicle resolution in the FTSE 100 index after the latest quarterly index review yesterday. As at the market close on Tuesday, Resolution was the only blue chip stock below 111th position in ranking based on market capitalisation, according to index compiler FTSE, setting it up for relegation from the blue chip index.

BUSINESS DAY (National), Companies & Markets

GENERAL NEWS

Bonitas court case postponed

The court case to decide on curatorship for South Africa's third-biggest medical scheme, Bonitas, has been postponed for now. The case was to have begun on Tuesday but, according to acting Chief Executive Gerhard van Emmenis, it has been postponed after Medscheme, Bonitas's administrator, entered the picture. Earlier this year, the Council for Medical Schemes (CMS) submitted an urgent application to the South Gauteng High Court to have Bonitas placed under curatorship owing to alleged corporate mismanagement. According to the CMS, Medscheme - in its role as administrator - also needs to be examined. Medscheme has now objected, saying that not all requirements for the court case to begin have been met. In July last year, in terms of a court order, the CMS was authorised to investigate Bonitas's finances.

FIN24.CO.ZA - FINWEEK

Manuel joins UN financial group

Minister in the Presidency responsible for National Planning, Trevor Manuel, has been appointed as a member of the High-Level Advisory Group on Climate Change Financing established by UN Secretary-General Ban Ki-Moon. The group was launched in February this year to mobilise financing for assisting developing countries in combating climate change. The Group of 19 experts will be co-chaired by British Prime Minister Gordon Brown and Ethiopian Prime Minister Meles Zenawi. Manuel joins other high-level officials from Ministries and Central Banks as well as experts on public finance, development and related issues. Members include Guyanan President Bharrat Jagdeo Norwegian Prime Minister Jens Stoltenberg. The group will study potential sources of revenue for financing mitigation and adaptation activities in developing countries.

FIN24.CO.ZA - FINWEEK

Irate City of Cape Town councillors over VAT

Irate City of Cape Town councillors found out this week at a transport portfolio committee meeting that value added tax (VAT) of up to R602 million may still be added to the R4.3 billion cost of the city's transport system. They have accused the officials of a cover-up for neglecting to consider the VAT implications of the project when its revised budget was approved by the council in November last year. Speaking at the Cape Town Press Club yesterday, City of Cape Town media manager, Kylie Hatton said that despite the cost overruns, Cape Town's integrated rapid transit system was in line with Gauteng's costs.

CAPE TIMES

KZN municipalities fail to spend Capex funds

Municipalities in KwaZulu-Natal have failed to spend R10.7 billion in funds set aside for capital expenditure such as supply of bulk water and electricity. This was disclosed by Finance MEC Ina Cronje in a report to the provincial legislature in KwaMaphumulo yesterday. Cronje said poor capital expenditure planning by KZN municipalities has been cited as the root cause of underspending of the R10.7 billion capital budget allocated to municipalities in the 2009/10 financial year. She urged for planning to start before the start of the financial year. Cronje said unless financial management and fiscal governance in municipalities are improved, they cannot improve service delivery and spearhead development.

WITNESS

Zuma declares interests - eight months late

President Jacob Zuma's eight-month delay in declaring his financial interests, assets and liabilities ended yesterday - but a probe by the Public Prosecutor into why he failed to comply with the law by disclosing on time could still go ahead. Under the Executive Members' Ethics Code, Zuma was to have submitted his declaration within 60 days of assuming office. Yesterday - three days after The Sunday Independent revealed that he had not done so, sparking political outrage, Zuma finally did so. His attorney Michael Hulley, in a statement published on the Presidency website at 15:00, said Zuma had yesterday submitted a list of "any gifts, benefits or financial interests held or received either by him or by the code" - to the Cabinet secretary and Zuma's Director-General, Vusi Mavimbela.

STAR; ENEWS PRIME @ 19:00

Higher steel output may hike iron ore prices 60%

Iron ore contract prices might surge 60% to a record this year as demand from China increased and steel production recovered in developed economies, Goldman Sachs JBWere said yesterday. The annual price for Australian fines starting 1 April, a benchmark for Asia, might rise to \$96 a ton from \$60 a ton a year earlier, Goldman analysts Malcolm Southwood and Paul Gray wrote in a report. They also raised their estimate for the cash price of the ore by 15% to \$113 a ton for 2010. Goldman Sachs JBWere, an Australian unit of US bank Goldman Sachs, in January raised its forecast for contract prices to a 35% gain from 20%.

BUSINESS REPORT (Star)

Manuel warns on lending bodies' demands

Countries risked losing part of their sovereignty in exchange for international development funding, Minister in the Presidency Trevor Manuel warned in an interview yesterday. Manuel, who is responsible for national planning, was appointed this week to the high-level advisory group on climate change finance, an international body set up by the United Nations (UN)

Secretary-General Ban-Ki Moon.

BUSINESS DAY (National)

PROPERTY AND HOUSING

Homes: Now's the time to buy

Home buyers are back on the streets scouting for homes as residential property prices bottom out, industry players said on Tuesday. The Absa house price index for February showed that average house prices for homes in the small, medium and large categories have continued their nominal growth.

"House prices have bottomed out, there's no doubt about it," said Herschel Jawitz, CEO of Jawitz Properties. According to him, for the first time since the market went pear-shaped in 2008 "buyers sense the market has bottomed out and that it's time to buy". The average small house (80m² to 140m²) saw a 1.6% year-on-year (y/y) increase in nominal value to R676 800, compared with a revised growth rate of 0.7% recorded in January, said Absa. According to Jawitz, the recovery will come from the R500 000 to R3 million segment of the market.

FIN24.CO.ZA - FINWEEK

Drakensberg hotel in pothole challenge

Cathedral Peak Hotel in the Drakensberg yesterday applied to the Pietermaritzburg High Court to order the KwaZulu-Natal Transport Department to repair roads and signs as the hotel sold 15 000 bed nights and was visited by 15 000 vehicles a year but was served by poor roads. A trustee of the hotel, William van der Riet, said the potholes and other worn parts were often dangerous and caused great damage to vehicles, while the road signs were either missing, confusing or illegible. Judge Chris Nicholson adjourned the case to September for oral evidence.

STAR

Grand old Durban hotel changes hands

HPF Properties has entered into an agreement to acquire the four-star Protea Hotel Edward in Durban from Protea Hospitality Group and its wholly owned subsidiary, Swanvest 258, for R110.4 million. The hotel is 50m from Durban's main beach and 1km from its city centre. Protea will continue to operate the hotel in terms of a lease agreement.

BUSINESS DAY (National), Companies & Markets

Pinnacle warns of year-end headline loss

Pinnacle Point Group, the property development group, has warned shareholders it is going to report a headline loss for the year to 28 February. It said that at the end of October it had expected to generate a profit per share of 0.3c, but it now expected to report a loss of about 2.5c per share. The estimates may also be influenced by a property valuation process already under way.

BUSINESS DAY (National), Companies & Markets

RESTRUCTURING AND APPOINTMENTS

Absa Capital appoints head for new unit

Absa Capital said yesterday that it had appointed Andrew McNulty as head of its new Equities Research division as it expands its overall offering to its clients. McNulty will run a full-service research team in South Africa, integrated and aligned with global affiliate Barclays Capital's team.

BUSINESS DAY (National), Companies & Markets

OIL NEWS

Opec predicts spike in oil demand

World oil demand was projected to grow by 900 000 barrels per day (bpd) this year, the Organisation of the Petroleum Exporting Countries (Opec) said yesterday, revising upwards its previous month's forecast while cautioning that the increase was hinged on a sustained global economic rebound, particularly in the US. Opec, supplier of about 35% of the world's crude, raised its demand forecast to 85.24-million bpd, about 100 000 bpd higher than its projections last month.

BUSINESS DAY (National)

INTERNATIONAL ECONOMY & BUSINESS

Metropolitan struggles to find traction and partner

Metropolitan's Kenyan operations are not doing as well as those in Nigeria and Ghana because it has had difficulty finding a suitable partner on at country, according to Preston Speckmann, the Chief Financial Officer of the financial services company. "There is no specific reason why we are not getting a partner there. We just have not been able to get a right partner after looking for a year now. We think there is a market for our products in Kenya," Speckmann said yesterday.

BUSINESS REPORT (National)

Investors to increase commodity investments, Barclays

Investors mostly plan to initiate or increase their commodity investments over the next three years, according to a Barclays Capital survey. 65% of investors surveyed at a conference in Barcelona last week plan to start or increase their commodity exposure, according to the survey e-mailed today. Most, or 36%, expect the inflows this year will be less than last year's record \$70 billion, according to the survey. "Deterioration in commodity fundamentals" is the main concern, at 41% of those surveyed. The average annual benchmark commodity returns are expected to be 6% to 10% over the next five years, according to most people surveyed. Platinum and related metals will perform the best, followed by copper and freight, according to the survey.

BUSINESSWEEK.COM

New credit crunch risk as banks face funding crisis

Britain is facing a second credit crunch as banks shrink their loan books to avoid a funding crisis, a leading analyst has warned. Jonathan Pierce, from Credit Suisse, believes UK banks will have to reduce the size of their balance sheets by as much as £530 billion over the next three to four years to meet new regulations. According to his analysis, British banks need to issue £420 billion-£750 billion of long-term wholesale funds. "We don't think this is plausible and hence we expect balance sheet footings to fall by 6pc-18pc to compensate," he said. He predicts a minimum reduction in credit of £200 billion. UK banks gorged on cheap wholesale funding during the boom to finance a glut of mortgages and commercial property loans. However, the wholesale markets slammed shut after Northern Rock's collapse and are only just reopening.

TELEGRAPH.CO.UK

Santander hires CS for RBS sale

Spain's Banco Santander SA has hired Credit Suisse to advise it on a bid for the 318 branches of Royal Bank of Scotland Group PLC, and other banks, including National Australia Bank Ltd. and Virgin Money, remain in the running for the assets, people familiar with the situation said Tuesday. Revelations of a funding gap that would have to be filled by the buyer triggered fears that RBS wouldn't be able to attract enough suitors with pockets deep enough to go through with the acquisition. According to an information memorandum sent to potential bidders last week, a £3 billion support currently being given by the Bank of England to the assets would have to be refinanced by the buyer. In addition, buyers would also have to cover a gap £2 billion between loans made and deposits taken at the branches.

ONLINE.WSJ.COM

Online bank fraud doubles in two years

Online banking fraud has doubled in the last two years, with customers losing £60 million from criminals last year. Official figures from the trade body UK Payments Association indicated that online banking fraud increased to £59.7 million last year. This was an 18 per cent increase on the year before and more than a doubling since 2007 when there were £22.6 million of losses. As more and more consumers are persuaded to go online by their banks, criminals have followed them. Most of the fraud has happened by criminals – usually based overseas – attacking consumers' computers without their knowledge. Malware is installed invariably without the consumers' knowledge when they click on a link to a website or an attachment to an email.

TELEGRAPH.CO.UK

UK banks' gilt-buying spree may not materialise

The great UK bank gilt-buying spree may not materialise. British lenders had been seen as key buyers of the forthcoming flood of UK government bonds. But the recent figures suggest not all banks will need to buy much more. Given that the Bank of England has also halted its gilt splurge, this could have significant consequences for the government's borrowing costs. By their own standards, some banks already have sufficient liquidity. Last August, Royal Bank of Scotland RBS.L said it wanted to build a buffer – consisting of cash, gilts and high-quality corporate debt – of £150 billion by 2013. By the end of 2009, the state-controlled bank had increased its liquidity stocks to £145 billion, from £90 billion a year earlier. Barclays, which boosted its reserves from £43 to £127 billion in the same period, professes itself similarly satisfied with its reserves.

TELEGRAPH.CO.UK

Brown: UK economy still at risk

The British government will unveil a pre-election budget in two weeks' time, Prime Minister Gordon Brown said yesterday, fuelling expectations of legislative ballots in May. Brown added that Britain's economic recovery "remains very fragile" and was at a "crossroads". The budget will be held "in two weeks' time", Brown said. British media reported the date as 24 March. "While we have come through the worst of this dreadful storm, the waters are still choppy," Brown said. David Cameron's main opposition Conservatives are slightly ahead of Brown's Labour in opinion polls ahead of a general election expected to be called for 6 May. The economy is set to dominate the campaign. The Conservatives had long held a double-digit lead in opinion polls but Labour has now clawed back ground since Britain emerged from recession, promising a close fight.

FIN24.CO.ZA - FINWEEK ; BUSINESS DAY (National)

Barclays on look out for acquisition in US

Barclays shares dipped yesterday after reports that the British lender was looking to buy a retail bank in the US to build on its investment bank acquisitions there. Barclays has designated an internal team to assess possible targets and is looking for a franchise with a strong branch network and deposit base, the Wall Street Journal said. Barclays was not in talks with any US bank and no deals were imminent, it said, citing sources close to the matter.

BUSINESS DAY (National), Companies & Markets

Northern Rock's fortunes start to turn

Nationalised mortgage lender Northern Rock returned to profit in the second half of last year as interest income rose and losses on loans fell, Britain's first casualty of the global credit crisis said yesterday. Northern Rock said that it posted a profit of £466.7 million in the second half of 2009, following a loss of £724.2 million in the first half. "We have turned the corner," said Chief Executive Gary Hoffman, who expressed confidence that Northern Rock eventually could emerge as an independent, privately owned bank. For the full year, Northern Rock reported a pretax loss of £257.5 million, down from a loss of £1.355 billion in the previous year. Loan loss impairments rose to £1.05 billion from £894 million in 2008.

BUSINESS REPORT (Star)

Slipping output shows UK not out of the woods

British manufacturing output slumped in January at its sharpest monthly rate since last August, confounding expectations of growth and reversing December's strong rise after icy weather dented production. Yesterday's official data brought fresh doubt about the strength of the economic recovery after figures on Tuesday showed the sharpest fall in exports for more than three years, though they contrast with upbeat industry surveys, and some economists see a rebound in February or March.

BUSINESS REPORT (Star)

Nationalised UK bank Northern Rock back in profit

Nationalised mortgage lender Northern Rock said Wednesday that it returned to profit in the second half of 2009 as interest income rose and losses on loans fell. Northern Rock said it posted a profit of £466.7 million (\$696 million) in the second half, following a loss of £724.2 million in the first half of 2009. For the full year, Northern Rock reported a pretax loss of £257.5 million (\$384 million), down from a loss of £1.355 billion in the previous year. Loan loss impairments rose to £1.05 billion from £894 million in 2008. "Loan loss impairment charges are expected to remain high during 2010, relative to historic norms, but below the level recorded in 2009," the company said. The results were the last for the old company, which on 1 January was split into two units.

GOOGLE.COM

Barclays shares dip on US bank buy reports

Shares in Barclays dipped 2% yesterday after reports the British lender is looking to buy a retail bank in the United States to build on its successful investment bank build-up there. Barclays has designated an internal team to assess possible targets and is looking for a franchise with a strong branch network and deposit base, the Wall Street Journal said. The bank is not in talks with any US banks and no deals are imminent, it said, citing people close to the matter. By 03:03 EST the shares were down 1.8% at 339.5 pence, after touching 338.65p. Barclays declined to comment. The bank has successfully integrated the US operations of investment bank Lehman Brothers after buying them in 2008. It has been building its retail banking business in western Europe with small acquisitions adding to organic growth.

REUTERS.COM

Bank of America eliminates overdraft fees

Bank of America Corp. plans to announce Wednesday that it is eliminating \$35 overdraft fees on debit-card purchases as the bank tries to stay ahead of a sweeping round of regulations. The move means that any customer who attempts a purchase with insufficient funds will be denied at the point of sale. That will affect people who currently get nicked on small, everyday transactions such as coffee, groceries or subway passes without knowing their account is temporarily running a deficit. The new policy will begin for new customers on 19 June and in August for existing debit-card holders. Citigroup Inc. already has a similar policy in place. Overdraft fees are an important source of revenue for banking institutions, which earned \$36.7 billion in 2008 for service charges on deposits even as US banks got massive infusions of taxpayer-funded aid.

ONLINE.WSJ.COM

China axe drops on banker bonuses

China's banking regulator told the nation's lenders to defer at least 40% of senior executives' bonuses under new guidelines aimed at aligning bankers' compensation with their performance. Bonuses must be deferred for at least three years, the China Banking Regulatory Commission said yesterday. Under the guidelines, which took effect at the beginning of this month, bank executives' basic salaries could not exceed 35% of total compensation, with bonuses limited to three times basic pay, said the regulator.

BUSINESS REPORT (Star)

Quake to cost insurers \$4 billion

The strong earthquake in Chile last month would cost the insurance industry between \$4 billion and \$7 billion, Swiss Reinsurance estimated yesterday. The company said that it was common practice for property owners to buy earthquake insurance, meaning the temblor would result in significant claims for property damage and disruption of business. Swiss Re said it alone expected to make a pretax payout of \$500 million for losses arising from the earthquake.

BUSINESS REPORT (Star)

INDICATORS

Rand - Dollar \$	7.3986	(+0.0004)
Rand - Sterling £	11.0461	(+0.0376)
Rand - Euro €	10.0747	(-0.0306)
JSE Allshare	28087.7	(+189.53)
Gold	\$1120.5	(+4.75)
Platinum	\$1605.0	(+31.00)
Brent Crude Oil	\$81.2	(+1.28)

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