

# Banking, Finance and Insurance

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## BANKING IN SHORT

In Banking news this morning, Finance Minister Pravin Gordhan will probably fend off demands for extra spending in tomorrow's Budget in a bid to curb a record deficit, angering the Congress of South African Trade Unions (Cosatu), which wants radical policy shifts; and staying with the 2010 budget speech, organised business said that Gordhan must clarify the government's position on key economic policy discussions currently underway in the public domain. The housing market was also in focus as the government will introduce a new draft policy on land tenure this year aimed at speeding up its programme to give land to landless black people; and President Jacob Zuma's plan to set up a housing guarantee fund of R1 billion was thin on how it would address risk issues. It also lacked detail on how its implementation would affect the challenges of housing in South Africa.

NEWS REVIEWS

## NATIONAL ECONOMY

### Rand and dollar report

The rand continued to trade in a tight range yesterday afternoon, amid little word from Europe on Greece, and with the US celebrating Presidents Day holiday. At 15:42 the rand was bid at R7.6955 to the dollar, from R7.6754 at its previous close. It was bid at R10.4772 to the euro, from its previous close of R10.4719. It was at R12.0637 to the sterling from R12.0300. The euro was bid at \$1.3605 from \$1.3622 previously.

BUSINESSDAY.CO.ZA

### Gordhan faces balancing act

Finance Minister Pravin Gordhan will probably fend off demands for extra spending in tomorrow's Budget in a bid to curb a record deficit, angering the Congress of South African Trade Unions (Cosatu), which wants radical policy shifts. Gordhan will try to meet last year's election promise by President Jacob Zuma to slash the 24.3% unemployment rate and reduce poverty using existing spending plans.

BUSINESS REPORT (Star)

### New direction for industrial policy and rand

The government would target capital goods, transport equipment and metal production in a new industrial policy, aiming to boost manufacturing capacity and jobs, Minister of Trade and Industry Rob Davies said yesterday. Davies said the government was also looking at ways to stabilise the rand, which rallied nearly 30% against the dollar last year. Davies will unveil a long-awaited three-year industrial plan on Thursday, as the local economy emerges from its first recession in 17 years and looks to crank up a manufacturing sector hard hit by the global economic downturn. "It will include a combination of cross-cutting measures and also sector-specific programmes with focuses on capital goods, transport equipment and metal fabrication sectors," Davies said.

BUSINESS REPORT (National) ; BUSINESS DAY (National)

### VAT data promises pick-up in revenue

A strong rebound in value-added tax (VAT) collections towards the end of last year brings the promise of a turn around in the government's revenue fortunes. According to Standard Bank economist Danelee van Dyk, VAT revenue increase an average 18% in the last quarter, compared with the same quarter of 2008. This represents a dramatic recovery in VAT collections, which dropped 2% in the third quarter and 31% in the second, compared with the same quarters of the previous year. VAT makes up about 25% of the government's total revenue collection.

BUSINESS REPORT (Star)

### Budget should be 'surprise free'

In his budget speech, Finance Minister Pravin Gordhan must clarify the government's position on key economic policy discussions currently underway in the public domain, organised business said on Monday. This included inflation targeting and exchange rate management, Business Unity SA (Busa) said in a statement. "Policy certainty and predictability remain important considerations in investment decisions. This means that the budget should largely be 'surprise free' and not contain policy or tax shocks." It expected the budget speech would continue along the established path - as encapsulated in the Medium Term Expenditure Framework - in identifying expenditure priorities for the 2010-2011 budget cycles. It was expected the country would run a budget deficit in the medium term as part of its economic recovery package.

FIN24.CO.ZA - FINWEEK

### Inflation 'to fall below 6%'

South Africa's consumer price inflation is expected to fall below 6% from February 2010, the Bureau of Economic Research (BER) said on Monday. It was releasing its economic prospects report for the first quarter of 2010. "After showing some stickiness to ease meaningfully in the early part of 2009, SA consumer prices (CPI) moderated to below the upper limit of the SA Reserve Bank's (Sarb) three to six percent target range in October and November 2009," BER economist Hugo Pienaar said. In December 2009, the low base established at the end of 2008 when the petrol price declined by R1.61c per litre, resulted in a move back above six percent to 6.4% year-on-year, he said. "The reacceleration of price pressures is set to be temporary with a renewed - and importantly sustained - fall below 6% expected from February 2010."

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

### An end to the recession in the domestic economy

Leading economic indicators suggest that the domestic economy is now officially out of recession, and in line with forecasts for a steady recovery in the global economy, South African GDP is forecast to grow by 2.4% in 2010 and by 3.2% on 2011. This is the view of Daryll Owen, Chief Investment Officer at BoE Private Clients, who says that despite a retreat in equity markets during January 2010, the economic data for calendar 2009 - most of which has now been published - suggests that the domestic economy has troughed and is very slowly on the mend. This view is reinforced by the BoE Private Clients and Sake24 Provincial Barometers, which measure business activity in the private sector economies of four leading provinces: Gauteng, Western Cape, Eastern Cape and the Free State.

NEWS REVIEWS

### Rising export demand to buoy growth

The economy is likely to grow at 2.7% this year, and there might be an interest rate cut next month if pending electricity price hikes were lower than expected, the Bureau for Economic Research (BER) said yesterday. Its growth estimate is well above the latest official forecast for output to expand 1.5% this year, but that is set to be revised higher when the Treasury unveils its 2010 budget tomorrow. The forecast from the BER - one of South Africa's most respected research institutions - is bang in line with market consensus, which sees the economy growing at about 2.6% this year.

BUSINESS DAY (National)

## NATIONAL BUSINESS

### Joe Public wins Spectramed account

Joe Public has announced that medical aid Spectramed has also joined its fold. Spectramed has tasked the agency with corporate image changes and very specific communication objectives as it looks to launch several new product offerings in the market. Joe Public will act as its lead strategic communications partner assisting in all above-the-line advertising and in the creation of its new brand identity. "There are some big things in store for the Spectramed brand and we are very excited to be the ones tasked with this fantastic opportunity," commented Managing Director, Gareth Leck.

NEWS REVIEWS

### FNB KZN Top Business Portfolio Awards

First National Bank (FNB) and the KwaZulu-Natal Top Business Portfolio have announced that the fourth FNB KZN Top Business Portfolio Awards will be held on 28 May. The awards recognise great performances in the private sector and in municipal and government organisations that contribute to the socio-economic growth in the province.

WITNESS

### Investor calls for Skandia to be sold

Selling the Nordic operations of Old Mutual's Skandia unit on the stock market would be "very attractive", an Old Mutual investor said last week. Christer Gardell, whose Cevian Capital is the largest shareholder in Old Mutual, said he and other shareholders wanted Old Mutual's structure to change "radically". Gardell, who helped Old Mutual buy Skandia in 2006, said one option would be to go back to being a "pure" South African company and to list or sell units in the UK, US and Nordic region, potentially through initial public offerings (IPOs). "The prerequisites for an IPO of Skandia's Nordic operations are excellent, and I think that would be a very attractive alternative," he added.

BUSINESS REPORT (Star)

### Clientèle lifts headline earnings to R76.9 million

Clientèle, the holding group for direct distribution Clientèle Life assurance company, lifted headline earnings 30% to R76.9 million in the six months to 31 December, a "pleasing result" given that subdued business had tempered production volumes and embedded value earnings, the firm said.

*BUSINESS DAY (National), Companies & Markets*

### Standard Chartered opens Angola office

Standard Chartered has opened a representative office in Angola. "Standard Chartered has a proven track record in being able to assist companies operating cross-border transactions in Africa and China, providing the financial tools and strategic advice to Chinese companies doing business in the region," the bank's CEO for Africa, Mike Hart, said. The bank would also focus on Angola's oil, gas and financial services sectors.

*BUSINESS DAY (National), Companies & Markets*

## GENERAL NEWS

### Global crisis ups actuary demand

Actuaries are in high demand following the global financial crisis, the Actuarial Society of SA said on Monday. "The global credit crisis has resulted in high demand for professionals qualified in risk assessment and management.

Increasingly actuaries are required to lead the risk strategies of organisations instead of restricting themselves to the traditional field of product design," the society's President Peter Doyle said. He said the global financial crisis had opened a whole new career path for actuaries. "Where previously organisations were generally happy to appoint as head of risk management anyone available and willing, leaders now have to apply their mind as to who is best suited to take charge of the company's risk management portfolio," Doyle said.

*FIN24.CO.ZA - FINWEEK*

## PROPERTY AND HOUSING

### Government seeks to speed up land reform

The government will introduce a new draft policy on land tenure this year aimed at speeding up its programme to give land to landless black people, Rural Development and Land Affairs Minister Gugile Nkwinti said yesterday. Nkwinti said his department was working on a policy framework that would set out how the government should go about reversing inequalities in land ownership between black people and white people.

*BUSINESS REPORT (Star)*

### Bonitas looking to recoup million

Bonitas has instructed an attorney to assess how it could recoup about R18 million the company lost from an investment in a KwaZulu-Natal property group. Once the lawyer had completed his work, the medical aid scheme would pursue criminal or civil charges against any parties identified by the attorney, Bonitas said yesterday. Last week, Bafana Nkosi, the scheme's former principal officer, quit just before a disciplinary hearing, where he would have faced charges relating to the investment. "The attorney is assessing all (the) major role players that were involved in the KwaZulu-Natal property development. Details can only be revealed once the attorney has gone through all the motions," said Gerhard van Emmenis, Chief Operating Officer.

*BUSINESS REPORT (Star)*

### Bredell aware of escalating property rates

Following concerns about escalating property rates, Local Government MEC Anton Bredell has called for changes to the system used to determine property rates. This was after media reports that property owners were not coping with their rates bills and a City of Cape Town official was quoted saying owners should move out of richer areas if they could not afford rates and taxes. Bredell said that he is aware of concern from property owners.

*CAPE TIMES*

### Housing fund thin on detail, caution banks

President Jacob Zuma's plan to set up a housing guarantee fund of R1 billion was thin on how it would address risk issues. It also lacked detail on how its implementation would affect the challenges of housing in South Africa. Luthando Vutula, the Managing Executive of Absa Home Loans, said last week that the biggest problem would be the levels of risk cover that would be provided between the banks and the government. Vutula said that the bank and the government had to be involved in intensive bilateral talks to understand the structure of the guarantee and mechanisms involved. "We also need to obtain clarity on the proposition and the rules that support this new initiative before the credit risks can be accurately determined," Vutula said.

*BUSINESS REPORT (Star)*

### Rent ruling will 'sap councils'

A High Court order to the City of Johannesburg to pay rent to a property owner on behalf of illegal squatters will divert much-needed funds from the city's crumbling infrastructure, the National Taxpayers Union (NTU) has said. According to the ruling, the City of Johannesburg is to pay the monthly rental bill for each of the 71 illegal squatters occupying a building in Berea owned by Blue Moonlight Properties 39 (Blue Moonlight). Alternatively, the municipality has to pay each occupant R850 per month for rent if it does not find them alternative housing. "The municipality can absolutely not handle this [additional expense]," said NTU Chairperson Jaap Kelder. "This ruling takes money away from roads and maintenance, it will result in the collapse of Johannesburg's infrastructure. [Paying for the squatters] is a government function. There's no way the municipality can handle this."

*FIN24.CO.ZA - FINWEEK*

### 'Only equities beat listed property'

Although South Africa's listed property as an asset class returned to negative 0.25% last month, the sector is still an attractive alternative to cash and bonds and was outperformed only by equities in 12 months. Catalyst Fund Managers' monthly overview, released yesterday, showed that on a 12-month rolling assessment equities had recorded a total return of 33.16%, followed by South African listed property with 15.09%, cash 8.75% and bonds 1.67%.

*BUSINESS DAY (National), Companies & Markets*

## OIL NEWS

### All options open at Opec meeting

All options are open at the next meeting of the Organisation of Petroleum Exporting Countries (Opec) in March, Algerian Energy and Mines Minister Chakib Khelil said on Sunday. Energy ministers from Opec, whose 12 members pump more than a third of the world's oil, meet in Vienna on 17 March to decide whether to change production levels for crude or leave them as they are. Asked by Reuters if Opec would consider new cuts in output or tightening compliance with previous cuts at the meeting, Khelil said: "I think all options are open." In late 2008, Opec cut supply by 4.2-million barrels per day, or about 5% of world demand, in response to lower demand and prices caused by the global economic downturn.

*REUTERS.COM*

### Oil Report

In London, Brent crude oil for April delivery was up 5c to \$72.95 a barrel (R3.54 a litre).

US sweet light crude for March delivery was up 17c to \$74.30 a barrel.

*BUSINESS REPORT (Star)*

## INTERNATIONAL ECONOMY & BUSINESS

### HSBC Mutual Fund declares dividend

HSBC Mutual Fund has announced the declaration of a dividend on the face value of Rs 10 per unit under dividend option of HSBC Tax Saver Equity Fund (HTSF). The record date for the dividend has been fixed as 19 February 2010. The quantum of dividend will be Rs 1 per unit as on the record date. The scheme recorded NAV of Rs 12.8515 as on 10 February 2010. HSBC Tax Saver Equity Fund is an open ended equity linked savings scheme with the investment objective to provide long term capital appreciation by investing in a diversified portfolio of equity and equity related instruments of companies across various sectors and industries, with no capitalization bias. The Fund may also invest in fixed income securities.

*BLOOMBERGUTV.COM*

### Barclays to pay £2.3 billion in bonuses

Barclays is this week to pay out more than £2.3 billion worth of bonuses to its employees. Barclays is expected to post full-year profits of a record £11.2 billion. Barclays has claimed that it has shown restraint in the amount of compensation paid out, which amounted to 38% of revenue, the lowest ratio in ten years. The scale of Barclay's investment operations has prompted Liberal Democrat Treasury spokesman Lord Oakeshott to call for the implementation of rules to prevent banks from using deposits to fund risky investments.

*REUTERS.COM*

### Inflation again exceeds target

Inflation in Botswana's consumer price index (CPI) quickened to 6.1% year-on-year last month, largely due to higher schools fees and transport costs, the Central Statistics Office said yesterday. The move from 5.8% in December lifts consumer inflation back outside the central bank's 3% to 6% target range. The bank has forecast inflation to stabilise inside the band in the medium term.

*BUSINESS REPORT (National)*

### Lloyds boss behind Halifax cuts in line for £10m pay

The banking boss who presided over Bank of Scotland's decision to axe its Irish retail operation could be paid as much as £10 million (€11.5 million) for his efforts last year, according to reports. Bank of Scotland owner Lloyds Banking Group, however, moved swiftly to deny reports that its Chief Executive Eric Daniels was in line for the bumper remuneration, stressing that his package had yet to be finalised. "No decisions have been taken about potential executive bonus outcomes for 2009," spokesperson Ross Keany said yesterday. "Any such decisions will be made by the independent remuneration committee." The Sunday Times reported that Lloyds last week began talks about the pay deal with shareholders, including UK Financial Investments.

INDEPENDENT.IE

### RBS bankers resign over forced bonus cuts

Two of Royal Bank of Scotland's (RBS's) most senior bankers have resigned amid frustration over the state-backed lender's bonus policy, raising fears about the government's chances of selling off its stake at a profit. The government owns more than 80pc of RBS. Steve Ashley, who heads up RBS's lucrative trading division, and Chris Fleming, a senior salesman, quit the bank on Friday last week in a move that shocked RBS investment banking staff. The trading business is believed to have been one of RBS's most profitable divisions in 2009. Ashley and Fleming are thought to have been offered jobs elsewhere but their decision to leave is believed to stem, at least in part, from dissatisfaction that RBS is being forced to scale back bonuses in the wake of the taxpayer-funded bailout.

TELEGRAPH.CO.UK

### RBS calls for lending target to be lowered

Britain's biggest bailed-out bank, RBS, believes that business lending commitments that it failed to meet last year should be lowered for 2010. RBS had indicated originally that it would commit itself to similar targets for 2010, but it now believes that the targets were agreed in haste and there is faltering business demand for credit. The Treasury insists that banks bailed out by the taxpayer should pump funds into British businesses to help to foster the nascent economic recovery. The failure of Lloyds Banking Group and RBS to meet the business lending commitments comes as both banks are deciding how much to pay in bonuses for 2009. Eric Daniels, Lloyds' Chief Executive, has a basic salary of £1.035 million and could be awarded a maximum bonus of £2.25 million for 2009 in shares.

BUSINESS.TIMESONLINE.CO.UK

### RBS in line for loss on German portfolio

Royal Bank of Scotland (RBS) is sitting on a loss of several hundred million pounds after being forced to take back the keys on £1.8 billion (€2.1 billion) in German properties bought at the peak of the market by a fund run by Morgan Stanley.

CITYWIRE.CO.UK

### Bank Of Ireland eyes \$1.4 billion rights issue

Bank of Ireland is planning to launch a rights issue within six to eight weeks to raise at least €1 billion, the Sunday Times newspaper reported. Officials at Ireland's biggest bank by market value were not immediately available for comment on the report, which did not name its sources. Bank of Ireland, rival Allied Irish Banks and some smaller lenders are set to transfer shaky property loans with a combined book value of €80 billion to the National Asset Management Agency (NAMA), widely referred to as a "bad bank." The related write-downs will force the banks to raise additional capital and they have said they would look at a variety of sources including the equity market and, as a last resort, further state help.

NYTIMES.COM

### Eassda goes bust owing €33 million

Eassda, the property development firm owned by Alastair Jackson, has left debts of €33 million after being placed in administration. The firm, which is part of the Antrim based Eassda group of companies, owes a total of €32.9 million to Ulster Bank, Northern Bank and Bank of Ireland, according to company documents. Ulster Bank appointed the administrator to Eassda in recent weeks, after the company suffered from the collapse in the property market in the North. Eassda has eight main sites in Ulster, three of which are under development. Eassda Ltd is the only company in the group to go into administration, and all of the other firms continue to trade. The main company within the group, Eassda Holdings, is unaffected.

SBPOST.IE

### Dubai World in new offer to creditors

Dubai World would offer its creditors 60% of the money they are owed, under the latest proposal to restructure the company's \$22 billion (£14 billion) of outstanding debts. Dubai World's biggest lenders - including HSBC, Standard Chartered, Royal Bank of Scotland and Lloyds - have signalled their willingness to agree a long-term restructuring of the debt. However, they remain committed to getting most, if not all, of their money back through extending the maturities of loans and the sale of state-owned assets. Dubai World declined to comment on the bank responses. The banks have become increasingly frustrated at the lack of progress in the talks. A proposal to secure a six-month standstill on Dubai World's debt repayments, pending a restructuring of the business.

BUSINESS.TIMESONLINE.CO.UK

### Swap agreements behind debt crisis in Greece

An inquiry by the Greek government has uncovered a series of swap agreements with securities firms that might have allowed it to mask its growing debts. Greece used the swaps to defer interest repayments by several years, according to a 1 February report commissioned by the Finance Ministry in Athens. The document did not identify the securities firms Greece used. The government turned to Goldman Sachs Group in 2002 to obtain \$1 billion through a swap agreement, Christoforos Sardelis, the head of Greece's Public Debt Management Agency between 1999 and 2004, said last week.

BUSINESS.REPORT (Star)

### Japan strives to hold on to second place

Japan held its title as the second-biggest economy after fourth-quarter growth beat expectations and kept the country just ahead of a surging China. Real gross domestic product (GDP) grew at an annual pace of 4.6% in the October to December period, the government said yesterday. The average forecast of 15 economists polled was annualised growth of 3.4%. Japan's nominal GDP for the 2009 calendar year came to about \$5.1 trillion topping China's domestic output of \$4.9 trillion. On the surface, the results reflect how Japan has benefited from governments stimulus measures, which have bolstered global trade and persuaded Japanese households to boost spending.

BUSINESS.REPORT (Star)

### AIG to keep loss-making mortgage guarantor

American International Group (AIG), the insurer divesting assets to repay a government bail-out, opted to keep its money-losing US mortgage guarantor after selling Canadian and Israeli subsidiaries of the unit. AIG made a "recent decision" to hold onto North Carolina-based United Guaranty, Arlene Isaacs-Lowe, a Moody's Investors Service analyst, wrote in a research note last week. AIG executives told her of the move in the past few months, Isaacs-Lowe said on Friday. Mark Herr, an AIG spokesperson, declined to comment. CEO Robert Benmosche, who took over in August, halted auctions of Japanese life insurers and a US investment adviser to boost the value of assets needed to repay loans in AIG's bail-out.

BUSINESSDAY.CO.ZA

### Sliding scale for extra pay at German bank

Deutsche Bank, Germany's biggest bank, had introduced a sliding scale forcing top bankers to defer a bigger proportion of their bonuses, sources said. The rule applies to bonuses of more than €100 000 for last year. Bankers would have to defer at least 25% of bonuses above that amount, the sources said. The marginal deferral rate will increase to as much as 90% as the bonus crosses a series of thresholds. Deutsche Bank CEO Josef Ackermann, who warned of a regulatory and political "backlash" if his industry did not change pay policies, reiterated this month that he would bring his bank's into line with the Group of 20's principles.

BUSINESSDAY (National), Companies & Markets

### INDICATORS

|                   |         |           |
|-------------------|---------|-----------|
| Rand - Dollar \$  | 7.7234  | (-0.0289) |
| Rand - Sterling £ | 12.0894 | (-0.0383) |
| Rand - Euro €     | 10.4938 | (-0.0023) |
| JSE Allshare      | 26701.4 | (+438.95) |
| Gold              | 1098.3  | (+16.25)  |
| Platinum          | 1513.0  | (+8.00)   |
| Brent Crude Oil   | 72.9    | (+0.05)   |

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