

Banking, Finance and Insurance

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isabeldn@bankseta.org.za

Compiled by Susan McFadzean

BANKING IN SHORT

In Banking news this morning, there is little chance that Finance Minister Pravin Gordhan will pull a "rand rabbit" out of his hat today, but the rand might weaken more than South Africa's government bargains on if Gordhan imposes a Brazil-style tax on foreign capital inflows. Absa was in focus this morning as it reported a drop in headline earnings of 25.5% to 1 099.4c per share in the year to 31 December, as high levels of impairment bit into profit. It also slashed its dividend by a quarter and raised the prospect of continuing pain in the commercial sector, which was bedevilled by bad debt. In addition, Chief Executive of Absa, Maria Ramos said that it wants to bulk up its wealth business through inorganic growth to raise its competitive urge.

NEWS REVIEWS

NATIONAL ECONOMY

Rand and dollar report

The rand hardly moved in the afternoon session yesterday, sitting in a tight range ahead of the budget speech today. At 15:38, the rand was bid at R7.692 to the dollar from R7.711 at its previous close. It was bid at R10.523 to the euro from its previous close of R10.484 and at R12.085 against the sterling from R12.070. The euro was bid at \$1.366 from \$1.359.

BUSINESS DAY (National), Companies & Markets

Budget: 'No rand surprise'

There is little chance that Finance Minister Pravin Gordhan will pull a "rand rabbit" out of his hat today. The past week saw speculation that Gordhan might announce measures to weaken the rand, after Minister in the Presidency Collins Chabane said that the rand debate was continuing and that Gordhan would soon make an announcement in that respect. The debate about the rand's strength began last October following reports that Minister of Economic Development Ebrahim Patel was considering plans to fix the value of the rand to help exporters. Christie Viljoen, an economist at NKC Independent Economists, says he does not think many expect an announcement on the rand. Gordhan will certainly say something about the inflation target, he believes, but the way has certainly not been paved for a weakening of the rand or for the raising of inflation targets.

FIN24.CO.ZA - FINWEEK

Solidarity hopeful of Budget speech

With the country's economy still recovering very slowly following last year's recession, Solidarity yesterday expressed the hope that the Minister of Finance will clearly explain in his budget speech today how the government will create an environment that encourages economic growth and job creation. Solidarity is especially concerned about the country's poor exports, low consumer spending and the uncertainty about input costs such as electricity, which are currently preventing businesses from growing. According to Solidarity spokesperson Jaco Kleynhans, the government must give businesses the assurance of a stable environment in order to ensure that production in the economy can be increased faster and employment can improve.

NEWS REVIEWS

'Labour issues threaten recovery'

On Monday, the Steel and Engineering Industries Federation of Southern Africa (Seifsa) cautioned that several obstacles lie ahead before the economy's anticipated recovery. Most of these relate to labour relations, declares an announcement by Seifsa Chief Executive David Carson. Seifsa is an umbrella body for 35 employer organisations which together have more than 2 400 companies as members. It represents these companies - including the big steel manufacturers and consumers - at forums like the National Economic Development and Labour Council and the Sectoral Bargaining Council. According to Carson, more than 75 000 posts in the sector were lost between February and December last year because of the recession.

FIN24.CO.ZA - FINWEEK

Gordhan's budget to give rand direction

The rand might weaken more than South Africa's government bargains on if Finance Minister Pravin Gordhan imposes a Brazil-style tax on foreign capital inflows when he delivers his budget today, RBC Capital Markets said yesterday. Trade Minister Rob Davies said yesterday that it was "no secret" that the country needs a more "competitive and stable currency", boosting speculation measures might be implemented to stem the rand's gains, which had slowed economic recovery by making the country's exports more expensive.

BUSINESS REPORT (Star)

Timing of recovery uncertain - Ramos

Absa Group said that the economic recovery in South Africa this year is likely to be subdued. Local banks have been hit hard by rising bad debts over the past year as the country battled recession and consumers struggled to pay back loans. For instance, competitor Nedbank is expected to report a 25% to 35% slide in earnings next Thursday due to rising impairments. Absa's results for the year to December, which show attributable profit sliding 36% to R6.84 billion, are no exception to the trend. CEO Maria Ramos said yesterday that while the bank expected to grow earnings in the 2010 financial year, and economic recovery was inevitable, the timing of the recovery remained uncertain.

BUSINESS DAY (National)

Black Sash looks to Gordhan for clarity

The Black Sash is eager to hear how Finance Minister Pravin Gordhan intends realising President Jacob Zuma's State of the Nation promise to get South Africans back to work. The human rights watchdog said in a statement yesterday that it needs clarity from the Budget speech after the President's "vague" address last week. "Last week, President Zuma was frustratingly vague on how his government intends combating poverty and rising unemployment. Nothing is more important than the creation of decent jobs where there is currently massive unemployment and growing desperation," the Black Sash said. It added that it was crucial to re-awaken hope among young people, who were currently angry and filled with despair.

TIMES Business Times

NATIONAL BUSINESS

Absa wary of bad debt mountain

Absa Group, the R95.5 billion bank, slashed its dividend a quarter and raised the prospect of continuing pain in the commercial sector, which was bedevilled by bad debt. "We expect the impairments for the group to be a bit better than last year," said Maria Ramos in a conference call on Tuesday morning. She added, however, "We still have some concerns on the commercial side where we continue to see quite a bit of risk." Absa, the country's largest mortgage lender and the first of the major South African banks to report financial figures this year, posted a 23.5% decline in full-year headline earnings of R7.6 billion. The dividend, as expected, came in at 445c per share. Impairments totalled R4.1 billion in the second half of its financial year bringing its total charge to R8.9 billion. This was down slightly from the R4.8 billion it recorded in the first quarter.

FIN24.CO.ZA - FINWEEK

Absa looking for ways to grow its wealth business

Absa, South Africa's biggest retail bank, wants to bulk up its wealth business through inorganic growth to raise its competitive urge, Maria Ramos, Chief Executive, said yesterday. "Our wealth business has been a small part of the group and we have taken a decision to grow this business and look for available opportunities," Ramos told Business Report without revealing more details. Ramos added that Absa also wanted to grow its Islamic banking offering in countries where such products were in high demand. "Tanzania is one of the countries where demand for our Islamic Banking products have increased," she said. She also added that the bank will establish a corporate banking segment which would offer a fully integrated banking service to its top 1 000 corporate customers.

BUSINESS REPORT (Star)

Absa opens corporate bank despite losses

South Africa's biggest retail bank, Absa, is to establish a corporate bank this year, Chief Executive Maria Ramos said yesterday. She said that the new bank would provide a fully integrated corporate investment banking offering, with a broad suite of investment banking solutions. The establishment of the corporate bank forms part of the group's growth in Africa strategy. Ramos said, "Africa remains an area of growth for us, especially in countries where Barclays are represented". Ramos added, however, that the bank will remain under pressure during the year.

TIMES Business Times

Absa earnings fall as impairments bite

Absa Group said yesterday that headline earnings fell 25.5% to 1 099.4c per share in the year to 31 December as high levels of impairment bit into profit. Attributable profit fell 35.9% to R6.84 billion. South African banks have faced rising bad debts as consumer struggled to repay loans during last year's recession. Absa's owner, the UK-based Barclays, yesterday beat analyst expectations with earnings up 92% to £6.1 billion. Cadiz Asset Management analyst Rob Nagel said that Absa's earnings expectations had been well guided last year and therefore there had been no major surprises. Sanlam Asset Management portfolio manager Patrice Rassou said that Absa had done well to maintain costs, address its business more conservatively and build a base for better growth this year, although the sustainability of cutting bonuses needed to be questioned.

BUSINESS DAY (National), Companies & Markets

Liberty shows low earnings

Liberty Holdings was downgraded to neutral from buy at UBS on its earnings outlook. "Earnings visibility is particularly low" because of regular management changes that have hampered its goal of expanding in Africa and starting a property and casualty business, analyst Michael Christelis said yesterday. Policy lapse rates might also not recover before next year, he said.

BUSINESS REPORT (Star)

Liberty acquisition: extension granted

Liberty Holdings said this week that the date by which certain conditions should be fulfilled on the acquisition of CFCIH, a Kenyan wealth firm consisting of life, general and health insurance business in Kenya and Tanzania, had been extended from Monday to 31 March.

BUSINESS DAY (National), Companies & Markets

Sasol rated 'buy' at Citigroup

Yesterday, Sasol was rated "buy" in new coverage of the stock at Citigroup, with a share-price estimate of R350. Johannesburg-based analyst Tassin Meyer cited Sasol's "undemanding absolute and relative valuation", according to a note.

BUSINESS DAY (National), Companies & Markets

GENERAL NEWS

Heightened risk appetite puts JSE in buoyant mood

The JSE was buoyed yesterday by gains in resources stocks and improved risk appetite. The FTSE/JSE all share index closed 0.8% firmer, with resources up 3.67%, gold miners 2% stronger and a 1.37% gain for platinum miners. Banks rose 0.89% while financials added 0.19%.

BUSINESS DAY (National), Companies & Markets

Millions lost in KZN

The KwaZulu-Natal Co-operative Governance Department said that about R100 million of taxpayers has been lost as a result of financial mismanagement in 18 KZN municipalities. The Indaka Municipality has lost about R4.5 million and the Msunduzi Municipality had wasteful expenditure of about R4 million. The uMkhanyakude District Municipality and the Endumeni Municipality have failed to provide financial statements to the provincial government and the Auditor General timeously for two years in a row.

WITNESS

Swiss investment firm sues prominent SA lawyer

Fidentia curator Dines Gihwala and businessman Lancelot Manala are being sued in the Cape High Court again by Swiss-based investment firm Montague Goldsmith and its client Grancy Property, for alleged breaches of contractual and fiduciary duties under the Companies Act. Last year the Cape High Court endorsed a settlement of agreement entered into between the parties. In terms of the court order, Gihwala had to transfer to the company a 31% share in an empowerment deal said to be worth about R234 million. The court action was brought by the CEO of Montague Goldsmith, Karim Issa Mawji, on behalf of his client, Grancy Property. Montague Grancy made an investment on behalf of Grancy in Seena Marena Investments (SMI) in return for R4 million funding.

BUSINESS DAY (National), Companies & Markets

PROPERTY AND HOUSING

IFA Hotels renews cautionary advice

IFA Hotels & Resorts yesterday renewed a cautionary announcement first made on 1 July last year in which it advised shareholders that, pending implementation of the transactions set out in July, there may be a material effect on the price of the company's securities.

BUSINESS DAY (National), Companies & Markets

Hotels could stand empty before World Cup

A sharp slowdown in corporate travel could see some hotels standing virtually empty in the days before the Soccer World Cup in June and July. "While there is a perception the World Cup will make it impossible to find a room anywhere in SA, the truth is we have significant availability between 1 June and the start of the tournament. In fact, we have availability (during the Cup) that are far from the action (and) in host cities on certain off-peak days when matches are not being played," said Danny Bryer, Marketing and Revenue Director at Protea Hotels.

BUSINESS DAY (National)

Minister should introduce tax breaks on property

In today's budget speech, Finance Minister Pravin Gordhan should help improve levels of home ownership by reducing the heavy tax burden place on new home owners. Jonny Novick, MD of Vered Estates said that the tax system applied in South Africa makes the country one of the most expensive in which to own property. Novick said SA could learn a lot from the US and European property markets, which have tax laws in place that help to encourage levels of home ownership among their citizens. In the US, for example, homeowners are offered a tax break on the interest on a home loan - known as a mortgage interest tax deduction. He added that a similar system should be introduced in SA.

BUSINESS DAY (National)

Property

Business Day contained a property supplement with the following headings: "Better a lease now than unrealistic hopes of World Cup rates"; "Mauritian property still unpopular with South Africans"; "New record price paid for a house in Rondebosch"; "Estate agents can now get paid sooner"; "Get tax affairs in order when buying property"; "Estate agents say minister should introduce tax breaks"; and "Decline rate for loans still high".

BUSINESS DAY (National)

OIL NEWS

Oil Report

In London, Brent crude for April gained \$2.19 to \$74.70 a barrel (R3.61 a litre) in the afternoon, after touching an intra-day peak of \$74.75.

US crude for March delivery rose \$1.86 to \$76. after reaching a session high of \$76.18.

BUSINESS REPORT (Star)

INTERNATIONAL ECONOMY & BUSINESS

HSBC faces investor anger over proposed pay rise

HSBC, the global bank that has been praised for its handling of the financial crisis, has clashed with shareholders over a proposed pay rise for its executive team. Investors are understood to be particularly unhappy with the sum that HSBC wants to pay Michael Geoghegan, its Chief Executive, who relocated his office to Hong Kong on 1 February. Geoghegan was paid £1.7 million in 2008, down from £3.5 million in 2007. The bank said the move to Hong Kong recognised that Asia was a significant source of growth, but onlookers have pointed out that Geoghegan's relocation comes as the UK prepares to introduce a 50% income tax in April for high earners.

BUSINESS.TIMESONLINE.CO.UK

HSBC Tax Saver Equity Fund declares maiden dividend

HSBC Mutual Fund has declared a maiden dividend of 10% (Rs 1 per unit on face value of Rs 10) in HSBC Tax Saver Equity Fund. The record date for the dividend is 19 February 2010. All investors registered under the dividend option of HSBC Tax Saver Equity Fund as on record date 19 February 2010 will receive this dividend. The NAV under the dividend plan of the scheme as on 15 February 2010 is Rs 12.8789. HSBC Tax Saver Equity Fund is an open ended equity linked savings scheme. The investment objective of the scheme is 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 capitalisation bias. The Fund may also invest in fixed income securities.

MONEYCONTROL.COM

Shilling takes pounding

The Kenyan shilling fell to an eight-month low against the dollar yesterday after the nation's attorney-general warned that the coalition government could collapse over an internal dispute. The coalition partners are at odds over two ministers suspended by Prime Minister Raila Odinga on Sunday, only to be reinstated by President Mwai Kibaki a few hours later.

PRETORIA NEWS, STAR

Bharti deal sends Zain shares rocketing

Kuwaiti telecoms company Zain said it would pocket about half of the proceeds from its planned \$10.7 billion (R82.4 billion) sale of its African assets to Bharti Airtel and use the rest to pay off debt, sending its shares soaring. Zain, which released more details of the proposal yesterday as the Kuwait Stock Exchange lifted a two-day trading halt on its shares, said it expected to see up to \$5 billion in returns from the deal after it paid off debt.

BUSINESS REPORT (National)

Nigerian stock exchange rallies

Nigeria, last year's worst performing stock market, is rebounding as the world's lowest valuations and projections for record bank profits lure Citigroup, Exotix and Insparo Asset Management. The nation's benchmark has rallied 10% this year, after tumbling 34% last year, the biggest drop among benchmark indices in the 70 largest equity markets.

BUSINESS REPORT (National)

Sugar to sweeten Tongaat

Tongaat Hulett expects its profit for the year to December to increase by nearly 40% due to favourable weather conditions and an exceptionally high sugar price. The group's Zimbabwean operations are now consolidated in its financial results. "The accounting treatment in terms of the international Financial Reporting Standards (IFRS) on the commencement of consolidation of the Zimbabwe operations gave rise to a balance sheet take-on gain of R1.9 billion, which is recognised in the income statement," group said. This gain is excluded from headline earnings and profit operations.

BUSINESS REPORT (National), CITIZEN, Citi Business; BUSINESS DAY (National)

Five-year bank cash wait

Taxpayers could be forced to wait five years before they start recouping the tens of billions of pounds spent propping up the banks. UK Financial Investments, which oversees the government's stake in RBS, Lloyds and Northern Rock, fears it will be 2015 before it can sell off the shares. It had hoped to start off-loading sooner after the bailout led by Chancellor Alistair Darling, but now believes that may not be possible without big losses. Officials, who have been careful not to give a timetable that could drive down share prices, are working on the basis of five years. However, the Treasury may be forced to keep a minority stake for much longer.

MIRROR.CO.UK

Ex-RBS trader's Japan move fuels fears of City exodus

Steve Ashley, the Royal Bank of Scotland trader who quit the lender last Friday, is joining Nomura in Tokyo in a move that will raise fears the introduction of the 50pc income tax rate is driving talent offshore. The relocation will allow Ashley, formerly one of RBS's most senior bankers, to escape the government's introduction of the new tax rate from April. Ashley's departure has already put the spotlight on the government's stewardship of the bank's bonus policy amid concern that the state-backed bank is losing staff because of lower compensation levels. Formerly head of RBS's lucrative rates trading division, Ashley is expected to take a similar role at Nomura.

TELEGRAPH.CO.UK

Demand grows for a people's bank

Campaigners have called on the government to give Britain a "bank we can trust" after a poll showed overwhelming support for a publicly run bank. A survey of over 2 000 adults by the Post Bank Coalition showed that four out of five backed the idea and two-thirds would use a bank in post offices. The coalition, which includes unions, business and pension groups, said the government should act on the findings and establish a publicly owned bank in post offices as quickly as possible. In addition, there was a growing consensus among politicians and the public for a new model of banking based on the "trusted" Post Office network, said the campaigners.

MORNINGSTARONLINE.CO.UK

UK credit card companies increasing rates

Despite the low Bank Rate, credit card rates are soaring, even for good, loyal customers. Interest rates may be at an all-time low, but this hasn't stopped the UK's largest credit card companies increasing the rates charged to millions of loyal borrowers. According to the UK Cards Association, more than 6.4-million credit card accounts were "re-priced upwards" last year. Some borrowers have seen the rate charged on their card almost double, while other companies have pushed interest rates up by at least 10%. Many borrowers are asking whether such movements are justified, given the Bank Rate stands at an historic low of just 0.5%. These increases have helped push the average credit card rate to a 12-year high, according to Moneyfacts.co.uk.

TELEGRAPH.CO.UK

UK bank Barclays reports profits up 92% to £11.6bn

Banking giant Barclays has seen its full-year profits increase by 92% to £11.6 billion (\$18.2 billion) in 2009. The figure was boosted by the sale of its BGI fund management arm to US firm BlackRock last year. Stripping this out, profits were £5.3 billion with £2.5 billion coming from its Barclays Capital investment banking business. The bank, which did not take any direct state help during the financial crisis, also saw the level of its total bonus payouts rise to £2.7 billion. It will pay £1.5 billion in bonuses for 2009 and a further £1.2 billion to be paid over three years. Some 22 000 investment banking staff are receiving £191 000 each on average in salary and bonuses - of which £95 000 is discretionary bonus.

BBC.CO.UK; BUSINESS REPORT (Star)

UK inflation goes up to 3.5%

UK inflation accelerated in January to the fastest pace in 14 months as an increase in sales tax pushed the rate high enough to prompt a public letter of explanation from Bank of England Governor, Mervyn King. Consumer prices rose 3.5% from a year earlier, the most since November 2008, the Office for National Statistics said in London yesterday. A reading deviating more than a percentage point from the bank's 2% target requires King to write to Chancellor of the Exchequer Alistair Darling setting out his plans to return the goal. King predicted last week that this bout of inflation would ebb as slack caused by the recession curbed consumer-price pressures.

BUSINESS REPORT (Star)

Mauritius bank governor in abuse probe

Mauritius was setting up a committee to investigate allegations the island's central bank governor abused his authority and refused to implement board decisions, the prime minister's office said yesterday. Governor Rundheersing Bheenik has been at loggerheads with board members and the finance minister for several months, in a rift that throws the bank's autonomy into question.

BUSINESS REPORT (Star)

Bank sets aside 38% of revenue for packages

Barclays Capital, the investment banking unit of Barclays, has allocated more in pay and bonuses as a percentage of revenue than Goldman Sachs Group. Barclays set aside 38% of revenue remuneration for employees in its investment bank, down from 44% in 2008. Goldman Sachs paid 36% of revenue, the New York-based bank said last month, the smallest amount since the firm went public in 1999. "We are Barclays, we are not trying to be Goldman Sachs," Barclays President Robert Diamond said yesterday.

BUSINESS DAY (National), Companies & Markets

INDICATORS

Rand - Dollar \$	7.6777	(+0.0457)
Rand - Sterling £	12.0095	(+0.0799)
Rand - Euro €	10.4839	(+0.0099)
JSE Allshare	26939.8	(+238.44)
Gold	1115.2	(+17.00)
Platinum	1534.0	(+21.00)
Brent Crude Oil	74.7	(+2.19)

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