

Banking, Finance and Insurance

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isabeldn@bankseta.org.za

Compiled by Susan McFadzean

BANKING IN SHORT

In Banking news this morning, the South African Revenue Service (SARS) may force some dividend income unit trusts to shut down. This is according to Investec Asset Management deputy MD Thabo Khojane, who told journalists on Wednesday that SARS could act soon on the issue; and the government is expected to toughen up enforcement measures and penalties in a bid to collect more revenue from taxpayers for the new financial year. On the business front, Santam, a short-term insurance company, said full-year earnings would be up to 60% higher owing to an absence of large scale industrial claims in late 2009; and Blue Financial Services found its South African operations one of its biggest challenges due to poor local repayment culture, Chief Executive Dave van Niekerk said yesterday.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand continued to track the euro within a range in the afternoon session yesterday, amid continued uncertainty regarding Greece's fiscal woes. At 15:31, the rand was bid at R7.665 to the dollar from R7.697 at its previous close. It was bid at R10.519 to the euro from R10.598 and was at R11.977 against the sterling from R12.024.

BUSINESS DAY (National), Companies & Markets

SARS may close down unit trusts

The South African Revenue Service (SARS) may force some dividend income unit trusts to shut down. This is according to Investec Asset Management deputy MD Thabo Khojane, who told journalists on Wednesday that SARS could act soon on the issue. The Financial Services Board (FSB) issued a circular in January, informing asset management groups of the investigation and warning portfolio managers to prepare exit strategies should some funds be closed down. "There are structures using covert instruments to convert interest income into dividend income," said Patrick Ward, the FSB's head of collective investments. Unlike interest income, dividend income is not taxed by SARS. Dividend income unit trusts hold about R54 billion in assets.

FIN24.CO.ZA - FINWEEK

Zuma should 'get real' about jobs

President Jacob Zuma should tackle South Africa's biggest challenge, that of unemployment. He should also make it clear that government itself can't create jobs. According to political commentator Sipho Seepe, there is a popular misconception that the state can directly contribute to employment. Seepe said government can only develop an environment in which businesses can contribute to job creation. "The sooner government stops pretending it can create jobs, the sooner the country can move on and talk about how to create a job-creating environment," said Seepe, who heads up the South African Institute of Race Relations.

FIN24.CO.ZA - FINWEEK

Surprise late surge suggests factory rebound

Factory output surged unexpectedly in December, adding to evidence that the economy's second-biggest sector pumped up overall growth late last year. Manufacturing production was 3.2% higher than the previous December's - the first annual rise in 14 months - after falling 4.6% in November, Statistics SA said yesterday. Forecasts from Reuters were for a modest 0.9% rise. "It's certainly a huge surprise, and means that economic growth in the fourth quarter may be stronger than we expected," Nomura International economist Peter Attard Montalto said. Export demand, particularly from Asia, and restocking by local companies drive the gains in factory output, in the face of weak domestic demand.

BUSINESS DAY (National)

Trade activity showing signs of recovery

Employment conditions in the trade environment deteriorated last month, according to a trade conditions survey by the SA Chamber of Commerce and Industry (Sacci). The employment sub-index fell to 41 from 47 in December, but the employment prospects index, which measures the outlook over the next six months, remained at 55 points in January. A reading above 50 is positive. Other forward looking sub-indices were also positive, including sales volumes at 76 and new orders at 72. Sacci economist Richard Downing said the World Cup could be having a temporary positive influence on all activities, but it was unclear whether it could be sustained.

BUSINESS REPORT (Star)

SARS to get tough on tax collection

The government is expected to toughen up enforcement measures and penalties in a bid to collect more revenue from taxpayers for the new financial year. Finance Minister Pravin Gordhan estimated in October that tax revenue for the year that end on 28 February would be about R70.3 billion less than the February budget forecast - 10.7% lower than the R659.3 billion projected. The South African Revenue Service (SARS) is under significant pressure to collect the revenue it had forecast and was expected to take an even tougher stance with taxpayers to prevent abuse of the system, warned tax analysts from Deloitte at a pre-budget briefing yesterday.

BUSINESS DAY (National)

NATIONAL BUSINESS

Santam earnings up to 60% higher

Santam, a short-term insurance company, said full-year earnings would be up to 60% higher owing to an absence of large scale industrial claims in late 2009. The group was providing a trading update on the Stock Exchange New Service (Sens) ahead of its year ended December results presentation scheduled for 3 March. "Performance of the investment portfolio was positive and substantially better than the losses of the previous corresponding period, largely due to the strengthening of equity markets," Santam said. If earnings come in at the lower end of the guidance this will mean that Santam will report around 850c a share. This places it on a price to earnings multiple of around 11.7 times earnings. Headline share earnings were 586c a share for the same period last year.

FIN24.CO.ZA - FINWEEK ; BUSINESS REPORT (Star) ; CITIZEN, Citi Business

SA market is Blue's weak spot

Blue Financial Services found its South African operations one of its biggest challenges due to poor local repayment culture, Chief Executive Dave van Niekerk said yesterday. Van Niekerk said that the pressure on the financial performance of the company in the past financial year stemmed from its South African operations. As Blue's acquisition of Credit U, the AltX-listed microlender formerly known as Kagisano, came to a conclusion last year, the global economic crisis hit and funding disappeared from the markets. Blue acquired Credit U for R278 million.

BUSINESS REPORT (Star)

Index tracker lists NYSE fund

Old Mutual Investment's offshore index tracker boutique has listed its second exchange-traded fund on the New York Stock Exchange. Old Mutual Global Index Trackers said the GlobalShares FTSE Developed Countries ex US Fund offers international investors the opportunity to gain exposure to 23 developed countries including Canada, Japan, the UK, France and Germany, without raising exposure to US stocks.

BUSINESS DAY (National), Companies & Markets

Strong JSE provides lift to Sanlam's earnings

Sanlam Group said yesterday growth in core earnings per share was expected to be in line with the 2% reported in the six months to June last year, after satisfactory operating results were achieved in spite of difficult economic conditions. The 29% increase in the FTSE/JSE all share index last year had a positive effect on investment returns for the year, South Africa's second-biggest life group said in trading statement. Headline earnings per share, including the EFRS effect of Sanlam shares held by policyholders' funds, were expected to be 60% -70% higher than the corresponding period in 2008. Normalised headline earnings per share were expected to be 130% -140% higher.

BUSINESS DAY (National), Companies & Markets ; BUSINESS REPORT (Star)

GENERAL NEWS

Auctions

Business Day contained an Auctions supplement with the following headings: "Wide variety for collectors at all-day Pretoria auction"; "Top price at Savile Row auction is R57 million"; "Trad Jazz' at auction"; "Park Village anticipates busy year as companies shed noncore assets"; "Auction Alliance delighted with its good kickoff to the year"; "westcliffe house leads sale with R21.5 million bid"; and "Welding goods 'worth millions'".

BUSINESS DAY (National)

PROPERTY AND HOUSING

New businesses face chaos

On Wednesday the Companies and Intellectual Property Registration Office (Cipro) admitted that it did not have the capacity to handle the large number of applications for new close corporations and companies. Hundreds of people were seen standing in queues at Cipro's office in Pretoria, hoping to register businesses. Until a business received official documents from Cipro, it cannot open a bank account, receive a VAT number or do business in the formal economy. Acting Cipro head Renier du Toit, who is standing in for Keith Sendwe - who has been absent from the office for a "couple of weeks" owing to poor health - acknowledged that Cipro's existing systems are not adequate to handle the volume of transactions. He said that some of the problems would be resolved when a comprehensive new enterprise content management (ECM) system becomes fully operational.

FIN24.CO.ZA - FINWEEK

Pangbourne distributions up after quitting strategy

Pangbourne CEO Barry Stuhler gave "a complete clean-up" of the property company's structure the credit for a 10.6% increase in distribution to 70.2c per unit in the six months to December. Since 2008, Pangbourne has gradually done away with its "octopus" strategy, which involved strategic stakes in several other listed funds. An interim results statement published yesterday marked the close of that process, noting that since the acquisition in August of the remaining 28% of Enigma Group, the "last tentacle" of the strategy had been eliminated. Stuhler said Pangbourne was now better placed to compete, having underperformed its peers in recent years.

BUSINESS DAY (National), Companies & Markets

RESTRUCTURING AND APPOINTMENTS

Pearson to head equities operation

Standard Bank has appointed Matthew Pearson, the former head of Africa equity product research at Renaissance Capital, to lead its sub-Saharan stock product team, the company said yesterday. Pearson would take up his position as managing director and head of Africa equity products for sub-Saharan Africa at Standard Bank's London office on 18 February. He will report to Ian Dalglish, the head of Global Markets International, and Guido Haller, the head of Global Markets Africa.

BUSINESS REPORT (Star)

Liberty recruits senior managers

Liberty Properties yesterday announced the appointment of two of the country's most respected property professionals to its senior management team. Industry stalwarts Maurice Mdlolo and Julie Hillary have joined the company with effect from 1 February. Mdlolo will be chief operating officer and Hillary will be GM for the Sandton City region.

BUSINESS DAY (National), Companies & Markets

OIL NEWS

Oil Report

Yesterday afternoon, Brent crude oil traded at \$82.81 a barrel (R3.50 a litre) in London, 27c firmer than Wednesday.

In New York, sweet light crude traded at \$74.42 a barrel, 10c weaker than Wednesday.

BUSINESS REPORT (Star)

INTERNATIONAL ECONOMY & BUSINESS

Lehman liquidators to divest more units

Three liquidators of Lehman Brothers' Hong Kong units expect to divest 12 more of their Asian investments and loans in the next three months after recovering more than 100% on 11 positions, KPMG China says. "We've been working these positions as any investment bank would," Edward Middleton of KPMG China, an affiliate of KPMG International, one of the court-appointed liquidators, said in a recent interview.

BUSINESS DAY (National), Companies & Markets

Nordea cuts costs as earnings fall

Nordea Bank, the largest banking group in the Nordic region, yesterday reported a plunge of nearly 30% in fourth-quarter net profit, mainly on lower net gains and higher costs. The Stockholm-based bank said it planned to launch growth and cost-cutting plans to outsource some of its IT development to India and move some back-office operations to Poland. The measures would start this year, and run until 2012, and were expected to cost about €240 million.

BUSINESS DAY (National), Companies & Markets

Treaty will protect SA investors in Zimbabwe

A bilateral investment treaty signed recently between South Africa and Zimbabwe will protect future investors where expropriation and compensation are involved, a law firm said on Wednesday. "The treaty offers South Africans with investments in Zimbabwe the best protection yet," Werksmans Attorneys director Roger Wakefield said in a statement. The treaty protected investors affected by expropriation after 27 November 2009, the date on which the agreement was signed. According to the treaty investments may not be nationalised or expropriated, except for public purposes, under due process of the law, on a non-discriminatory basis and for prompt, adequate and effective compensation.

IOL.CO.ZA ; TIMES Business Times

Nigerian central bank to limit risks

Nigeria's central bank yesterday outlined the next step in reforms which could change the landscape of its financial sector by limiting the risks that banks are allowed to take with depositors' funds. Central Bank Governor Lamido Sanusi said his banking reform programme was going "full steam ahead" with the support of acting Nigerian president Goodluck Jonathan, dismissing concerns that President Umaru Yar'Adua's absence could stall momentum.

BUSINESS DAY (National) ; BUSINESS REPORT (Star)

SEB expects steep drop in loan losses

SEB, the second-largest bank in the Baltic states, said yesterday that provisions for loan losses in Estonia, Latvia and Lithuania would fall this year after reporting a 93% slump in quarterly profit on higher credit impairments. Net income dropped to 257 million Swedish krona in the three months-ended 31 December, from 3.51 billion krona in the year-earlier period, Stockholm-based SEB said. Profit beat the 155-million krona average estimate of 13 analysts surveyed by Bloomberg. Fourth-quarter net credit losses jumped to 3.16 billion krona from 1.7 billion krona.

BUSINESS DAY (National), Companies & Markets

Deal close on global bank levy, says UK

Gordon Brown, Britain's Prime Minister, said yesterday that the world's leading economies were close to agreeing on a global bank tax, amid hopes in Downing Street that a deal could be concluded at the G20 summit in Canada in June. Brown believes opinion has shifted decisively in favour of a worldwide tax after President Barack Obama's move last month to raise \$90 billion from a US bank levy. A global tax could cost the financial services sector tens of billions of pounds a year. The British prime minister has strongly advocated some kind of charge on banks.

FINANCIAL TIMES (London)

Banks are shunned by international lenders

Greek banks have been virtually shut out of the international lending markets in the past fortnight as confidence in the country's economy has collapsed. In spite of a sharp rally in Greek stocks and bonds, amid hopes of a European rescue plan, the squeeze on lending highlights the scale of the crisis over the country's public finances. Some strategists point to the collapse of the Icelandic banks, which simply ran out of money shortly after the fall of Lehman Brothers in September 2008, as a warning of what could happen to Greece. Don Smith, economist at Icap, the interdealers broker, said, "Credit worries relating to Greece have grown to the extent that international banks appear to have severely reduced lending to Greek banks".

FINANCIAL TIMES (London)

Italy backs Draghi for top ECB role

Italy said on Tuesday that it would strongly support Mario Draghi, Bank of Italy Governor, to head the European Central Bank, potentially setting Rome and Berlin on track for a showdown over the bank's top jobs. "The government will forcefully support Mario Draghi as a candidate to lead the ECB," said a spokesperson for Silvio Berlusconi, Italy's Prime Minister. Draghi and Axel Weber, Bundesbank Chief, are widely seen as the leading contenders to take over from Jean-Claude Trichet, the current president, next year.

FINANCIAL TIMES (London)

Davos Insight

The Financial Times of London contained a Davos Insight supplement yesterday morning, with the following headings: "Back to the drawing board"; "In the event, pressure from politicians on the issue of bank regulation produced some results"; "Social anxieties and squabbles"; "Keeping its distance"; "A 'safe' speech defending China's export-led model"; "The most powerful consensus was that however awkward regulators were, unpredictable politicians were worse"; "The Lex column: harvesting the crumbs"; "Bonds, Beijing and risk"; "From Sarkozy to Soros"; "Balancing work and welfare"; "Changing momentum"; The effectiveness of the IMF would be enhanced of the G20 'morphed' into a reformed governing board of the fund"; "Out with the old, in with the new"; and "The long road ahead".

FINANCIAL TIMES (London)

US regional banks to step up lending

Some US banks - including commercial lending specialist Comerica - expect to increase loans to small- and medium-sized businesses later this year, sooner than analysts had expected. Fears that banks will not make enough loans to keep the recovery going have led the Obama administration to unveil plans to spur lending to smaller businesses. In recent conference calls with analysts, Comerica said they expected to increase commercial and industrial loan. "Commercial and industrial lending is looking a lot stronger than we anticipated," said Craig Siegenthaler, an analyst at Credit Suisse.

FINANCIAL TIMES (London)

Working in Banking

The Financial Times of London, Companies and Markets, contained a supplement entitled 'Working in Banking' with the following headings: "Graduate search back on track"; "Surreal start hasn't altered career path"; and "Bonus culture remains strong".

FINANCIAL TIMES (London)

Barclays buys Citi's Italian credit card unit

British bank Barclays is buying US bank Citigroup's Italian credit card business, as it accelerates its push in selected European countries. Barclays did not say how much it will pay for the business which will see it take about 197 000 credit card accounts and gross assets of €234 million. It will rebrand the credit cards over time as Barclaycard. Barclays is targeting northern Italy, Spain and Portugal for expansion, and last year bought Citi's credit card business in Portugal. It has grown strongly in recent years in Italy where it has more than 200 branches and 100 financial shops, and has held talks to buy blocks of branches being sold by local lenders, people familiar with the matter have said.

UK.REUTERS.COM

Greece under pressure

Greece's efforts to prove it can clean up its public finances remained under pressure on Thursday, as taxi drivers went on strike and official figures showed the unemployment rate hit a five-year high. Even as European leaders in Brussels discussed ways to rescue the country from its debt load, the taxi drivers protested a government austerity program designed to pull the country out of its financial crisis. The day before, a nationwide strike by civil servants hit hospitals, schools and grounded flights. The hopes are that EU nations will extend some kind of help for Greece to prevent a default that could spread to other EU countries. Greece is under intense European Union pressure to slash spending after it revealed a massive and previously undeclared budget shortfall last year that continues to rattle financial markets and the euro, the currency shared by 16 EU members.

FIN24.CO.ZA - FINWEEK

Namibia inflation dips to three-year low

Namibia's consumer inflation slowed to a near three-year low of 6.3% year-on-year last month from 7% in December, the Central Bureau of Statistics (CBS) said yesterday. The January reading was the lowest since March 2007. The CBS said prices rose 1.5% month-on-month, from a 0.1% decline previously. The country's inflation peaked at 12% in August 2008.

BUSINESS REPORT (Star)

US to create 95 000 jobs a month

The US is likely to create an average of 95 000 jobs each month this year, while personal savings will remain high as credit remains tight, according to a White House report released yesterday. The Council of Economic Advisers also trumpeted the \$787 billion economic stimulus package, which, it said, had saved or created about 2-million jobs. In a message to Congress, US President Barack Obama pointed out that the economy he inherited was losing 700 000 jobs each month. "I can report that over the past year, this work has begun. In the coming year, this work continues," Obama said in a letter he sent to the Capitol attached to his economic update to legislators.

BUSINESS REPORT (Star)

Bail-out of Greece to avert a euro crisis

European leaders struck a deal to provide financial aid to Greece yesterday in an unprecedented move to stave off a broader crisis in the 16-nation euro zone. Details were not expected to be finalised until early next week, when European Union (EU) finance ministers met, but the bloc's leaders suggested it could include loans to help Greece service debt and avoid a default. As they announced the deal, EU leaders also urged Athens to make deep cuts in its budget deficit to restore confidence in its economy and the euro zone, and prevent its fiscal crisis from spilling over to other high-debt states like Portugal and Spain.

BUSINESS DAY (National)

Leaders close to tax deal - Brown

Leaders from the world's top economies were close to agreeing on a global bank tax and a deal could be reached at a meeting of the group of 20 (G-20) nations later this year, British Prime Minister Gordon Brown reportedly said this week. The Financial Times newspaper reported that Brown, who faces an election in the middle of the year, said he believed opinion has shifted decisively in favour of a globally co-ordinated tax after President Barack Obama's move last month to raise \$90 billion from a US bank levy.

BUSINESS DAY (National)

Swiss bank posts fourth quarterly profit in row

Credit Suisse group Switzerland's biggest bank by market value, had a "strong start" to the year, after reporting a fourth successive quarterly profit in the final three months of last year, CEO Brady Dougan said yesterday. "We are confident about our prospects for 2010. We have had a strong start to the quarter with strong client activity. Our transaction pipelines and net new assets inflows are the best we have seen since the crisis," he said.

BUSINESS DAY (National), Companies & Markets

INDICATORS

Rand - Dollar \$	7.6516	(+0.0694)
Rand - Sterling £	11.9327	(+0.0989)
Rand - Euro €	10.4345	(+0.1309)
JSE Allshare	26350.6	(-8.57)
Gold	1076.2	(-1.75)
Platinum	1511.0	(unch)
Brent Crude Oil	72.8	(+0.27)

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