FINANCE - GENERAL

1995

SEPT. - OCT.

MUTUAL & FEDERAL (58)

Out of the trough

FM 1/9/95

Surprisingly strong results show why Mutual & Federal (M&F) remains the top rated share among short-term insurers. They may also indicate, in particular M&F's near-doubling of underwriting profit to R49m, the full-blown recovery of this volatile industry, despite MD Ken Saggers noting that improved results were achieved during one of the most challenging periods in the history of the industry.

The underwriting performance is remarkable considering M&F posted a R15m loss at the interim, its first in several years. It effectively made an underwriting profit of R64m in the second half, not far off the best full-year figure of R66,6m for 1993.

Also surprising is the 20% growth in gross and net premiums, indicating that while the gain was probably largely carried by rate increases, stricter underwriting did not shed much business; additional business could have been brought on to the books.

Saggers says the improvement over the second half came mainly from strict control of management expenses and the absence of weather-related claims. Crime claims and suspected arson remain unacceptably high, he says, though they appear to have levelled.

Investment income, shown as increasing by only 2% but which would have grown 12% had M&F not elected to take R14,5m in share cap awards rather than cash dividends, was also stronger. At the interim it fell by 1%, which together with the underwriting loss cut EPS by 22%.

Much of the recovery has been in the share price. It was trading at R62 earlier this week, up from R55 a year ago and R46 when interims were released. Now that M&F is clearly out of its underwriting trough — though Saggers warns trading will remain tough until crime is under control — there could be value in the share, despite its demanding rating.

Shaun Harris

Absa expands with New York acquisition

Samantha Sharpe

BD 4/9/95 (58)

AMALGAMATED Banks of SA (Absa) has ventured into the US securities market through the acquisition of New York-based brokerage firm Saicor Securities, the banking group announced at the weekend.

Absa group executive director Doug Anderson said the group would be injecting $5m into the firm — to be renamed Absa Securities Inc — to help fund anticipated growth. He declined to comment on the purchase price.

Anderson said Saicor was already strongly involved in SA and southern African regional investments and that it was an ideal vehicle for facilitating business and trade flows between SA and the US.

This would be heightened as exchange controls started to loosen up, he said, with investment flows between the countries expected to increase.

Jan-Arne Farstad, previously responsible for Absa's European operations, would head up the firm, Anderson said.

Saicor was one of the first US firms to specialise in SA securities in anticipation of the country's return to global markets.

Absa has been involved in intensive international expansion in the last year, which has included the purchase of Bankhaus Wolbern in Hamburg, the establishment of a branch in Singapore and opening a representative office in Shanghai.

Top four SA banks get British credit

CT(BR) 4/9/95 (58)

By Llewellyn Jones

Staff Writer

One of the Britain's leading High Street banks has extended lines of credit worth more than R110 million to South Africa's top four banks, following a resurgence in the level of credit guarantees offered by the British government.

National Westminster Bank was putting in place lines of credit worth £20 million, spread evenly between First National, Absa, Standard and Nedcorp, said David Jones, the business development manager for Natwest.

Jones is visiting South Africa as a member of the London Chamber of Commerce and Industry mission. He will be returning to this country at the end of the month as a member of British Trade Minister Anthony Nelson's delegation for the Britain Means Business exhibition in Johannesburg.

The credit lines, being put in place with the support of Britain's export credit agency, will give British exporters cash terms while allowing South African buyers credit terms.

Beneficiary

A spokesman for the export credit agency said that South Africa was one of its main markets with great prestige value.

In its past financial year, the agency covered exports of more than £243 million to South Africa, making it its fifth largest beneficiary.

Jones said Natwest considered South Africa as one of the top three emerging markets along with Poland and Romania.

But he said the countries could not be compared except in terms of a common need for development finance.

"We are taking South Africa very seriously," he said.

This was also the case for its trade and investment campaign with the country.

"The British Department of Trade and Industry is devoting more than 50 percent of its promotional budget to South Africa and by the year-end you will have seen up to 35 British trade missions here over a period of 12 months."

Insurance boss calls for control of advisers

(58)

Business Day Reporter

BD 5/9/95

SOUTHERN Life MD Jan Calitz called yesterday for stricter control over financial advisers, possibly even compulsory licensing.

During the insurance industry's Multi Rand Forum at Sun City, he said licences could be granted on various tiers, depending on expertise.

"Industry qualifications such as the Institute of Life and Pensions Advisers' (Ilpa) examinations could form the basis of such a licensing system.

"The introduction of licences would increase consumer acceptance and provide greater control over industry standards. While there are arguments both for and against licensing, we need to ensure that consumer protection does not bring about overregulation, undue cost increases and a limit on the freedom of opportunity."

He believed future regulation of the life assurance industry would come in the form of self-regulation rather than more specific statutory legislation.

Self-regulation was made possible by sound legislation that already existed or was in the pipeline. The life industry had demonstrated that it was mature, sensible and disciplined.

He believed regulation on disclosure might be tightened up and suggested the industry learn from experience abroad.

"Consumer research undertaken recently by the life offices indicates there was not more pressure for the disclosure of commissions on our business than in any other commission-orientated sales industry," Calitz said.

"A positive effect of the current commission legislation is that it has limited excessive commission levels such as those experienced overseas. This has in effect prevented life offices from buying new business at the expense of the customer and is a strong argument against the need for any commission disclosure."

There should rather be disclosure of the effect of costs on benefits such as surrender values and the accumulated value of policies.

"The authorities must, however, avoid imposing onerous and costly administrative procedures on the industry as this merely reduces the end benefit of the customer, as more of the savings rand is absorbed in costs," said Calitz. "This will mean lower policy values, which will work counter to the interests of the consumer."

He foresaw the existing commission regulations remaining in force, but predicted a change in the pattern of remuneration. "Such a change will recognise the need for the continual servicing of clients by paying renewal commission over longer periods of time.

"Disclosure and competitive pressures on policy values will also push towards the restructuring of commission. We could see a change from upfront commission to a flat annual rate, or even a change from commission to a salary plus incentive basis."

Calitz said that with the changing face of the financial services industry and the introduction of new and nontraditional players in this market, there would be pressure to ensure that level playing fields existed between all the different companies in terms of projections, disclosure of values and maximum commission rates.

These disciplines should also be applied to the rest of the financial services institutions, he said.

Thursday September 7 1995 SOWETAN

Doomsday for local bank?

(58) Sowetan 7/9/95

By Mzimkulu Malunga

THE African Bank is said to be experiencing serious financial problems and could go for curatorship. However, African Bank chairman Mr Sam Motsuenyane is said to be "shattered" by what is happening at the institution.

Sources have disclosed that Motsuenyane personally went to President Nelson Mandela asking for Government intervention to save the bank but did not succeed.

The sources said an announcement relating to the situation within the institution could be made early next week.

The bank borrows long-term finance from the capital markets and in turn lends it out to clients – mainly for low-cost housing.

Over 60 percent of the bank's book value comes from housing.

It is understood that the bank's high involvement in the lower end of the market could have precipitated the cash flow problems.

African Bank's officials have admitted in the past that the institution's bad debt position was higher that of other banks as most of the people it is servicing are the most vulnerable to pitfalls such as retrenchments and job losses.

Complicating issues for the bank are allegations that the chief executive Mr Jack Theron gave himself a loan of R3 million which he has not serviced in three years.

Theron became the bank's CEO in 1989 and has been credited with being responsible for setting African Bank on a growth path that earned it a medal for being Africa's "fastest growing bank".

African Bank battens down the hatches

Amanda Vermeulen (58)

BD 8/9/95

TROUBLED African Bank has battened down the hatches after media reports that it might go into curatorship after irregularities were allegedly uncovered.

Investors were unable to throw light on the issue yesterday as the bank's senior management was unavailable for comment. Earlier this year the bank received a cash injection from New Africa Investments Ltd and Metropolitan Life, totalling R9m, after falling short of capital adequacy requirements. Nail bought about 25% of Afbank, and Metropolitan Life increased its stake to 17% from 15%.

Sources close to the bank said investigations provided indications of possible fraud and losses of "tens of millions of rands". Bank chairman Sam Motsuenyane, reported to be "shattered" by recent developments, could not be reached for comment. It was understood he had unsuccessfully approached President Nelson Mandela to make a personal bid for government intervention to rescue the bank.

Market speculation was rife yesterday as a veil of secrecy was drawn over the bank's predicament. Reserve Bank banking supervision spokesman Johann de Jager said he could not comment.

A Sowetan report said the bank's high involvement in the low end of the market could have caused cash flow problems.

One source said the investigation would probably be handed over to the police.

Sanlam signs deal with major US firm

(58) CT (MA) 8/9/95

BY BRUCE CAMERON
ASSISTANT EDITOR

Life assurer Sanlam has signed an agreement with the world's seventh-largest asset manager, American-based Alliance Capital Management, to obtain instant expertise in international investment with the phasing out of exchange controls.

The agreement will provide Sanlam with full access to all Alliance's investment research; training for Sanlam investment professionals; and access to Alliance's foreign investment services to initially manage some of Sanlam's foreign assets.

Alliance will use Sanlam's expertise to make investments in Africa. Unlike the two other local assurance companies, Old Mutual and Liberty Life, Sanlam has not developed its own international subsidiaries to give it global expertise, but through its link up with Alliance it will have an instant and comprehensive international network.

The agreement follows the listing last year in America of the $100 million closed-end South African Investment Fund by Alliance and Sanlam.

The agreement was signed in Cape Town yesterday.

Alliance, part of the European AXA financial services group which is about eight times the size of Sanlam and has $240 billion in assets under management, declared a net profit of $651 million last year and gained an investment-grade AA financial-risk rating, from American rating agency Standard and Poors.

Alliance is the single biggest publicly traded asset manager in America and has $135 billion under management.

Hendrik Bester, the senior general manager of Sanlam, said: "The agreement provides us with the means of becoming a professional international fund manager.

"It allows Sanlam to globalise its investment services through an impeccable alliance which immediately puts on tap all the investment know-how and experience of a company with more than 180 experienced investment experts, based in 17 offices in America and other countries." Sanlam said the two groups had the same basic investment philosophy and procedures.

Crisis meeting at African Bank

(58) Sowetan 8/9/95

By Mzimkulu Malunga

AFRICAN Bank's board is meeting today to discuss the dilemma faced by the institution and also to come up with a strategy to raise cash for the bank.

It emerged this week that the bank was experiencing cash-flow problems and had tried various institutions as well as the Government for finance but to not avail.

This does not mean the bank is bankrupt but rather that there is not enough cash for the bank to successfully carry on with its operations.

Raise extra cash

Yesterday the bank's executives – including chairman Mr Sam Motsuenyane – were reported to be working flat out to explore available avenues for the bank to raise extra cash.

Motsuenyane has frozen his busy schedule as the deputy president of the Senate to concentrate on the African bank issue.

Many black business people and professionals are angry with what they see as the Government's reluctance to assist the bank fight its current crisis.

They argue that in the past when white banks ran into financial crises — like Trust Bank did in the '80s — the then Government intervened.

One black professional who did not want to be named asked: "Does this Government understand what implications this would have for black business?"

The bank's cash-flow problems stem from its high involvement in the low cost housing market. More than 60 percent of the bank's book value comes from housing.

This means that most of the money the bank gets goes out in the form of housing loans, but when the borrowers of the cash make their repayments, they do so in instalments and it is this factor that precipitated liquidity problems at African Bank.

African Bank officials have repeatedly argued in the past that the bank's decision to go into housing when other banks shied away from this market was mainly political as someone needed to fulfil that role.

Bank is shut down

Question mark over Mandela Children's Fund cash as African bank crash

Investors hit by bank crash

(58) ST 10/9/95

By SVEN LUNSCHÉ and RAY HARTLEY

THE Reserve Bank shut down the African Bank yesterday after an investigation by shareholders uncovered alleged irregularities and R70-million in bad debts.

The bank's 125 000 savings account clients now face an agonising wait to see if they will recover their investments.

The Department of Finance said yesterday it would allow depositors with savings of less than R10 000 to withdraw R500 each "to alleviate hardship".

Big investors include President Nelson Mandela, whose Children's Fund has deposited more than R400 000 in the bank. Other clients are believed to include the Kwazulu Natal government, the former Lebowa administration, the University of Natal and Mercedes-Benz (SA).

The temporary closure took effect after the Reserve Bank placed the bank in curatorship.

The man appointed to try to save it, curator John Louw of accounting firm KPMG Aiken & Peat, said he would soon give a date when small depositors could withdraw the R500.

The bank's 4 700 home loans will not be affected by the closure, but Mr Louw says non-performing loans "will be vigorously pursued in an attempt to rehabilitate the bank's liquidity".

African Bank chairman Sam Motsuenyane tried on Friday to avert the Reserve Bank's move, saying that he had found a bank willing to buy its entire share capital.

However, he was told that African Bank would have traded as an insolvent entity until the transaction had been completed. Mr Louw said he would be pursuing talks with the potential buyer.

Mr Motsuenyane, one of the country's leading black businessmen and Leader of the Senate, recently asked Mr Mandela for government support, but to no avail.

A relative at Mr Motsuenyane's home said last night he did not want to talk to the press. But colleagues say that he is distraught.

Apart from cash flow problems — stemming from the bank's growth in advances, in the main to the low-income market — the bank has a number of doubtful loans on its books. As a result, it will have to provide for doubtful debts totalling R70-million, if and when the final audited results for the 1994/95 financial year are released.

In a short press statement, the Reserve Bank announced that urgent attempts would be made "to rehabili-

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African Bank closed down

(58) ST 10/9/95

☐ From Page 1

tate the bank in the interest of depositors".

African Bank holds deposits of R620-million, of which R140-million is invested in savings accounts.

The remainder is held in 10 000 investment and term accounts on behalf of corporations and public sector organisations.

While this is believed to be less than half of the total savings held by the bank, the government is unlikely to provide funding.

Mr Louw will also be investigating possible irregularities surrounding a multimillion-rand loan granted to former chief executive Jack Theron. Mr Theron left the bank last month.

Mr Motsuenyane and most of his fellow directors were apparently unaware of the extent of the problem until a few weeks ago.

As recently as two months ago, the Sowetan described African Bank as "an example of success and self-development born out of discrimination".

The problems first emerged last month after Dr Nthato Motlana's New Africa Investments Limited (NAIL), which holds 25 percent of the bank, began a study of its finances and management structures.

"We were absolutely horrified at the level of management incompetence and the absence of any kind of management supervision of junior staff," one source said.

The bank's problems are a major blow to black business at a time when it is clamouring to take an increasing share in the formal economy.

A number of black businessmen have urged the government to intervene, citing frequent Reserve Bank support for white banks under the previous government.

Mr Louw said that he would be consulting a number of banks which had expressed an interest in buying African Bank. Such a takeover could result in a change of focus from a retail to an investment bank.

Support for the bank could also come from NAIL and its subsidiary, Metropolitan Life, which has a 17 percent holding.

The two companies invested R9-million in African Bank earlier this year after it had fallen short of Reserve Bank capital adequacy requirements.

But NAIL is unlikely to offer support until the full extent of the bank's losses is uncovered.

DR SAM MOTSUENYANE ... Chairman of African Bank's board of directors.

African Bank closes down

(58) CP 10/9/95

ANOTHER black business venture faced collapse yesterday with the announcement that the African Bank was being placed under curatorship.

The Registrar of Banks took this step with the written consent of the chairman of the bank's board of directors, Dr Sam Motsuenyane.

A partner of KPMG, John Louw, has been appointed by the Minister of Finance, Chris Liebenberg, as the curator. The bank will cease to conduct normal banking business with effect from tomorrow, until further notice.

Investigations into the bank's current financial position will continue under the direction of the curator and every effort will be made in the short term to rehabilitate the bank in the interest of depositors. The curator will vigourously pursue all non-performing advances and loans in arrears.

To alleviate hardship among small depositors with savings accounts, Liebenberg has announced that depositors with savings balances of R10 000 or less will be able to withdraw the money due to them.

Probe starts at African Bank

Samantha Sharpe BD 11/9/95

(58)

EXCESSIVE bad debts appeared to be the major reason for the problems of black-owned African Bank, which was placed under curatorship at the weekend, the Reserve Bank said yesterday.

Banks registrar Christo Wiese said the bank, whose depositors include 125 000 savings accounts holders and the Nelson Mandela Children's Fund, could have been affected by some fraudulent activity. The extent of the suspected fraud, which centred on several suspense accounts, had not been ascertained. Forensic accountants were investigating.

While the Reserve Bank had previously given "soft loans" to banks, it would not step in to help salvage African Bank.

"The governor has said repeatedly that the Bank will provide liquidity support only if the affected bank is solvent. A look at African Bank's balance sheet shows that if provisions were put through for bad debts they would exceed capital."

KPMG Aiken & Peat partner John Louw, the curator, said the bank had been hit by the volume of its non-performing assets and bad debts. There appeared to be evidence of bad management coupled with some irregularities rather than fraud.

While the bank's assets had been frozen, the finance ministry had for the first time stepped in to help small depositors. There would be a R500 payout to about 123 000 account holders.

Louw said his primary task was to "get the bank on its feet", with liquidation a last resort. Market sources said African Bank's client base would probably interest several smaller institutions.

Nelson Mandela Children's Fund CE Jeremy Ratcliffe said it had less than R400 000 with the bank.

Demise of bank bad for poor

(58) Star 11/9/95

■ BY THABO LESHILO

The collapse at the weekend of African Bank is sad news for home buyers at the low end of the market.

Over-exposure in low-cost housing was mentioned as among the reasons the 20-year-old bank was put under curatorship on Saturday. This development is likely to increase the fear among commercial banks of taking part in low-cost housing, a key element to the success of the Reconstruction and Development Programme.

The Reserve Bank said yesterday it would not try to rescue the bank. Christo Wiese, the registrar of banks, said the central bank only saved banks with liquidity problems, and African Bank had a solvency problem.

But there was still some hope that the bank could be saved after unnamedinvestors showed interest in a takeover.

African Bank's principal shareholders, New Africa Investments, could throw a lifeline to the flailing insitution.

Nthato Motlana's New Africa Investments bought a 25% stake in the bank this year. Metropolitan Life, the other major shareholder, bought a 17% stake. They are among the shareholders who stand to lose at least R21-million.

The decision to place African Bank under curatorship was taken by the Registrar of Banks with the consent of Dr Sam Motsuenyane, chairman of the board of directors. The bank became insolvent mainly because of its non-performing loans.

The bank will cease to conduct normal banking business with effect from today.

Its collapse will affect more than 100 000 savings account-holders, including President Nelson Mandela's Children's Fund, which deposited more than R400 000 in the bank.

News of the demise of the the bank was met with dismay in black business circles.

◄ No rescue – Page 15

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◄ No rescue – Page 15

Government won't bail out African Bank

Star 11/9/95 (58)

■ BY THABO LESHILO

The Reserve Bank would not try to rescue African Bank following its dramatic crash on Saturday, Christo Wiese, the registrar of banks, said yesterday.

Wiese said as a lender of last resort to the country's commercial banks, the central bank could save only those banks experiencing liquidity problems, not solvency problems, as was the case with African Bank.

"The Reserve Bank cannot support a bank that is not solvent," said Wiese.

However, he said there was still some hope that the 20-year-old bank could be saved as unnamed investors in the industry had shown interest in a takeover.

Wiese said the collapse of African Bank, South Africa's first truly black-owned bank, was unlikely to affect confidence in the banking industry.

"The biggest fear of the central bank is that of a systemic effect — the perception by depositors that there is a risk in the industry and that other banks will also go down."

He pointed out that the collapse in the past of such banks as Alpha, Cape Investment and Prima did not have a knock-on effect, probably because they too were small.

The decision to place African Bank under curatorship was taken by the registrar of banks with the consent of Sam Motsuenyane, the chairman of the board of directors, after the bank became insolvent mainly because of its huge non-performing loans.

John Louw, a partner of KPMG, the international accounting firm, was appointed as the curator by Chris Liebenberg, the minister of finance. The bank would cease to conduct normal business from today. Louw told The Sunday Independent that it would stay closed for the foreseeable future.

Jack Theron, the bank's chief executive, is expected to be investigated in connection with an allegedly irregular R3 million loan.

The bank's collapse affects more than 100 000 savings account holders and investors, including President Mandela's children's fund.

Nthato Motlana's New Africa Investments, which bought a 25 percent stake in the bank this year, and Metropolitan Life, which bought a 17 percent stake, are among shareholders who stand to lose at least R21 million.

Government won't bail out African Bank

CT 11/9/95 (BR) (18)

By Thabo Leshilo

Staff Writer

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Payouts at failed bank

(58) ARG 11/9/95

Business Staff

JOHANNESBURG accountant John Louw, the man appointed curator of the Africa Bank, was today making arrangements to allow small investors to withdraw up to R500 from the failed institution.

The bank was placed under curatorship on Friday after developing "financial problems".

Staff at Africa Bank's head office today refused to answer questions from The Argus, saying only Mr Louw could speak on latest developments surrounding the bank. Founder and chairman Sam Motsuenyane was not available to comment on the collapse.

Finance minister Chris Liebenberg has said investors with savings balances of R10 000 or less would be able to withdraw money due to them up to a maximum of R500 each.

Organising this payment to depositors was now in the hands of Mr Louw, ministry spokesman Jennifer Wilson said today.

The bank temporarily ceased operations today while Mr Louw assessed its financial situation. He has said the bank will be closed for "the forseeable future".

The Reserve Bank has said it will not help to salvage African Bank, the country's first fully black-owned bank, founded 20 years ago.

However, New Africa Investments Limited (Nail), which holds a 25 percent stake, is reportedly prepared to step in to help. Nail chairman Nthato Motlana was attending a Southern Africa investment summit in Johannesburg today and was not available for comment.

Another shareholder, Metropolitan Life, was unlikely to step in, a spokesman said today.

Met Life's stake of 17 percent was worth about R2,6 million, he said.

The life assurer could not provide African Bank with the banking expertise it required, he said.

The pension fund of the former black homeland Transkei is believed to have an investment of up to R200 million in the bank, which is said to have total assets of R600 million.

The collapse African Bank is sad news for home buyers at the low end of the market.

Over-exposure in low cost housing was mentioned as among the reasons the 20-year-old bank was put under curatorship.

This development is likely to increase the fear among commercial banks of taking part in low cost housing, a key element to the success of the Reconstruction and Development Programme.

Christo Wiese, registrar of banks, said there was still some hope that the bank could be saved after unnamed investors in the industry had shown interest in a takeover.

Mr Wiese said the collapse of the bank, South Africa's first truly black-owned bank, was unlikely to affect confidence in the banking industry.

The collapse in the past of such banks as Alpha, Cape Investment and Prima did not have a knock-on effect.

The bank's collapse will affect more than 100 000 savings account-holders, including President Mandela's children's fund, which deposited more than R400 000.

Dr Motlana's New Africa Investments and Metropolitan Life, both of which invested R9-million earlier this year, are among the shareholders who stand to lose at least R21-million.

Sun sets on African Bank

(58) Sowetan 11/9/95

By Mzimkulu Malunga and Mathatha Tsedu

TODAY is D-day for the embattled African Bank.

The curator John Louw will report to Government about the bank's financial situation.

On Saturday the Reserve Bank closed African Bank's operations after an internal investigation showed massive irregularities by top management and bad debts totalling R70 million.

The investigation was conducted at the insistence of New Africa Investments after it bought a 25 percent stake in the bank in May.

The inquiry found that the bank incurred bad debts from issuing of loans to about eight white farmers who failed to pay back.

The loans were authorised by chief executive Jack Theron despite advices to the contrary by black regional managers.

It has also been alleged that Theron gave himself a R3 million loan which he has not paid back. Theron could not be reached for comment.

Ironically, Theron came to African Bank in 1989 as the "fire fighter" after the unceremonious departure of Gaby Magomola.

This is the second time African Bank's white employees have swindled the bank of millions of rands.

In 1987 major foreign exchange irregularities were uncovered in the bank and five employees – four of them white – were responsible for the fraud.

The Government has hinted that it could put R30 million in the bank as a temporary measure to save the bank from insolvency while its search for a permanent saviour continues.

President Nelson Mandela, who on Sunday last week in a five-hour meeting with a top African Bank delegation of Dr Sam Motsuenyane, Dikgang Moseneke and Dr Nthato Motlana, declined to help, is said to be under pressure to authorise a Government intervention.

Dr Motsuenyane is said to be threatening to resign as deputy president of the Senate in protest of Mandela's failure to respond to his request.

At that meeting, the African Bank's delegation asked the government to inject some money into the bank and Nail, through Metropolitan Life, would also put in an equivalent amount.

The delegation also proposed that the bank should not be taken for curatorship as that could shatter future investor confidence in African Bank.

However, sources suggested, Mandela followed Finance Minister Chris Liebenberg's insistence on curatorship. Louw, a partner at KPMG Aiken & Peat, John Louw was subsequently appointed.

"Mandela goes out of his way to rescue a springbok emblem but fails to rescue African Bank," commented one black professional.

Among the major investors in the bank is the President's Children Fund that has R400 000, Mercedes Benz SA, the KwaZulu government and University of Natal.

Of the more than R600 million worth of deposits that African Bank holds R150 million is in the form of small savings by about 200 000 ordi-

Other loans 'also authorised'

Ex-MD owes Afbank R5m, says curator

BD 12/9/95

(58)

Amanda Vermeulen

THE crisis at African Bank deepened yesterday when the curator disclosed that former MD Jack Theron owed the bank about R5,5m — roughly one-third of its capital base of about R16m.

KPMG Aiken & Peat partner John Louw, appointed curator by the Reserve Bank last week, confirmed that Theron owed African Bank R5,5m, consisting of a R3m loan made about two years ago, and interest accruing on that amount. The loan had not been serviced since approval.

Marius Smith, MD of Metropolitan Life (Metlife) which holds about 17% of African Bank and has R6m on deposit, said there were also indications that Theron had authorised other loans. Theron left African Bank in the middle of August, two weeks after the auditors had uncovered serious irregularities.

Smith said Theron's departure had not been linked to the non-performing loan — which was apparently bridging finance while waiting for a bond for a farm — but there appeared to be a link with allegations of mismanagement. "There were a few unhappy occurrences, but I would not like to elaborate on that subject."

Smith said bank chairman Sam Motsuenyane had been informed on August 2 by the auditors there would be an abnormal loss for the year to March. Sources close to New Africa Investments Ltd (Nail), which holds about 25% of African Life, said Motsuenyane approached the company in August for further assistance, about four months after Nail bought 25% of the bank for R4m.

It was also disclosed yesterday that the Nelson Mandela Children's Fund, a depositor with African Bank, withdrew R400 000 last Monday, the day after Motsuenyane had apparently approached Mandela personally to rescue the ailing bank.

Fund CE Jeremy Ratcliffe said the withdrawal was merely an investment transaction and had nothing to do with the bank's solvency crisis.

The fund still has about R375 000 on deposit with African Bank, according to Louw.

Anxious depositors in the Northern Transvaal stormed some branches yesterday in a bid to withdraw money, but Louw said this had been resolved.

Sources close to Nail said yesterday negotiations to bail the bank out of its problems had been taking place with local and international parties. Nail director Rob Dow said the company, in conjunction with other partners, would probably form part of a rescue bid to restore the bank to health and to protect the interests of small depositors.

Continued on Page 2

Afbank

(58)

BD 12/9/95

Continued from Page 1

Dow added that African Bank was an attractive conduit for foreign investment into the country which would then be channelled into other investment opportunities.

The bank's collapse is being blamed on an insufficient provision to meet its bad debt, which is in the region of about R50m, according to Smith, who also said depositors would probably recover between 90c and R1 on every R1.

If a suitable buyer was found who wanted to preserve the bank, Metlife would consider increasing its stake.

Registrar of banks Christo Wiese said a lack of capital, poor management and an inability to cover its risk exposure had led to the bank's failure. He said the central bank's prudential requirements were adequate, adding that it was investigating establishing a deposit insurance fund.

Motsuenyane and Theron were unavailable for comment last night.

Afbank collapse: more shocks

(58) Star 12/9/95

STAFF REPORTERS

African Bank was still taking cash from investors more than a month after the bank's auditors had blown the whistle on its crumbling finances.

The Reserve Bank said yesterday Deloitte and Touche had warned it about Afbank's solvency crisis early last month.

But Christo Wiese, the registrar of banks, said officials had acted only after Afbank's main shareholder, New Africa Investments, had called them in after it had failed to secure the bank's rescue.

The institution shut its doors yesterday after collapsing at the weekend, taking with it the dreams of thousands of people who had sunk their life savings in its coffers.

It was not clear yesterday how much cash the bank had taken in its final weeks. KPMG, the curator which went in on Saturday, said it was still checking the figures.

But it also emerged that Deloite and Touche had raised concerns with Afbank's board about the bank's finances and management early this year.

It went to the registrar of banks after Afbank's accounts for the year to March showed its bad debts would swamp its R25-million capital base.

It is understood Afbank's losses in the six months to March were more than R20-million.

John Louw, a partner at KPMG, said yesterday Nail, which has a 41% stake in Afbank, and several parties had called for Afbank's key financial information before

► To Page 3

Afbank took cash after auditor alert

(58) CT(PTR) 12/9/95

BY ANDY DUFFY AND LLEWELLYN JONES

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John Louw, a partner at KPMG, said yesterday Nail — which has an effective 41 percent stake in Afbank — and several parties, had called for Afbank's key financial information before considering takeover plans. Sam Motsuenyane, the chairman of Afbank, is Nail deputy chairman, and Archie Nkonyeni, the deputy chairman of Afbank, also sits on Nail's board.

Nail and subsidiary Metropolitan Life pumped R9 million into Afbank in May after the bank fell short of capital adequacy requirements. But Nail refused Afbank's call for more cash after receiving a due diligence report last week.

The report raised questions about accounting practices on doubtful debts and about loans to directors totalling R5,9 million, including a R3 million loan to former chief executive Jack Theron.

The registrar also asked KPMG early last week to check Afbank's solvency. Louw said it was able to draw its conclusion on the preliminary findings alone.

He said the curatorship was also investigating alleged irregularities within the bank, including Theron's loan.

Wiese said Chris Liebenberg, the minister of finance, and President Nelson Mandela could have chosen to help Afbank.

"Bailing out a bank is a political decision," he said. "It can only be taken by the minister and the Cabinet."

Meanwhile, Tiny Naidoo, the executive chairman of the African Development Corporation, has made a bid on behalf of Malaysian investors to wholly purchase Afbank. The investors would like to retain a major share in the acquisition and enter into a joint venture with a local black consortium.

A local black consortium, Ubuntu Investment Holdings, which is in the process of registration, will enter into the venture with the Malaysians. It is planned to make African Bank a full commercial bank with international links and in future to have a corporate and merchant banking division.

☐ Bill Jack, the chief executive of African [illegible] Assurance, yesterday moved to [illegible]assure investors that there was no relationship between itself and African Bank.

You can bank on the big four, say top analysts

(58)

JOHN VILJOEN and ALIDE DASNOIS
Business Staff

ARG 12/9/95

THE demise of African Bank does not reflect the secure state of the South African banking sector, according to leading analysts and bankers.

"Overall the sector is very healthy. The top four South African banks are considered very stable," said Mark Young, senior banking analyst at IBCA South Africa.

Mr Young's company, part of the world's largest bank rating agency, assesses the financial status of banks by first-hand investigation and analysis of their activities and awards them credit ratings.

The agency had accorded the four largest banks — Absa, Standard Bank, First National Bank and Nedcor — an A1+ rating, the highest grade possible. In March, the agency gave African Bank a "4" rating, indicating that its ability to repay a short-term loan to an investor was "vulnerable".

Many of the other 34 banks are strengthened by their membership of large financial groups.

24 HOURS NEWS WATCH

South African investors and depositors can also draw comfort from the strict policing methods employed by the South African Reserve Bank which Mr Young said were "high quality and respected internationally".

The fall of African Bank, placed under curatorship at the weekend, has to be seen in context. The bank has assets of around R600 million, less than 0,5 percent of the entire banking sector's assets of R370 billion.

"There's not going to be anything like the concerns which are being expressed in the Japanese market," Mr Young said, referring to the recent spate of bank crises in that country.

The banks with the highest risk of running into difficulty were those at the bottom of the market in terms of size and which focused on niche markets.

The costs of going into these markets is high and evaluating risk requires expertise. "If you don't have the expertise, it is very difficult to come out profitable in the end — that's probably what happened with African Bank."

There were "two or three" banks which could be compared to African Bank, but he declined to name them.

The Deposit Taking Institutions Act, which is designed to protect investors and depositors, lays down a percentage of assets which banks have to hold as security against risks.

The smaller banks have been struggling to achieve these limits, especially since the Reserve Bank tightened them this year, "and probably there are a few banks who at present are finding it difficult to keep that level".

The collapse of African Bank will not affect the rest of the banking sector, according to the heads of Absa and Nedcor.

Questioned at an international investment summit yesterday, Nedcor chief executive Richard Laubscher said most banks in South Africa complied with international norms on minimum capital levels and were showing high levels of return on equity.

"There is no cause for concern at all," Mr Laubscher said.

The four major banking institutions — Nedcor, Absa, FNB and Standard — controlled 87 percent of the banking sector. The difficulties of a small bank like African Bank would not affect the industry, he said.

South Africa's banking sector enjoyed the confidence of domestic and foreign investors as the World Competitiveness Report released last week had shown.

Absa chief executive Danie Cronje said it was "unfortunate" that a black-owned bank was in trouble.

"But the major institutions shouldn't suffer in anyway."

Questioned on reports that African Bank had been over-extended in the low-cost housing market, Mr Laubscher said this market was not necessarily a source of bad debts.

Of the 100 000 loans made for township housing by the Nedcor group, 92 percent were fully paid up, he said. Only 2 000 were problematic. Mortgage advances to individuals comprised more than 60 percent of African Bank's retail business.

● Angry customers waited in vain outside the closed doors of two of African Bank's branches in Soweto and Johannesburg's Commissioner Street yesterday for news of their life savings, The Argus Correspondent in Johannesburg reports.

Clients gathering at the bank's Diepkloof, Soweto, branch yesterday morning were told to return in the afternoon, but were again turned away on their return and told to come back today.

"I get paid through this bank, what is going to happen now that the bank is closed?" asked elderly Morris Moyo. "If banks are going to be like this, then I'd rather keep the money at home when I get paid," the builder said.

Pensioner Agnes Maclar has been banking with Africa Bank since its inception in 1975. She was very disappointed to hear that the bank had closed down.

"This bank has always been very helpful to me. One time when I lost my bank book the staff did not make a fuss, but issued me with a new one, " she said.

Mrs Maclar, who travelled the more than 20km from the West Rand, said she deposited her pension cheque last week, and came to know of the bank's closure only yesterday.

"I cannot stay here for long hoping that they will open. I will come again tomorrow," she said.

Another client, Sam Makubela, who entrusts his burial society contributions to the bank, said he was inundated with phone calls from members of the society asking about the bank's closure.

Anxious clients mob Afri Bank

(58) Sowetan

By Mzimkulu Malunga 12/9/95

CROWDS of people besieged African Bank branches yesterday morning demanding their money back.

The incidents followed a weekend announcement that the South African Reserve Bank had shut down African Bank's operations and placed the bank under curatorship.

It is not clear what the situation was like in other areas but *Sowetan* knows about numerous branches in the Gauteng area where crowds of people threatened to invade premises if they did not get their money back.

Eye witnesses who saw the incidents at some of the outlets said after several hours of siege, managers at the branches, together with the police, managed to calm the crowds down and a potentially ugly situation was defused.

The curator Mr John Louw was supposed to have reported to the Minister of Finance Mr Chris Liebenberg yesterday about the financial situation at the bank.

However, a Finance Department's representative said Liebenberg had not heard from Louw. The investigations were expected to take weeks before completion, says the department.

In terms of the curatorship, people who have invested less than R10 000 in African Bank would be allowed to withdraw limited amounts of R500 from their savings to "ease the hardship". But the Government has not specified when and how people would withdraw their money.

When *Sowetan* contacted the African Bank head office yesterday, Louw was said to be locked in meetings with senior managers and some board members.

Afbank staff 'may have been negligent'

(58)

Amanda Vermeulen

BD 13/9/95

AFRICAN Bank founder and chairman Sam Motsuenyane yesterday admitted management and staff could have been negligent, leading to the bank's collapse, and called on government to invest in it to restore confidence in the black financial sector.

Motsuenyane, responding to allegations that the bank's difficulties had been known for some time, said irregularities relating to abnormal arrears losses had been revealed only in May by the bank's auditors, Deloitte & Touche. It was also in May that the auditors disclosed that former bank MD Jack Theron's R3m loan had not been serviced since it was granted two years before. Pressure was applied on Theron to provide information regarding the loan, and in June an investigation was launched into all his loans.

When Theron failed to diclose details to the bank's satisfaction, Motsuenyane said he had been forced to ask him to resign. The loan — bridging finance for a farm — was granted by the bank's advances committee, which had been assured that the farm would continue to perform as in the past. The case against Theron had been handed over to the institution's lawyers.

Theron until a few months ago held a position on the board of Thebe Investments' financial services company, Msele. Msele joint-MD Litha Nyhonyha said Theron had been appointed when discussions were under way to

Continued on Page 2

Motsuenyane

Continued from Page 1

(58) BD 13/9/95

merge with African Bank. These had fallen through and as a result of New Africa Investments Ltd (Nail) taking a 25% stake in African Bank, Theron's directorship was no longer necessary.

Motsuenyane decried what he called "the lack of timeous intervention by government". Last week he approached President Nelson Mandela for assistance, but Mandela had asked for more time to gather information and speak to Deputy President Thabo Mbeki and Finance Minister Chris Liebenberg. Motsuenyane said African Bank badly needed government assistance, because very few institutions survived curatorship. He also questioned the lack of assistance from the banking community, saying it was possible the big banks wanted African Bank to fail so they could increase their penetration of the black market.

Motsuenyane and other bank stakeholders, including Nail, dismissed claims by African Development Corporation's Tiny Naidoo that he was spearheading a rescue bid on behalf of Malaysian investors.

Bank registrar Christo Wiese said the Reserve Bank had done everything within its powers as a supervisory authority. He said the bank's curator, KPMG Aiken & Peat partner John Louw, would report his findings in the next few days.

Deloitte & Touche deputy CEO Louis Hyne said the firm had signed the unqualified financial statements for the bank's 1994 financial year because the loans to directors — about R5,9m — at that time were new and "apparently secured".

Metlife, Nail ignored warning over Afbank

Star 13/9/95

■ BY ANDY DUFFY

(58)

Metropolitan Life (Metlife) knew African Bank faced collapse more than a year before it and African Bank parent New Africa Investments (Nail) jeopardised their cash and reputations by pumping in more money.

Marius Smith, the managing director of Metlife, who sits on Nail's board and the audit committee of the African Bank, had been told by auditors Deloitte & Touche last year that African Bank could be crippled by its bad debts and poor management.

Deloitte & Touche had also warned the Reserve Bank, in terms of section 63 of the Banks Act, in March last year.

The Bank said yesterday it had investigated, but took no further action.

But Metlife still chose to put R5 million into the bank in May, prompting Nail to put in a further R4 million without conducting a full investigation.

African Bank's collapse has endangered both investments, and severely dented Nail's investment reputation.

Smith was unavailable yesterday. Metlife refused to comment.

But it is understood Nail wants to question Smith over the decision to increase the group's exposure.

Jonty Sandler, the chief executive of Nail, was unwilling to comment last night. "You can draw your own conclusions," he said.

Christo Wiese, the registrar of banks, said the Reserve Bank had followed up Deloitte & Touche's first section 63 warning last year.

But African Bank had persuaded the Reserve Bank that the situation was under control.

"We took it up with the board and management to find out what the seriousness of the problem was," he said.

Deloitte & Touche sent the Reserve Bank another section 63 warning early last month. The Bank held fire on any action, pending rescue efforts by Nail.

But Nail pulled back after its own investigation uncovered serious problems at African Bank.

Sam Motsuenyane, the chairman of African Bank, called on borrowers yesterday to repay arrears to help the bank.

He told Sapa that the main arrears were due to defaulters on hire-purchase agreements, loans to a former executive and loans to white farmers extended by the same executive.

Loans to directors stood at R5,9 million at the March 1994 year-end. Jack Theron, the former managing director, owes the bank R3 million, plus interest, in a loan agreed in the 1994 financial year.

Curator John Louw, a partner with KPMG, said the prospects of a deal were good.

Several interested parties — including Tiny Naidoo's African Development Corporation — had contacted him.

Naidoo is attempting to bring in a Malaysian consortium.

■ The bank's collapse affects more than 100 000 savings account holders and investors, including President Nelson Mandela's children's fund. Nail, which bought a 25 percent stake this year, and Metlife are among the shareholders who stand to lose R21 million.

Metlife, Nail pumped cash into Afbank after warning

CT (BR) 13/9/95 (68)

By Andy Duffy

Staff Writer

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Can bank be saved?

(58) Sowetan 13/9/95

There are many questions that need to be answered about why the problems of African Bank were not addressed earlier, reports **Mzimkulu Malunga**

EVEN IF AFRICAN BANK IS SAVED from collapse, the decision to place it under curatorship may effectively have killed it.

If the Government had not followed Finance Minister Mr Chris Liebenberg's advice to place the bank under curatorship and had injected money into the institution, African Bank's financial crisis would not have impacted directly on its clients.

Placing the bank under curatorship – management by a third party – has the potential of shattering future investor confidence in African Bank.

Take, for instance, an ordinary man who has deposited R2 000 with African Bank. He may now, under the curatorship of accountant Mr John Louw, only withdraw R500 of this sum.

If and when he eventually gets back the remaining R1 500, the chances of his ever depositing money with African Bank again are almost zero.

Easy to recover

But if the bank had not gone into curatorship, it would be easy for it to recover this balance as the crisis would not have impacted on the bank's clients.

The South African Reserve Bank argues that African Bank had "non-performing assets" and, as a result, it had to be placed under curatorship. However, it is clear that the overriding problem at the bank at the moment is a cash flow problem.

New Africa Investments Limited – through Metropolitan Life – is prepared to match the Government rand for rand if it decides to put in money to solve the liquidity problem.

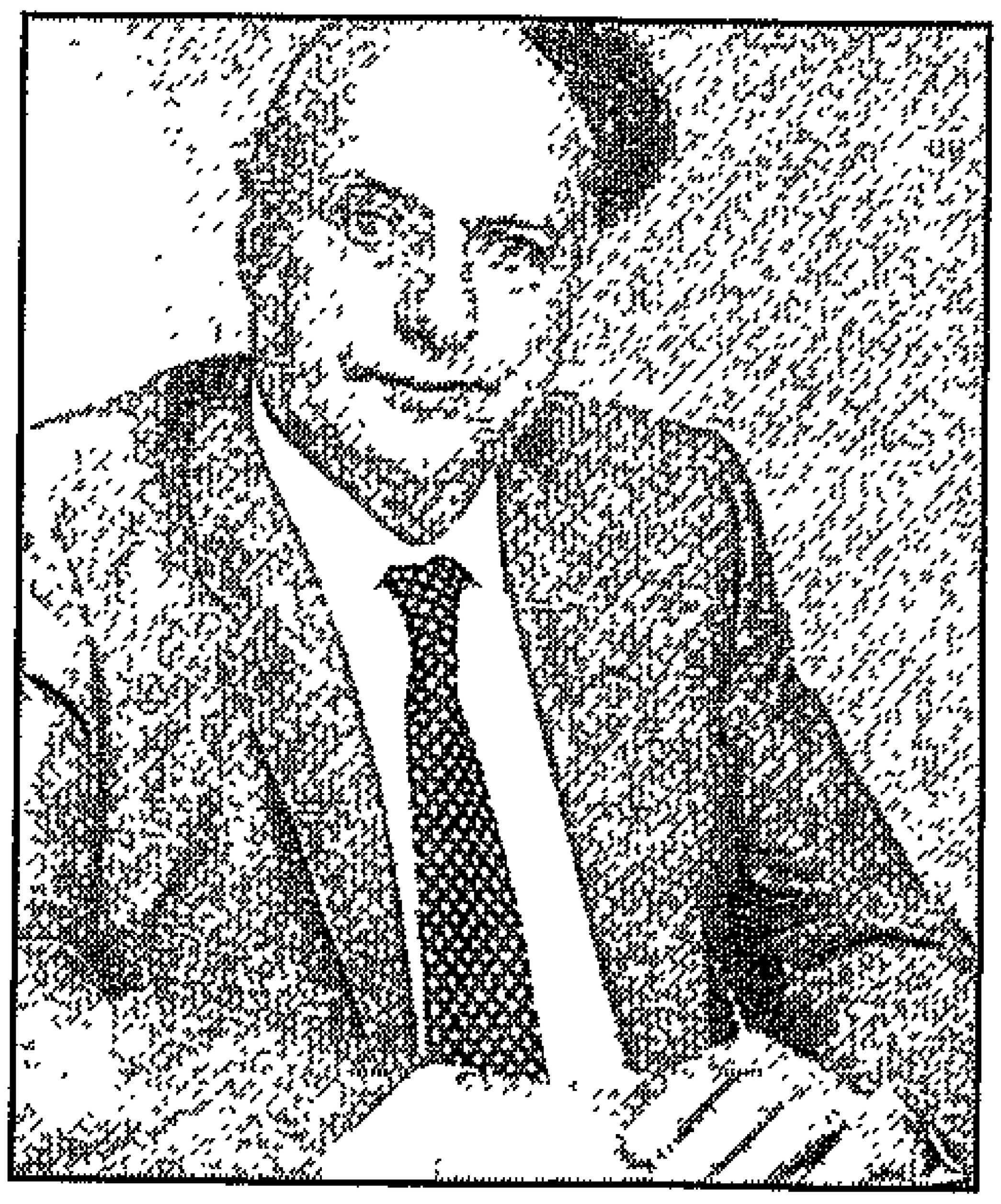
Another factor strengthening the argument for intervention in African Bank is that the Government would have to part with far less than the R1 billion injected into Trust Bank when it ran into financial problems in the 1980s.

Expressed their anger

Many black people, both in and outside business, do not want to see African Bank disappear. A number of them have already expressed their anger at the lukewarm way the Government has responded to the bank's crisis.

If the bank disappears and the Government does not intervene through the Reserve Bank, it will be because of racial motives.

What is even sadder is that the collapse of African Bank will go down in history as another black failure whereas it appears the bank's fall has more to do with a carefully calculated plan by some of the bank's top white managers – some of whom came in as "firefighters" – to milk the bank of cash, precipitating its current state. A *Sowetan* investigation has found that the bank's chief executive Mr Jack Theron, who is nowhere to be found, granted loans worth more than R4 million to white farmers and motor dealers without consultation.



Jack Theron, former chief executive of African Bank,

More than 10 loan applications were granted after they had earlier been rejected by a manager in charge of industrial finance.

The manager concerned was subsequently removed from his position as head of industrial finance and replaced by a less experienced person. Theron is then alleged to have gone behind the back of his new appointee and approved loans himself.

One loan for R2 million was granted to a second-hand motor dealer who allegedly forged the foreign bank guarantee that he used as security. The company concerned later went into liquidation. On all these occasions, the bank's board was not informed.

Theron himself is alleged to have granted himself personal loans worth more than R3,6 million, which he did not repay, but instead rescheduled continually as a way of keeping the account active

Ironically, Theron was seconded from Trust Bank in 1989 to "extinguish the fires" after a group of black managers ganged up against then CEO Mr Gaby Magomola and ousted him. Yet no corruption allegations were levelled against Magomola when he left the bank.

Apart from the allegations against Theron, the question many black people are asking is why the bank's auditors, Deloitte &Touche – one of the country's top four auditing firms – did not report the irregularities in time. They continued to issue positive reports even though the problem was said to have gone on for three years.

Nail, the latest black institution to buy shares in African Bank, invested R4 million for a 25 percent stake in the bank based on the auditors' report

Certain concerns

A Deloitte representative, who did not want to be named for professional reasons, says his company raised "certain concerns" with the management, audit committee and board when it compiled reports for the 1994 financial year.

He declined to give details on what the concerns were. When asked why Deloitte allowed the results to be published without qualifying them, the representative said his company felt there were "sufficient provisions" in place at the time.

It is not clear whether Deloitte's apparent failure to highlight the true financial picture at African Bank over the years had anything to do with the presence of a former employee who was a financial manager at the bank.

While there is always the possibility that an auditing firm can be misled by a management that hides or gives wrong information, the puzzling factor is that the fraud is said to have gone on for three years.

Board negligent?

What is also amazing is that even the bank's board – which boasts skilled people like Metropolitan Life managing director Mr Marius Smith, former Nafcoc president Mr Archie Nkonyeni and NSB's chairman Mr Mohale Mahanyele – were unaware of Theron's actions.

The audit committee – to which Deloitte says it reported certain concerns – included the likes of Smith, who is an actuary.

There have been reports that a Malaysian investor wishes to buy African Bank. It will be a sad story if this bank is allowed to slip out of black hands.

So Liebenberg and his technocrats at the Reserve Bank owe it to the black community to inject cash into the bank.

Rescue plan for Afbank 'was scuppered by Metlife'

BD 14/9/95 (58)

Amanda Vermeulen

A RESCUE plan for African Bank, which included a R100m injection by Corporate Africa, was scuppered after Afbank shareholder Metropolitan Life declined to participate.

But Metlife MD Marius Smith said yesterday Metlife was now prepared to put up half the share capital needed to resuscitate Afbank, if the balance was provided by a financial institution with sound management and expertise.

Afbank chairman Sam Motsuenyane said yesterday Afbank had presented the rescue plan to President Nelson Mandela on September 3, five days before the bank was placed under curatorship. Metlife's original role in the rescue plan would have been the purchase of the bank's industrial finance book for R25m, easing the institution's immediate liquidity problem.

Smith said the bank was placed under curatorship because of a lack of capital and not liquidity problems. The assurer had refused to buy the industrial finance book, because "as a normal deposit, it would have been frozen in the event of curatorship".

Motsuenyane said the rescue bid included a R100m injection in share capital from Corporate Africa, arranged by its chairman and Metlife chairman Ntatho Motlana. Smith denied he had heard of a Corporate Africa commitment to provide the share capital.

The proposed rescue bid was based on three essentials — putting sound management in place and firing the previous managers; recapitalising the institution; and restoring its liquidity.

Motsuenyane said the rescue plan fell apart when Metlife declined to buy the industrial finance book, scuppering a viable solution. He applauded Motlana's attempt to help Afbank, but said: "I think he was blocked."

Motsuenyane said further attempts to sell the industrial finance book to Investec and other institutions were also unsuccessful. "We really failed where we should not have failed — and Metropolitan Life is a company supported by blacks." He said Mandela had allegedly instructed the Nelson Mandela Children's Fund to return the R400 000 it withdrew on September 4 to Afbank. "I hope the fund money does come back — it will be a sign the president is still with us."

New Africa Investments, Afbank's largest shareholder, said yesterday it had invested in the bank based on Smith's evaluation and on published audited financial statements.

Ex-Afbank boss: I did nothing wrong

(58) Star 14/9/95

BY ANDY DUFFY

The former chief executive of African Bank, Jack Theron, broke his silence last night, denying allegations that he had personally led the bank into curatorship.

Speaking from his home in Northcliff, Johannesburg, Theron said he had been made a scapegoat for the bank's collapse and that the curator's investigation would clear him of any wrongdoing: "As far as I am concerned, I have done my duty as any other chief executive officer. I have not done anything wrong."

The chairman of Afbank, Sam Motsuenyane, pinned the blame earlier this week for Afbank's collapse on Theron, chief executive since 1989. Motsuenyane said Theron owed the bank R3,6-million, and had pushed through dubious debts worth R4,4-million.

Theron refused to be drawn on the allegations. However, other Afbank sources claimed Motsuenyane had agreed that interest on the loan — cleared by the bank's advances committee last year — would be paid in full at the end of a fixed term.

Motsuenyane said yesterday he had demanded Theron's resignation in July and then insisted that auditors Deloitte & Touche put a further R8-million aside to cover Theron's R3,6-million loan and the loans Theron had allegedly advanced.

"It's not true that the fault was Theron's alone," Motsuenyane said, "but he was the leader.

"He should have tried to monitor performance at branch level."

New Africa Investments has put itself on a collision course with subsidiary Metropolitan Life over a decision to pump more cash into Afbank.

NAIL blamed the chief executive officer of Metlife, Marius Smith, who sits on the boards of NAIL and Afbank, for NAIL's decision to buy 25% of the collapsed bank for R4-million.

NAIL and Metlife put in R9-million, which has been jeopardised by the bank's curatorship.

New life policy from Southern

CT(BR) 14/9/95 (58)

By Bruce Cameron
ASSISTANT EDITOR

The number of households that will be affected by expected changes in estate duty will almost double to 320 000, life assurer Southern Life, has estimated.

The estimate was made during the announcement of a new product to enable clients to make provision in estate planning for the tougher estate duty expected to be introduced in next year's Budget.

Estates are taxed at 15 percent with a non-taxable threshold of R1 million.

It is anticipated the threshold will be lowered to R700 000 and the tax increased to 25 percent or higher.

Chris Liddle, the executive director of Southern Life's life division, said this could increase the number of affected households from 180 000 to 320 000.

The new Southern product offers a choice on whether it should be paid out on the death of the first spouse or on the death of the surviving spouse, or whether it should be paid out in the event of the death of both spouses, or even partially in the event of one death and the balance on the second death.

Liddle said this offers a mix-and-match product for clients who had different needs.

For example they might want to pay off a property on the death of the first spouse, but retain benefits to pay off later estate duty, or part of the estate might be left to someone other than the surviving spouse on the death of the first spouse, requiring duty to be paid.

Most policies only pay out on the death of a single person, while other available joint policies all terminate on the death of the first spouse, leading to problems for heirs when the surviving spouse dies.

Southern was able to introduce the new product because of changes in taxation laws three years ago, which had previously banned joint policies with choice of payment.

This new-type product forms part of Southern's controversial but successful exclusive life range which offers lower premiums against HIV testing every five years.

Legislation

Existing legislation allows for estate duties to be paid on the death of the second spouse but "obviously one doesn't know whether the husband or the wife will die first".

The product comprises one policy and is provided at a substantially lower premium than would be the cost of two separate policies.

Other elements of the new product include protection against future Aids-related premium increases; optional capital disability cover of up to R900 000; additional future life cover of up to R1 million every five years, without evidence of health (other than an HIV test).

Further benefits of the new product include easy separation of the policy on divorce; continuance of policy benefits after first death at no cost with an optional waiver of premium benefit; guarantees against adverse investment performance; automatic preservation of benefits and premiums against inflation; and a range of varying-risk investment portfolios.

Ex-Afbank chief: I was a scapegoat

CT (MR) 14/9/95

(58)

By Andy Duffy

Staff Writer

The former chief executive of African Bank, Jack Theron, broke his silence last night, denying allegations that he had personally led the bank into curatorship.

Speaking from his home in Northcliff, Johannesburg, Theron said he had been made a scapegoat for the bank's collapse and that the curator's investigation would clear him of any wrongdoing: "As far as I am concerned, I have done my duty as any other chief executive officer. I have not done anything wrong."

The chairman of Afbank, Sam Motsuenyane, earlier this week pinned the blame for Afbank's collapse on Theron, chief executive since 1989. Motsuenyane said Theron owed the bank R3,6 million, and had pushed through dubious debts worth R4,4 million.

Theron refused to be drawn on the allegations. However, other Afbank sources claimed Motsuenyane had agreed that interest on the loan — cleared by the bank's advances committee last year — would be paid in full at the end of a fixed term.

Motsuenyane said yesterday he had demanded Theron's resignation in July and then insisted that auditors Deloitte & Touche put a further R8 million aside to cover Theron's R3,6 million loan and the loans Theron had allegedly advanced.

The bank had already discovered that it had to make a bad debt provision of R20 million, against R6,2 million last year.

The provision on Theron's loans pushed the provision to R28 million, swamping Afbank's capital base and setting it on the road to curatorship.

Leader

"It's not true that the fault was Theron's alone," Motsuenyane said, "but he was the leader. He should have tried to monitor performance at branch level."

Meanwhile, New Africa Investments has put itself on a collision course with subsidiary Metropolitan Life yesterday over their decision to pump more cash into Afbank.

Nail blamed the chief executive officer of Metlife, Marius Smith — who sits on the board of Nail and Afbank — for Nail's decision to buy 25 percent of the collapsed bank for R4 million.

Nail and Metlife put in R9 million, which has been jeopardised by the bank's curatorship.

Smith refused to be drawn on the issue, but he said Metlife had refused African Bank's initial call for it to buy shares, because he believed these too risky.

Instead, Metlife initially took debentures worth R5 million.

"I knew that the bank would not be able to pay a dividend on the shares," Smith said. "Debentures would be safer when it came to curatorship," he said.

Nail's deal forced Metlife to spend R1 million on additional Afbank shares, under an agreement struck in 1991 where Metlife had to maintain its stake at a minimum 15 percent.

Smith said he had also blocked rescue proposals for Afbank late last month until it brought in partners with banking expertise.

The chief executive of Nail, Jonty Sandler, dismissed the claims, but refused to comment on Smith's future position with Nail.

Ncube told not to meddle with bank

By John Spira

Gauteng Business Editor

"African Bank's board of directors couldn't even read a balance sheet. I was aware of the problems some time ago and brought them to the board's attention, only to be told that I was a little boy in short pants and that I shouldn't meddle in the affairs of grown men."

So reflects Don Ncube, the executive chairman of the Real Africa group, on African Bank's collapse.

"In addition, I urged the board to change the white managing director — also in vain."

Ncube says the African Bank debacle is unfortunate but it is not necessarily typical.

It could also happen to a white institution.

"I know that blacks can manage big business efficiently and cleanly. Time will show that black businessmen are able. In future we won't distinguish between white business and black business — just people that will make things happen."

He clearly believes there are different types of leadership for different circumstances.

Had African Bank appreciated this basic business tenet, it might have survived.

"In Real Africa's case, we have professional managers to look after our assets. I am confident that Real Africa will, in due course, prove to be an outstanding role model for emerging black business and that it will succeed where others like NSB and Africa Life have failed. We will demonstrate that those were no more than aberrations."

Thursday September 14 1995 **SOWETAN**

Mandela's big dilemma

(58) Sowetan 14/9/95

Blacks not impressed by President's refusal to rescue African Bank

By Mathatha Tsedu
Political Editor

CASH FLOW STATEMENTS (AC118)

1. Objective

The provision of information concerning the source and use of all financial resources during the period.

2. Cash defined

Cash at bank and on hand and cash equivalents, such as money market instruments.

3. Investments in listed equities do not meet the definition of a

for the following:

* Amounts owing in respect of the purchase of fixed assets (to be shown with investment activities) paragraph.18

* Acquisition/disposal of a subsidiary

* Provision for doubtful debts

* Cash expended on internal expansion. Where an increase in working capital relates solely to such capacity increase, the additional amount should be reflected under investment activities. paragraph.26

58

14/9/95

P[illegible] in the eye of the storm on Tuesday with the disclosure that his personal funds and those of the President's Children's Fund had been withdrawn from African Bank a day after the bank's problems were discussed with him.

The matter had the potential to seriously embarrass him, as it could have meant he had used privileged information he had received in his official capacity to protect his personal and other allied interests.

Brokers at the stock exchange call it insider trading, and it is a serious offence. In the circumstances, Mandela acted swiftly and ordered that the money be returned to the bank.

The President emphasised that he had told a delegation from the bank, which included chairman Dr Sam Motsuenyane, Advocate Dikgang Moseneke and New Africa Investments Limited (Nail) chairman Dr Nthato Motlana, that the funds would not be withdrawn.

He had, however, not told his attorney and financial manager, Mr Ismail Ayob. When Ayob realised that the bank was in trouble, he moved quickly and withdrew the funds.

It was a commendable act by the trustee, but in so doing he broke the undertaking Mandela had given the delegation.

When the matter was brought to his attention, Mandela acted quickly and the money will now be returned, thus saving himself a possible legal wrangle and accusations that he had acted to protect his own interests using privileged information, while leaving ordinary savings account holders to bear the full brunt of the bank's collapse.

It is a catch-22 situation, however, for Mandela. On the one hand, could he have given privileged information to Ayob without breaking the oath of secrecy of his office?

On the other hand, if he did not tell Ayob of his undertakings to African Bank, can the latter be blamed for acting in the best interests of his client?

While this particular issue has now seemingly been laid to rest, it is Mandela's refusal to give the bank a real lifeline that has brought him immense criticism from within the black community.

Sources close to the bank say that at the September 3 meeting at Mandela's official residence in Pretoria, the President had turned down an offer by Nail to rescue the bank through a reconstructive plan that involved turning the management around and pumping in money equal to the Government's input.

This would have meant that a curator would not be appointed. Mandela, instead, is said to have left the issue to the discretion of Finance Minister Mr Chris Liebenberg, who insisted on the curatorship route.

Liebenberg is said to have told the meeting that this was in spite of his own admission that no bank under curatorship had ever survived.

This is primarily because banks survive on the confidence of their clients and once that confidence is shattered – as has now happened with African Bank – it becomes difficult to rebuild it.

African Bank's delegation argued that the bank was a unique institution which should be protected as it had come so far despite huge obstacles placed in its way by the apartheid regime.

President Mandela ... caught up in this week's collapse of African Bank.

They argued that the bank was a symbol of black success, whose demise would impact negatively on the black community. They argued that the Government needed to embrace the idea of institution-building in the black community to strengthen it economically and ensure that white domination was dislodged.

In doing that, the Government can therefore not rely on the laws created by the previous white government which had wanted to protect white institutions.

The delegation quoted the recent R1 billion grant to Trust Bank by the National Party government to get the bank out of an almost similar mess.

Finance Ministry officials told *Sowetan* that while the argument was valid, international banking laws did not allow it.

The officials said the Trust Bank intervention had been illegal and surreptitious, and that the new Government could not allow itself to act in similar manner as this would destroy its international standing.

Democracy stumbling block

And so the democracy that blacks fought so hard for has become the stumbling block to save one of their own institutions, which has been subverted by white officials.

The Finance Ministry officials say they have not abandoned the bank, as their injection of R36 million to help out the small depositors would show.

The Government's final decision and the ultimate fate of the bank will only be determined after curator Mr John Louw has reported on his investigations.

By then, however, the decision will be academic. If they resuscitate the bank, all depositors are more likely to run in and grab their deposits, as Ayob had been trying to do. Perhaps the question that needs to be asked, and answered by Government, is to what extent it should remain bound by rules of the previous regime which hamper the empowerment of the historically disadvantaged.

If it could move an amendment to the Constitution to allow staggered voting in local government elections because that is right, is it impossible to do the same with banking rules to ensure that its own policy of affirmative action and black empowerment is realised?

Nail wants to bail out African Bank

(58) Sowetan 14/9/95

By Mzimkulu Malunga

AFRICAN Bank can still be saved but much will depend on the what curator Mr John Louw finds in his investigations of the bank's financial situation.

The bank's influential shareholder, New Africa Investments Limited – which holds a 25 percent stake – said yesterday that it would consider "positively participating in a rescue package" for the bank.

"Like other investors and creditors, Nail is waiting for the curator's assessment of the bank's total liabilities before moving forward," said the company's representative Mr Rob Dow.

It was expected that it would take weeks before the curator makes his findings public. It was also expected that the Government's final decision whether to get involved in the bank would be taken after Louw announces his financial assessment.

Sources close to Nail said the group had been battling to get a meeting with Deputy President Thabo Mbeki to discuss the African Bank situation for the past two and a half months.

Apparently Mbeki had promised to meet a Nail delegation at his Pretoria home on Sunday but when they arrived, he was not there.

Mbeki and Finance Minister Mr Chris Liebenberg are said to be members of a cabinet committee that has been appointed to address the African Bank issue.

Nail, which has invested a total of R10 million in African Bank, said it invested its money in the bank based on the bank's audited results and an evaluation of Metropolitan Life's managing director Marius Smith.

Smith sits on African Bank's audit committee. The company says its investment was approved by the South African Reserve Bank – which is supposed to monitor situations in South African banks.

"Nail was asked for a further capital injection in June 1995, and was granted permission in August this year, to allow its own auditors access to African Bank.

"They then discovered serious problems which were immediately referred to the appropriate supervisory authorities and the bank's," said Dow.

If African Bank was to be liquidated, a number of black business people, some of whom are said to have invested millions of rands, would lose their money in addition to the almost 200 000 clients with small deposits in the bank.

Reserve Bank set to probe Afbank collapse

(58) Star ~~...~~ 15/9/95

■ BY ANDY DUFFY

The Reserve Bank wants to begin a special inquiry into African Bank's collapse, amid preliminary findings by curator KPMG which suggest the bank fell victim to mismanagement and fraud.

The Reserve Bank said yesterday that the probe would have the power to interrogate the bank's top management and others involved with the bank, and its findings could be passed to the attorney-general.

Johann de Jager, the senior manager in the Reserve Bank's legal division, said the Registrar of Banks had already discussed the plan with KPMG partner John Louw, who is leading the curatorship.

Provided the bank's creditors and curator, Finance Minister Chris Liebenberg, and the registrar agree to go ahead, the registrar would appoint a commissioner to lead the inquiry.

Afbank went into curatorship at the weekend, bludgeoned into submission by bad-debt provisions.

Jack Theron, the former chief executive, has been accused of owing the bank R3,6-million and forcing through R4,4-million in dubious loans to other parties. Theron has denied any wrongdoing.

Louw said Afbank would open tomorrow to allow depositors to withdraw any funds deposited after the curatorship started.

Standard's asset swap deal a first

Star 15/9/95 (58)

■ BY LLEWELLYN JONES

The Standard Bank Group has concluded a R30-million asset swap transaction for its managed funds with US asset management firm State Street Bank of Boston.

The swap is the first involving a South African bank since the Reserve Bank declared earlier this year it was willing to consider formal applications to allow formal institutions to swap rand denominated assets for foreign assets.

Derick Finlayson, director of Standard Corporate and Merchant Bank's (SCMB) Asset Management Division, said Standard had been actively trying to find counterparties that could give it lines ever since the Reserve Bank announcement.

"State Street had already made a substantial investment in South Africa and was looking to add to it," Finlayson said.

"We were thus delighted to find a counterparty who is a committed long-term investor."

State Street currently manages approximately $160-billion with two trillion dollars under its custody.

John Serhant, who heads the Office of the Fiduciary Adviser of State Street Bank, said the bank's already substantial investment in South Africa – more than R1,2 billion – was indicative of its long term commitment and envisaged State Street "continuing to invest in South Africa on behalf of its investors over the coming years".

He said assets swaps made investing in emerging markets seem more liquid and was more efficient because it limited the market impact. Because South Africa was more developed than most emerging markets, State Street Bank felt particularly comfortable investing here.

Finlayson maintained that the swap transaction would provide attractive risk diversification benefits for selected investors as it would enable them to enjoy investment exposure to global equity and bond markets.

He said the first transaction was relatively small — "paying our school fees in the sense of understanding the mechanical implications with the Reserve Bank and the needs of the counterparty".

Initially SCMB envisaged placing foreign assets on deposit with an international bank as a bridging mechanism until it decided which international bond and equity markets to commit itself to.

Thirty years' war: Motsuenyane's battle for black banking

(58) CT (BR) 15/9/95

By Andy Duffy
Staff Writer

Sam Motsuenyane struggled for 10 years to establish African Bank.

Mooted at the launch of the National African Federated Chamber of Commerce in 1964, the plans had to overcome a bloody-minded government and a less than enthusiastic black community.

Appeals for the black community to buy a minimum R100 in shares only really began to bear fruit after Motsuenyane convinced Barclays Bank's London head office in 1972 to take a stake and help train staff.

The bank raised the R1 million it had targeted as necessary for registration by 1975. The first branch opened in Garankuwa.

By the end of its 1994 financial year, the bank had 36 branches, with R625,8 million in assets — more than half in advances and accounts.

The fall into curatorship is not the first time the bank has found itself in trouble.

In 1988 three senior officials — Henry Harper, Alan Young and Arthur Ferreira — were convicted on six counts of contravening exchange control regulations, six of illegally importing capital and 99 of fraud.

The court found that R330 million had left the country, in the first major forex scandal.

The three had made more than R33 million profit between them in the dealings from 1985 to 1986 they had claimed were part of Afbank's legitimate business.

Afbank forfeited R67 million of its income to the state as a result of the scam, forcing it to sell assets.

The investigation also led to the Reserve Bank's temporary suspension of Moses Maubane, Afbank's first managing director, though he and the rest of Afbank's board were cleared by the Rand Supreme Court of any complicity.

Jack Theron appeared on the scene at this point, seconded by the Reserve Bank. It was to be another year before he took the reins, but he stayed on after the secondment "since there was an opportunity to help my black friends", he told the Star.

Theron was appointed deputy to Gaby Magomola, though Magomola's tenure was short-lived. He was fired in March 1989.

According to Motsuenyane, Magomola had oversold himself to the media.

According to Magomola, who went on to set up Future Bank in 1991, he had called for Afbank's board to be staffed by "more financially literate members". Magomola was followed out of the door two days later by Joe Modibane, the treasury officer, after he called in the Reserve Bank.

Motsuenyane then appointed Theron as acting chief executive.

A former Trustbank general manager, Theron had 41 years banking experience and was to be contracted until 1997, to give the bank time to groom a black successor.

He was to do rather more than that.

Total assets on his appointment stood at R166 million, while advances and other accounts were R131 million.

He put the bank on an aggressive growth strategy. In the year to September 1990 net income topped R1 million for the first time — up 40 percent on the previous year.

At the time, the 1990 results were announced, Theron managed to convince Afbank to open the sale of its shares until then restricted to blacks to other races. The bank had issued share capital of just R6,2 million, though there was a further R4,5 million in preference shares, owned by Standard Bank, Trustbank, First National, Ned Perm and Volkskas.

Finding new investors would allow Afbank to meet its capital adequacy requirements, Theron argued. In October 1991, Metropolitan Life took a 17 percent share for R1 million — a move that was to ultimately leave New Africa Investments with an effective 41 percent holding in Afbank when the bank went down.

Under Theron, assets had risen to R431 million for the 18 months to March 1993 while advances and accounts had hit R268 million. It was then that the bank embarked on new technology upgrades to allow it to better check loan arrears.

Provisions for the past financial year were to come in at R6,2 million, knocking the group into a R2,9 million net loss. Auditors Deloitte & Touche had already made a section 63 warning to the Reserve Bank.

In the 12 months since last year's figures were produced, Motsuenyane has again been struggling for Afbank, this time to pull right an institution that had gone badly wrong.

FORUM

Shareholder challenges Iscor over smelter

CT (BR) 15/9/95

BY BRUCE CAMERON

POLITICAL EDITOR

Should shareholders be prepared to forego some profit to preserve the environment? One of Iscor's biggest individual shareholders, Ian Moultrie, believes they should

And in his commitment to environmental issues, he is taking on the steel company over its plans to construct a smelter near the shores of the Langebaan lagoon on the Cape west coast

He, along with many others, wants the plant moved 15km away to a less environmentally sensitive site and has argued it be moved even further back, 870km away to Sishen

Iscor's conflicting statements, threats and apparent lack of environmental concern has seen him dedicating most of his time to analysing the position. He submitted a comprehensive 70-page report on the financial implications of various possible sites for the proposed smelter to the Steyn commission of inquiry into the siting of the Saldanha Steel project.

Key to his report is his finding that Iscor's costings to move the plant from an environmentally sensitive area 2km away from the wharfside, to another site 18km further away, are overstated.

The figure he comes up with is R17 million a year — well below Iscor's best figure of R42 million

Moultrie has used consultants and a variety of sources to draw up the report He is no slouch with figures, having an MA in mathematics and mathematical statistics from the University of Cape Town.

In his submission, Moultrie said that if the operating costs of the project were to increase by R50 million a year, as was once claimed by Saldanha Steel, profits would drop by about 0,75 percent.

If his calculations are correct, the extra costs are R39 million in capital costs and R17 million a year in operating costs

Or put another way, the cost of moving the plant 15km inland will increase the capital costs by 1,9 percent and diminish the return by less than 0,5 percent.

This would meet Saldanha Steel's own financial measures of "robustness, intramarginality, return on investment and competitive advantage" and the profitability of the mill would not be materially affected, said Moultrie.

He has estimated that the profit would in fact be greater if the plant was sited at Sishen.

Against this, Iscor has given at least nine different estimates between May 2 and July 18, which range from an additional capital cost of R60 million to R132 million, and running costs ranging from R42 million a year to R500 million for the first five years.

On top of this, stockbrokers Simpson Mackie have estimated Saldanha Steel's after-tax profits at R600 million in five years

"The costs of resiting, even at Saldanha Steel's own disputed levels, will reduce the return by an insignificant amount," Moultrie said Even the R17 million could be lower, he said.

He rejected Iscor's arguments that the complex needs to be at the harbour because iron ore and coal may have to be imported. South African reserves are sufficient for at least 100 years at current ore-export levels The import of iron pellets from Brazil might be phased out soon after the plant is commissioned

Calculations by civil engineers for Moultrie on the additional cost for the alternative Saldanha site are:

	Tons a year		Added cost per ton		Total
Pellets:	340 000	x	R2,76	=	R0,9m
Final:	1 216 000	x	R5,42	=	R6,6m
Coal	750 000	x	R2,76	=	R2,1m
Ore:	1 730 000	x	R2,76	=	R4,8m
Total a year:					**R14,4m**

To this total a further R2,6 million a year has been added to cover other expenses such as road maintenance and other contingencies

In his submission, Moultrie queries most of the figures given by Iscor For example, the cost of transporting iron pellets the extra 15km is given by Iscor as R40,83 a ton, while the cost of transporting them from Saldanha to Sishen 871km away is R45 a ton, and the cost of transporting iron ore from Sishen to Saldanha is less than R12 a ton.

One of Moultrie's major concerns is that Iscor, in looking at other sites around the country, appears to have embarked on costing exercises only after making decision to site the complex at Saldanha.

"The perfunctory way in which the sites were costed suggests that Iscor was predisposed towards a site in Saldanha "

On the basis of the marginal reduction in profit, Moultrie questioned the threat of Hans Smith, the managing director of Iscor, to walk away from the project if pressures for the plant to be moved increased.

"Why walk away from a good investment merely because an excellent return has declined fractionally. Smith's approach does not add value for shareholders "

In his analysis, Moultrie has also shown that Iscor's Vanderbijlpark plant is the world's second lowest cost-steel producer.

It is estimated that Saldanha Steel will produce hot rolled coil at $195 a ton. Whether the plant is sited 15km away or at Sishen, Saldanha Steel will still retain a ranking of the fifth cheapest producer in the world of the product

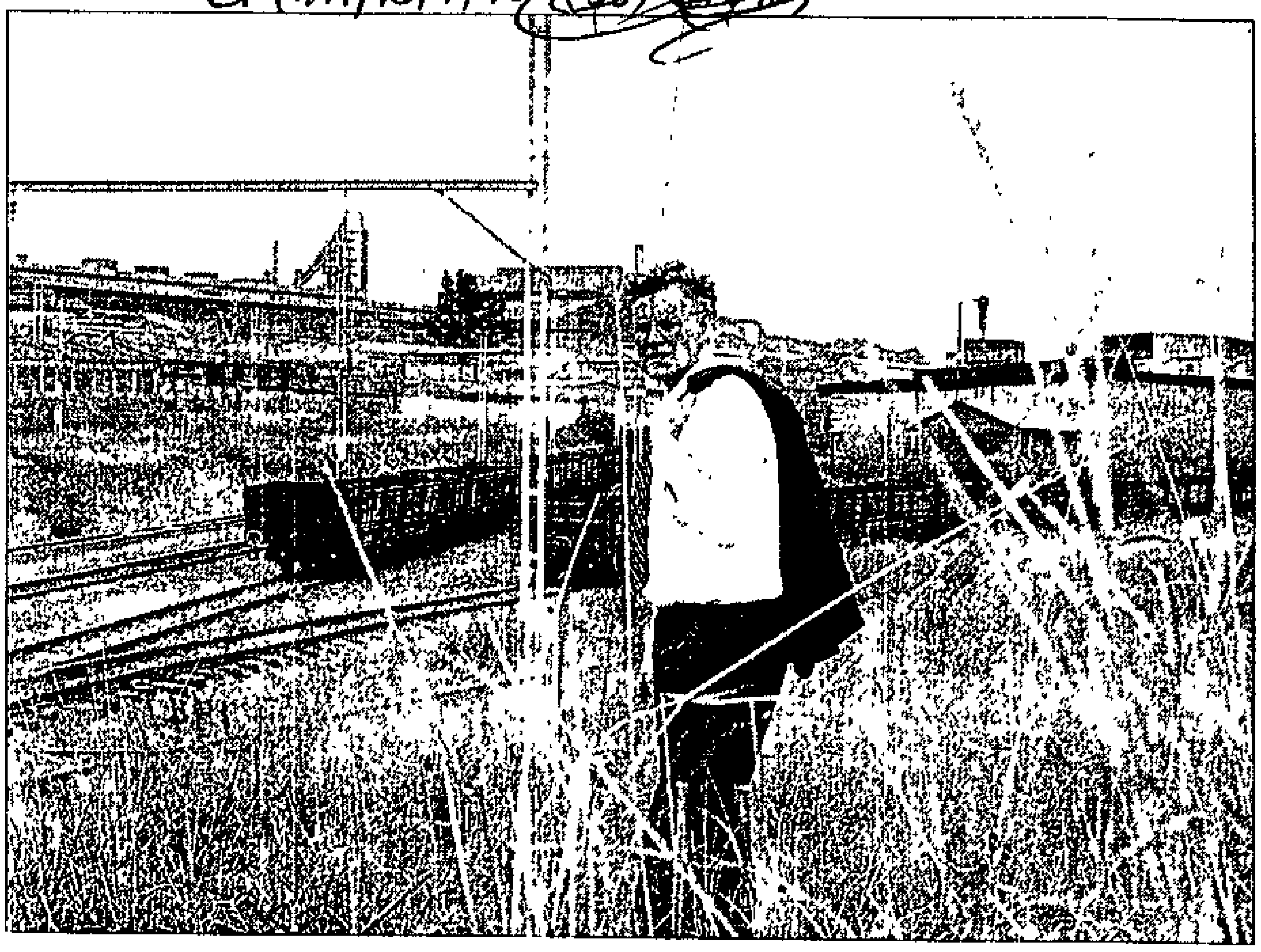
Moultrie's document queries almost every figure provided by Iscor and also deals extensively with environmental issues.

Responding to the question as to why he chose to challenge Iscor, Moultrie said "Someone asked me if I had an opinion on the siting. I wrote to the managing director of Iscor. He replied that it would cost an extra R500 million over five years to resite, and if I, as a shareholder, wanted to contribute, mine would be a lonely voice. Intuitively the figure seemed excessive and that's how I become involved.

"Saldanha Steel claims the environmental risks are acceptable; but those risks will not be borne or paid for by the company. The nation as a whole will pay, not only now, but for generations.

"It is the state's function to intervene and strike a balance when the public good conflicts with private greed. In this case the choice is simpler than usual because moving the site would cost Saldanha Steel very little by comparison with the long-term environmental benefit."

"As a shareholder, I am entirely in favour of the establishment of the plant at whatever site will result in the least environmental risk, subject to a sacrifice of return," he said.



ENVIRONMENTALIST *Iscor shareholder Ian Moultrie is prepared to accept a reduction in returns*

PHOTO: JOHN WOODROOF

Reserve Bank wants Afbank inquiry

(58) CT (BR) 15/9/95

BY ANDY DUFFY

STAFF WRITER

The Reserve Bank wants to unleash a special inquiry into African Bank's collapse, amid preliminary findings by curator KPMG which suggest the bank fell victim to widespread mismanagement and fraud.

The Reserve Bank said yesterday that the probe would have the power to interrogate the bank's top management and others involved with the bank, and its findings could be passed to the attorney-general for further action.

Johann de Jager, the senior manager in the Reserve Bank's legal division, said the Registrar of Banks had already discussed the plan with KPMG partner John Louw, who is leading the curatorship.

"We're waiting until the due diligence is done," De Jager said. "It (the enquiry) is on the books."

Louw declined to be drawn on the matter.

"There has been extremely poor management, a lack of controls, poor liquidity management and extremely bad credit risk management," he said.

See Business Report's special focus on the rise and fall of African Bank on Page 21

"That was coupled with insider abuse and fraud."

The investigation would be carried out under the new Section 69a of the Banks Act.

Provided the bank's creditors and curator, finance minister Chris Liebenberg, and the registrar agree to go ahead, the registrar would appoint a commissioner, possibly a retired judge, to lead the 6-month inquiry.

Section 69a allows allegations of mismanagement and fraud to be investigated while a company's curatorship continues.

"If there's an indication that any person participated in fraudulent activity we have to go to the attorney-general," De Jager said.

Afbank went into curatorship at the weekend, bludgeoned into submission by bad-debt provisions.

Jack Theron, the former chief executive, has been accused of owing the bank R3,6 million and forcing through R4,4 million in dubious loans to other parties.

Louw said Afbank would open its doors tomorrow to allow its 125 000 depositors to withdraw any cash they had put in after the curatorship started.

This includes the R500 provided by the finance department to those with investments of less than R10 000. Borrowers will also be expected to repay cash due to the bank and loans in arrears will be chased.

All accounts prior to the curatorship, however, remain frozen.

☐ President Nelson Mandela said yesterday the government would step in to assist the ailing Afbank, but only once all the facts had been established.

Speaking at a function in Uitenhage, Mandela said that it was "highly mischievous" to suggest the government was insensitive to the woes of the bank.

"The government is willing to help, but we must first establish all the facts about their problems.

"Unlike the previous government, we are sensitive to how taxpayers' money is being used."

FOR THE PEOPLE *Nedbank's general manager in the Western Cape Dave Minnaar, right, and manager Rod Sleet*

Nedcor looks to the Cape

(58) CT(BR) 15/9/95.

By Audrey D'Angelo

Nedcor is about to launch a major marketing campaign in the Western Cape for its low-cost People's Bank, aimed specifically at the emerging black and coloured market.

Dave Minnaar, its general manager in the Western Cape, said yesterday that it was impossible to estimate the size of the potential market in black and coloured townships.

But he was sure many people living in the townships would see the advantages of a bank with ATMs in the places where they lived and worked, which would mean they could avoid carrying large sums of cash in places where they run the risk of being robbed.

Minnaar and Rod Sleet, the commercial manager, said they believed high street banks with large banking halls would disappear over the next few years and people would conduct most of their banking business electronically.

AFRICAN BANK:

Anatomy of a fall: Afban[k]

BY ANDY DUFFY

STAFF WRITER

Part of African Bank's celebrations of its 20 years in business included a gushing supplement in City Press.

Published on July 30, it said Jack Theron, the chief executive, was targeting a R1 billion asset base by 1998. "Staff loyalty is the element that impresses him the most."

Sam Motsuenyane, the chairman, was described as "Mr Banking" who would be "leading African Bank's charge into the future".

Three days later that charge began — straight to the bank's shareholders and the government for rescue. Theron had already been fired.

Since Afbank's collapse last week, Motsuenyane and Afbank's main shareholder, New Africa Investments (Nail), have pinned the blame on the government, the Reserve Bank, auditors Deloitte & Touche, Metropolitan Life and Theron. It can only be a matter of time before the curator KPMG is brought into the fray.

In the midst of such claims, with the race card on the table, it is easy to overlook a major factor contributing to the failure — management incompetence. "The board of directors couldn't even read a balance sheet," Don Ncube, the chairman of Real Africa Investments (Rail) said this week.

This apparent incompetence contributed to the bank's bad-debt provision of R28 million for the year to March, R3 million more than its share capital, and left the savings of 125 000 investors in limbo.

For that, Motsuenyane, who founded the bank, and shareholders with representatives on the board such as Nail and National Sorghum Breweries must take their fair share of the blame.

The point at which Afbank embarked on its downward trek is something KPMG will have to work out. The signs were there, however, when the bank finalised its results for last year's March year end.

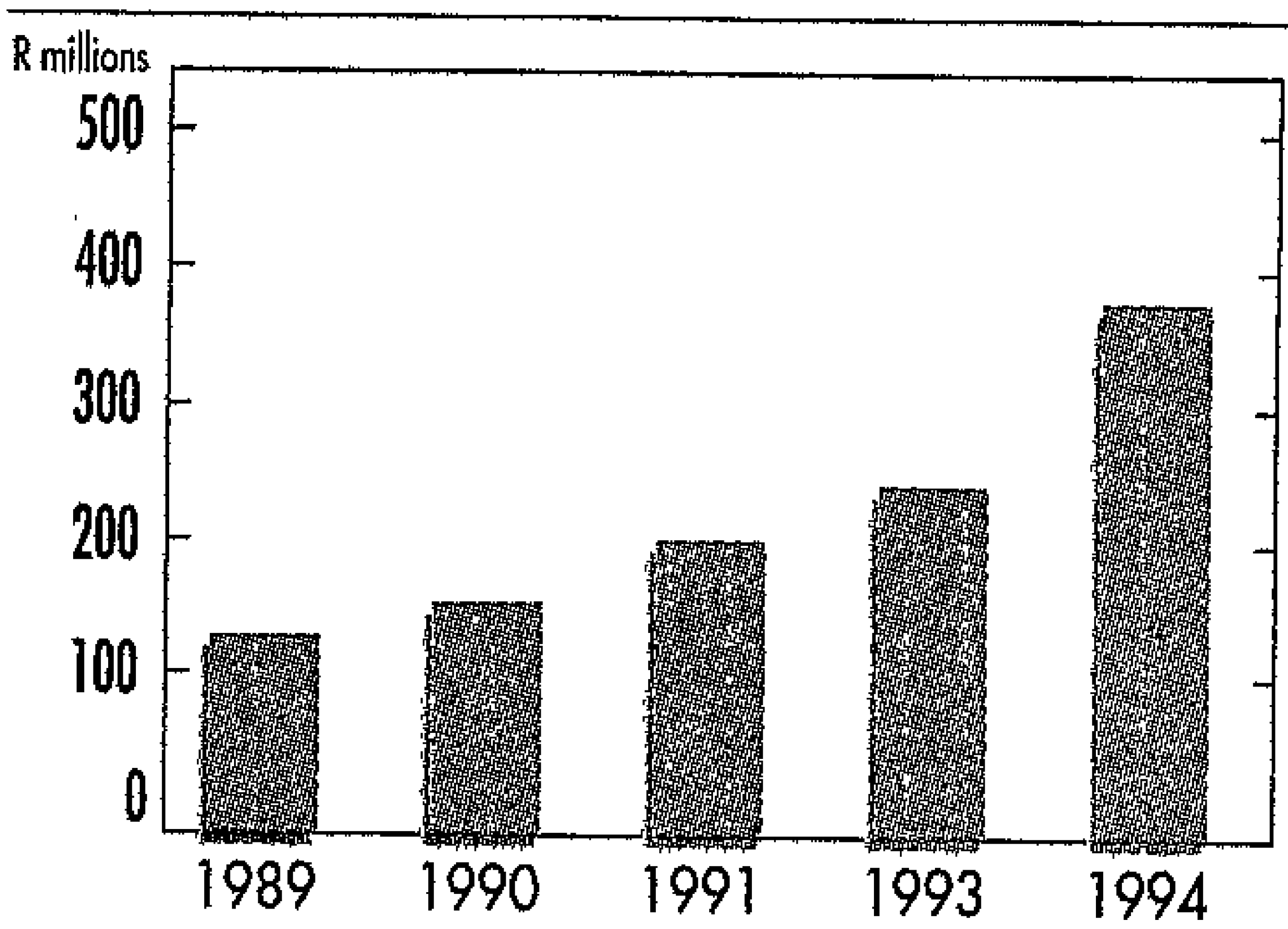
The bank posted a pre-tax loss of more than R4 million, an R8 million turnaround on the previous year.

Much debate between Deloitte & Touche and the bank's board preceded the production of that figure.

Metropolitan Life managing director Marius Smith. A veteran of Trustbank, Smith forced the issue. Management had been prepared, after discussions with Deloitte & Touche, to reduce the provision to keep the bottom line in the black.

Smith proposed instead to take the full knock and show a loss, something the audit committee eventually agreed to.

Money loaned by African Bank



The bank had revisited security values on loans in arrears amid long-running concerns by the auditors about the monthly formula used to tote up bad-debt provisions.

Deloitte & Touche had already drafted in a trouble-shooting team led by its deputy chief executive Louis Hyne. Last year's auditor's fees jumped to R805 000 as a result.

When the worst case scenario bad-debt figure of R6,2 million came back, almost half the value of shareholders' funds, the audit committee was less than happy about putting it all through.

Those on the committee included Motsuenyane, Theron, vice-chairman Archie Nkonyeni and

In the previous 18 months there had been no new provisions, though last year's accounts show the bank was carrying accumulated provisions of just under R6 million.

In the report, the directors called the bad-debt provision "prudent . . . a firm basis for future profitability has now been set.

"Management has instituted appropriate measures and will continue to monitor the arrears situation to prevent a recurrence of this situation."

If it fooled shareholders, such optimism was also to fool the Reserve Bank.

Deloitte & Touche had already warned the registrar of banks that Afbank was struggling, as it was obliged to under section 63 of the Banks Act. The registrar sent officials in, but said they were placated by the board and management.

Last year's accounts also showed something else. Loans to directors had moved from R1,7 million in 1993 to R5,9 million.

Theron had taken out a R3 million loan for an apple farm, using the farm, apparently worth R5 million at the time, as a bond. Motsuenyane and the rest of Afbank's advances committee, of which Theron was a member, agreed to this.

The balance was owed by other directors, including Motsuenyane who borrowed, and subsequently repaid, R60 000 to finance his move to Cape Town when he went into parliament.

"All those advances," the signed-off statements said, "have been undertaken on commercial terms and conditions applied in the normal course of business."

The advances nevertheless represented 64 percent of the bank's share capital at the time.

For the six months to last September, the group returned to profit, posting net income of R1,3 million, at least according to its unaudited results.

But Motsuenyane said in the last quarter of last year the Reserve Bank warned him that Afbank was operating below the minimum capital adequacy requirements.

"We were allowed to operate for a while and then I started a campaign to get capital injected. Then we unearthed other troubles I personally only became aware of when the damage had been done."

Afbank approached Metlife for additional cash. The group, by this time controlled by Nail, held 15 percent of Afbank.

When it bought the stake in 1991, Metlife had agreed not to let

SPECIAL REPORT

EDITED BY PETER GALLI

comes tumbling down

58) CT(MR) 15/9/95

the level fall below 15 percent and so had regularly pumped cash in to maintain the level, as Afbank had sold shares over the counter.

But Smith said that when the call for additional cash came it was not interested in increasing its stake. It insisted instead on buying debentures worth R5 million.

"I knew that the bank would not be able to pay a dividend on the shares and debentures would be safer when it came to curatorship."

The cash was deposited with Afbank, but the debenture agreement was never finalised.

Instead, under the 15 percent agreement, Smith said Metlife was obliged to use R1 million of the cash to buy ordinary shares. The remaining R4 million stayed on deposit.

The share buying had been prompted by Nail's decision to put up R4 million for a 25 percent stake in Afbank in March.

Given that Metlife had chosen not to buy further shares, Nail's move may have taken Smith by surprise.

When the R9 million cash injection was announced in May, Jonty Sandler, the chief executive of Nail, said Afbank could become one of the major players in the financial sector. In reality, Afbank's time had come.

Deloitte & Touche had already uncovered two potentially fatal problems — what Motsuenyane now refers to as "other troubles". The Reserve Bank had also been informed.

First, Theron's apple farm loan had not been serviced.

"Not only his loan," Motsuenyane said, "but other loans advanced by him." It was later reported that Theron knew some of the borrowers personally.

These loans were worth R8 million, Motsuenyane said.

When Theron went public on Wednesday he dismissed the allegations, claiming, that he had done nothing wrong.

The curator's report would prove this, he said.

Theron's allies also claim Motsuenyane, as a member of Afbank's advances committee, had agreed that interest on the R3 million loan be paid in full at the end of its fixed term.

Smith, who had known Theron since 1980, since their time together at Trustbank, also said he had known Theron to be honest and a "man of integrity".

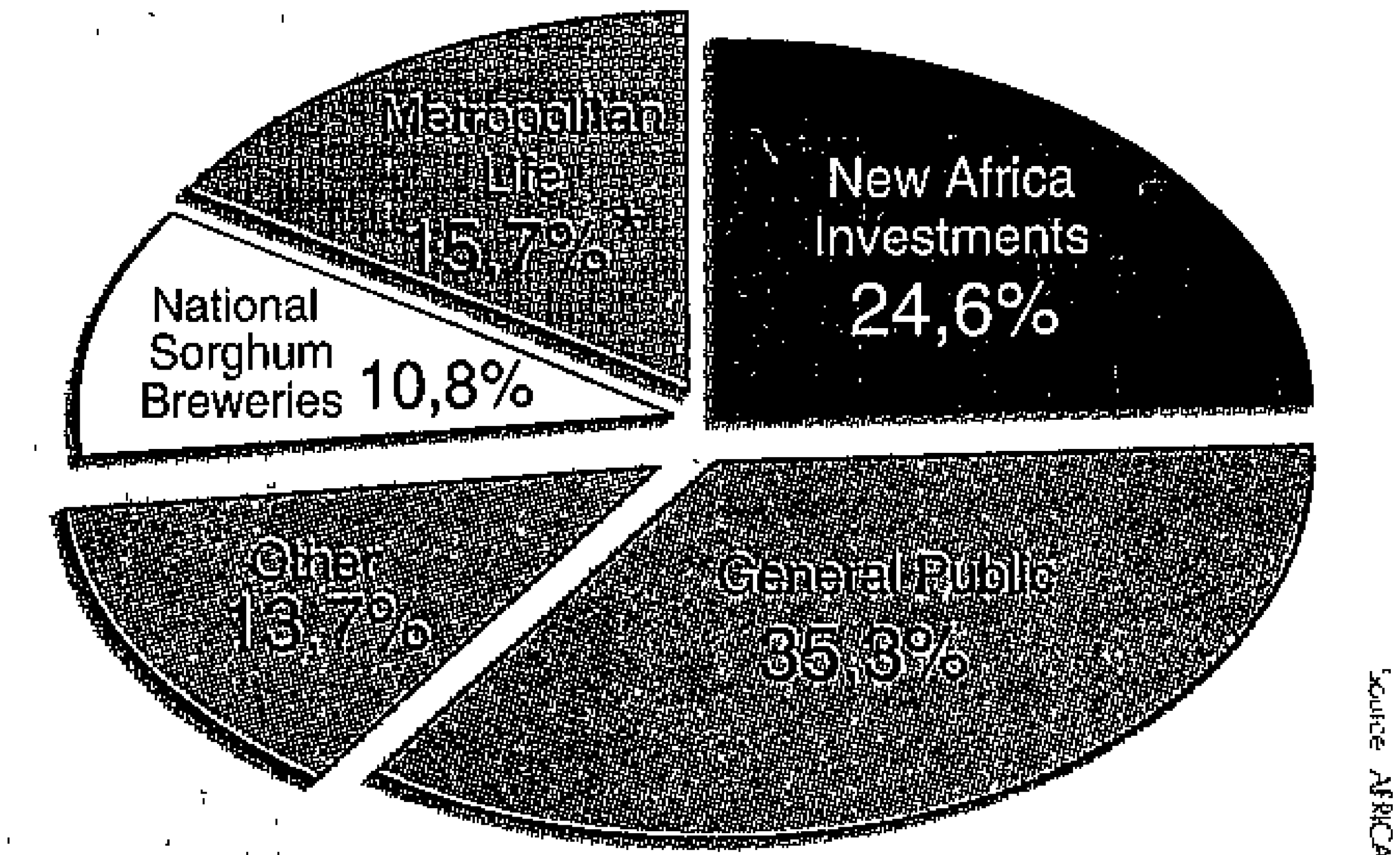
There was another problem Deloitte & Touche had discovered.

Motsuenyane said that in finalising statements for the year to March, the auditor put a preliminary figure to the board in May showing a net loss after provisions of about R12 million.

"Last year was the first time we'd made a provision of that magnitude," he said, referring to last year's R6,2 million bad-debt provision.

"This year it was an astronomical figure which surprised all of us."

Who carries the can ?



African Bank shareholders as of March 31 1995
* Subsequently increased to 17%

Management instituted a branch by branch check on bad loans, hoping Deloitte & Touche was wrong.

It was. Motsuenyane said the figure R20 million came back, equivalent to almost 16 percent of advances from last financial year, and all down to loans into Afbank's target market.

If the bank had left it at that, the net loss would have been about R16,4 million, with provisions outstripped by its expanded capital base by 25 percent. That would have been damning of Afbank's management, but not fatal for the bank.

But Afbank had decided that Theron, after six years at the helm, should go, both for the performance and his personal loans.

"It's not true that the fault was Theron's alone," Motsuenyane said.

"But he was the leader. He should have tried to monitor performance at branch level. He had performed quite well at the beginning — we paid dividends and we showed growth."

Theron was told to quit in July, and Motsuenyane said the bank foreclosed on the loan.

Motsuenyane said he had also decided, against Deloitte & Touche's recommendations, that Theron's loan and those he had advanced had gone sour and needed to be provided for.

"The credibility of management had been questioned and they had to be prudent," Motsuenyane said.

That brought the grand total of provisions to R28 million, well over the share capital.

Deloitte & Touche was left no alternative at the start of last month but to again make a section 63 warning to the Reserve Bank.

The registrar of banks held fire for five weeks while Motsuenyane turned again to the shareholders, and then to President Nelson Mandela.

But this time there was no escape. Smith had already suspected something was afoot when the Afbank audit committee meeting planned for June was postponed to August 2. The rescheduled meeting amounted merely to an update on the bank's demise.

Motsuenyane has since said Nail's holding company Corporate Africa had proposed a R100 million rescue plan, but Metlife's refusal to take part left the proposals dead in the water.

Smith said he knew nothing about any Corporate Africa deal.

Metlife had refused to put any more cash in until a plan was formed to bring in a partner for the 20-year-old Afbank with banking expertise. Nail, meanwhile, sent its own auditors into Afbank in August.

As their damning report surfaced, the registrar sent KPMG into the bank's Marshall Street headquarters to do a section 7 solvency check. Five days later the curator was appointed and the recriminations began.

Liebenberg briefs Govt on Afribank

(58)

Sowetan 15/9/95

It is believed the situation at the bank stretches back nine months

By Mzimkulu Malunga and Mathatha Tsedu

FINANCE MINISTER Mr Chris Liebenberg this week briefed the Cabinet on the latest developments at the African Bank.

However, no Government decision on whether to get involved will be made until curator Mr John Louw has reported to Liebenberg. Louw is expected to report to the minister in another week.

Although it is still too early to know details of the curator's report, it is understood that it will take at least R50 million to rescue African Bank.

In a related development, *Sowetan* yesterday traced former African Bank chief executive Mr Jack Theron to his home in Northcliff to comment on the allegations made against him.

"I know exactly what the situation is in African Bank but I am not going to comment because it is not necessary," he said.

On the Government side, the African Bank issue is being handled by Liebenberg and he keeps President Nelson Mandela and Deputy President Thabo Mbeki informed.

Sources within Government say the current situation at the bank stretches back almost nine months.

On picking up the problem, Liebenberg informed the bank's chairman, Dr Sam Motsuenyane, in January this year that a crisis was building up in African Bank.

However, by April nothing had happened and Liebenberg approached Nail chairman Nthato Motlana, who made a promise to attend to the issue.

It is not clear what happened between then and last week when news broke that the bank was in financial trouble.

As events unfolded, the bank's representatives tried to get a meeting with Mbeki last Sunday, but no appointment was agreed upon between the deputy president and the African Bank delegation. A member of the delegation had however gone to Mbeki's house where he found no one.

Radical shake-up

Even though publicly the two sides appear to be at loggerheads, they are still in contact with each other behind the scenes.

A factor which is a certainty, is that African Bank's management – including the board – will have to have a radical shake-up if any rescue package is to produce any results.

Meanwhile, the Nelson Mandela Children's Fund says it did not have any inside information when the trustees decided to withdraw the R400 000 which the fund had invested in African Bank. The money has subsequently been reinvested following the president's intervention.

The fund's chief executive Jeremy Ratcliffe says the withdrawal was part of a decision taken by the trustees on August 29 to invest the money in long-term investments like shares.

R1,6 million which was invested in Standard Bank was also withdrawn together with the R400 000, he says.

SA institutions on offshore spree

(58)

Edward West and Samantha Sharpe

20/5/9/95

SA FINANCIAL institutions are rushing to invest offshore, with Old Mutual and the Standard Bank group the latest to announce separate deals made possible by relaxation of exchange controls.

In its second major expansion in a week, Old Mutual announced it intended to create a new offshore fund, the D-Mark European Stockmarket Fund.

Old Mutual said yesterday the new fund would be launched by Dublin-based Old Mutual International. Old Mutual manages more than $2,7bn of funds offshore, of which $385m was invested in continental Europe.

The aim of the new fund was to generate capital gains from a diversified international portfolio of European equities, with the size of the fund dependent on the extent of investment attracted.

Old Mutual was appointing Talal Shakerchi, of Old Mutual International Asset Managers, as investment adviser. Shakerchi has been named European equity manager of the year for the past three consecutive quarters by the Wall Street Journal (Europe).

Aiming typically for small to medium-sized companies, Shakerchi said: "I believe that value is best added by seeking to identify individual stocks which are significantly underpriced. This means I often go against the tide of fund management opinion."

Meanwhile, the Standard Bank group has concluded a R30m asset swap with the US-based State Street Bank — the first SA bank to announce an asset swap transaction since government gave the green light in July.

The transaction would involve a swap of assets between Standard Corporate and Merchant Bank's (SCMB's) asset management division and the US bank, which would be transacting on behalf of its investment funds.

SCMB director Derick Finlayson said the deal would provide attractive risk diversification benefits to selected investors.

Finlayson said the swap mechanism would be mutually beneficial to State Street Bank and SCMB investors.

State Street Bank spokesman John Serhant said the US bank already enjoyed substantial investment in SA, which was indicative of its commitment to the country.

Children's fund will not withdraw deposit

African Bank to reopen all its branches

(58)
BD 15/9/95

Amanda Vermeulen

AFRICAN Bank will open its doors again tomorrow to pay up to R26m to savings account holders, and the Nelson Mandela Children's Fund has committed itself to keeping its remaining R400 000 deposit with the bank.

The bank's curator, KPMG Aiken & Peat partner John Louw, said yesterday that with Reserve Bank approval he had decided to allow the bank to conduct limited new business from Saturday, and all branches throughout the country would be reopened.

"This step has been taken to retain the bank's depositors and give them the opportunity to continue using its facilities during the period of curatorship. Borrowers will also be able to resume repayments."

But the depositors' account balances at the close of banking on September 9, when the bank was placed under curatorship, would remain frozen and depositors would not be allowed to withdraw funds until further notice, he said.

In a bid to alleviate the hardship experienced by savings account holders — many of whom had salaries and pensions deposited into their accounts after the curatorship was announced — Finance Minister Chris Liebenberg said depositors with less than R10 000 could withdraw up to R500 each.

Louw said borrowers had to continue paying their instalments, and action would be taken against those who did not meet their commitments.

Meanwhile, Children's Fund CE Jeremy Ratcliffe said yesterday the decision to withdraw R400 000 from the bank on September 4, the day after bank chairman Sam Motsuenyane went to President Nelson Mandela to make a personal plea for help, had been taken on August 29.

"At the last meeting of the management trustees on August 29 it was decided that some 50% of the fund's share capital be invested in longer-term instruments, and on September 1 I instructed both Standard Bank and African Bank to transfer money to our investment adviser."

He had not had any discussions with Mandela about African Bank until yesterday. Mandela had not been aware of the true reason for the withdrawal, and "it would not have been ethical for the President to have communicated with us at any time following his meeting with Motsuenyane".

He said Mandela had told the fund that no further money should be withdrawn from African Bank.

Louw said yesterday former bank MD Jack Theron, who had been granted a R3m loan to buy a farm, was being

Continued on Page 2

Afbank

(58)
BD 15/9/95

Continued from Page 1

investigated by attorneys Deneys Reitz. Three years ago a loan, which had never been serviced, had been granted to Theron to buy a farm. The security he provided was an apple farm which, according to Motsuenyane, had apparently made a R1m profit for three consecutive years. The loan guarantee was also under investigation. Theron declined to comment yesterday.

Our Political Staff reports Mandela said in Uitenhage yesterday government was "not insensitive" to the African Bank's difficulties. He described the events leading to the bank's problems as tragic as they involved an organisation which had contributed to the advancement of a section of the population which had been kept down by apartheid. Government was prepared to assist the bank "but before we decide on this we must establish the extent of the problems".

See Page 8

AFRICAN BANK

Moral hazard vs investor protection

(58) FM 15|9|95

The failure of a bank always triggers a round of recriminations. The Reserve Bank, under whose ambit banking supervision falls, is the favoured target. It is expected to ensure that no bank leaves its depositors in the lurch or threatens the financial system.

This is unrealistic. No supervisor can guarantee that all banks will remain solvent. Recently, the central bank has attempted to distance itself from the distress of any individual institution. Its focus is a sound financial system, functioning within the disciplines of the market.

The Bank has made clear the responsibility for the banks' ensuring sound management falls primarily on their directors. The responsibility for identifying problems lies with them and on internal and external auditors. The Bank also says depositors must inform themselves about the bank to which they are entrusting their funds.

But there lies the rub!

Out of the battery of reports made regularly by the banks to the Bank, only one — the DI900 — is available to the public. The rest, which contain the information vital in determining whether a bank is financially sound, are not.

Financial statements are often pathetically inadequate, in particular in the case of banks which are unlisted public companies or private companies. Monica Singer of the SA Institute of Chartered Accountants says the level of disclosure currently required makes it difficult to identify a problem.

So it is not clear how a depositor could reasonably be expected to anticipate problems ahead of the supervisory authority.

In the case of African Bank, placed in curatorship at the weekend, the issue is particularly pertinent. Those who would suffer most would be the many low-income earners who entrusted it with their savings.

This raises political dimensions because it is well known that TrustBank was rescued at least twice before its parent Bankorp was taken over by Absa. And, on the collapse of Cape Investment Bank in 1991, depositors with up to R5m were paid out.

Registrar Christo Wiese says, at the time, there were fears about the knock-on effect of a bank failure. Subsequently, though, the Bank has realised there are few repercussions when there is a run on a small bank.

However, the nuances of supervisory evolution may not be understood by the people involved. Given the role of former MD Jack Theron, brought from TrustBank in 1990 to rescue it from the allegedly poor management of its former MD, they could reasonably feel aggrieved. Theron owes the bank about R5,5m according to curator KPMG Nor was he the only beneficiary of loans which have become problematic. He authorised loans for a number of his friends.

There is a chance the bank will be saved from liquidation. It has been placed under the curatorship of KPMG partner John Louw and there is a strong possibility that it will be taken over by a stronger bank.

"The problems appear not to be of the dimensions of CIB, Alpha and Prima," says Allan Greyling of KPMG's forensic division. "We aren't certain yet of the quality of business. There are 12 000 individual loans. About 5 000 of these are home loans which average about R70 000."

Hopefully, the crisis can be averted.

But the underlying issue — investor protection vs the moral hazard — won't go away. If a central bank rescues troubled institutions, it is effectively underwriting unsound banking practices. And there is no doubt that only a market can impose the discipline needed to ensure domestic banks are competitive internationally.

So we endorse the Bank's stand. But more must be done to make vital information on the financial viability of all banks available to the public.

Meanwhile Band-Aid is under consideration. Deposit insurance has been mooted since the Eighties. But it was opposed by the major banks who realised they would be cross-subsidising their less efficient competitors.

A committee, set up by the financial authorities to investigate options, has produced a draft discussion paper and will make recommendations to the Financial Markets Policy Board by the end of the year, says Wiese.

"There are three possibilities:

"One is to set up a small fund which will require mandatory participation for banks. In the case of a mishap depositors would be entitled to a predetermined limited amount for any reimbursement of their deposits at the failed bank.

"An alternative would be to have a fully funded fund. This would mean a certain proportion of banks' interest income would be diverted to this fund.

"Another alternative would be private insurance on a voluntary basis. That is the market-based solution and the one we would prefer."

Investor protection comes at a price which is paid, one way or another, by the public at large. So pressure for comprehensive protection would be unfortunate. But if it is to be avoided the Bank has a responsibility to ensure the public knows what it needs to know. ■

CURRENT ACCOUNT

Keeping stable

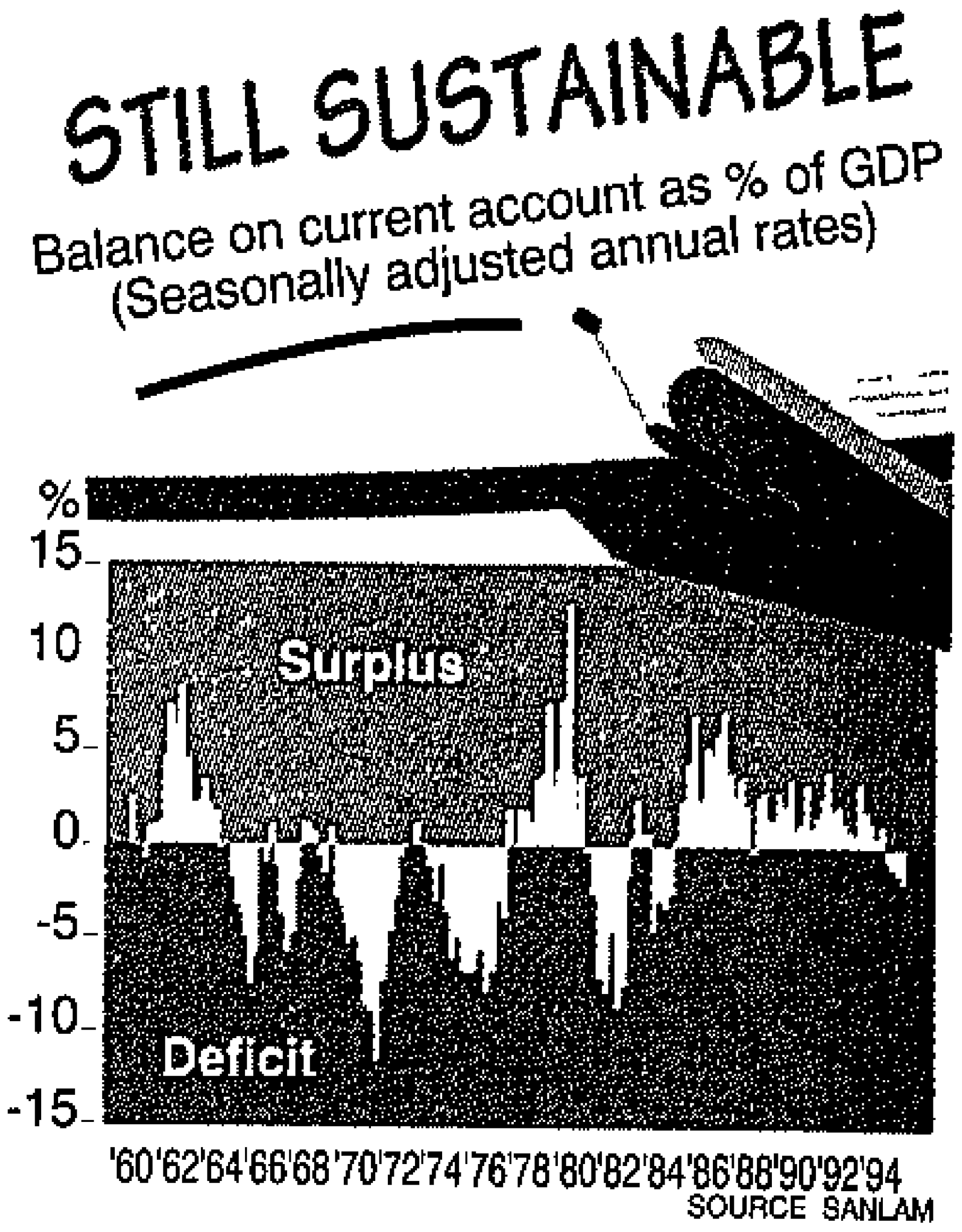
The current account deficit should reach about R10bn this year. Nedcor's economic unit predicts it will climb to R11,7bn next year and R12,8bn in 1997. Other economists put the deficits for each of the next two years at R12bn-R15bn.

But all are comfortably within a range of 2%-2,5% of GDP, modest by international standards and domestic experience, says Sanlam senior economist Pieter Calitz.

Higher prices on commodities will have a positive effect as the effects of contract prices kick in (see *Economy* September 8) And, says Old Mutual economist Rian le Roux, normal rainfall would mean fewer agricultural imports and more exports.

Even gold could turn around. Shortfalls in production this year were obscured by selloffs by central banks. Labour settlements in the gold mining industry, including moves to establish continuous mining, will increase production and lower costs.

Growth in the world's leading economies — and therefore demand for goods — continues. The US National Association of Business Economists recently raised its forecasts for 1996 to 2,4% from 2,2%.



NEW REPUBLIC BANK (58)

FM 15/9/95

Diminishing returns

Activities: *Retail and corporate banking. Trade finance and financial services through subsidiaries.*

Control: *Merhold Investment Corp 42%.*

Chairman: *Y M Paruk. MD: M Mia*

Capital structure: *29m ords. Market capitalisation: R94,3m.*

Share market: *Price: 325c. Yields: 5,8% on dividend; 16,0% on earnings; p:e ratio, 6,3; cover, 2,7. 12-month high, 500c; low, 325c. Trading volume last quarter, 10 000 shares.*

Year to March 31	**'93**	**'94**	**'95**
Total assets (Rbn)	0,50	1,15	1,32
Deposits (Rbn)	0,46	1,05	1,18
Advances (Rbn)	0,41	0,98	1,13
Pre-tax income (Rm)	6,9	14,8	16,0
Attributable (Rm)	3,5	11,6	13,0
Return on equity (%)	19,3	16,4	15,3
Return on assets (%)	0,8	1,2	1,1
Earnings (c)	61	55	52
Dividends (c)	19	19	19
Tangible NAV (c)	313	341	370

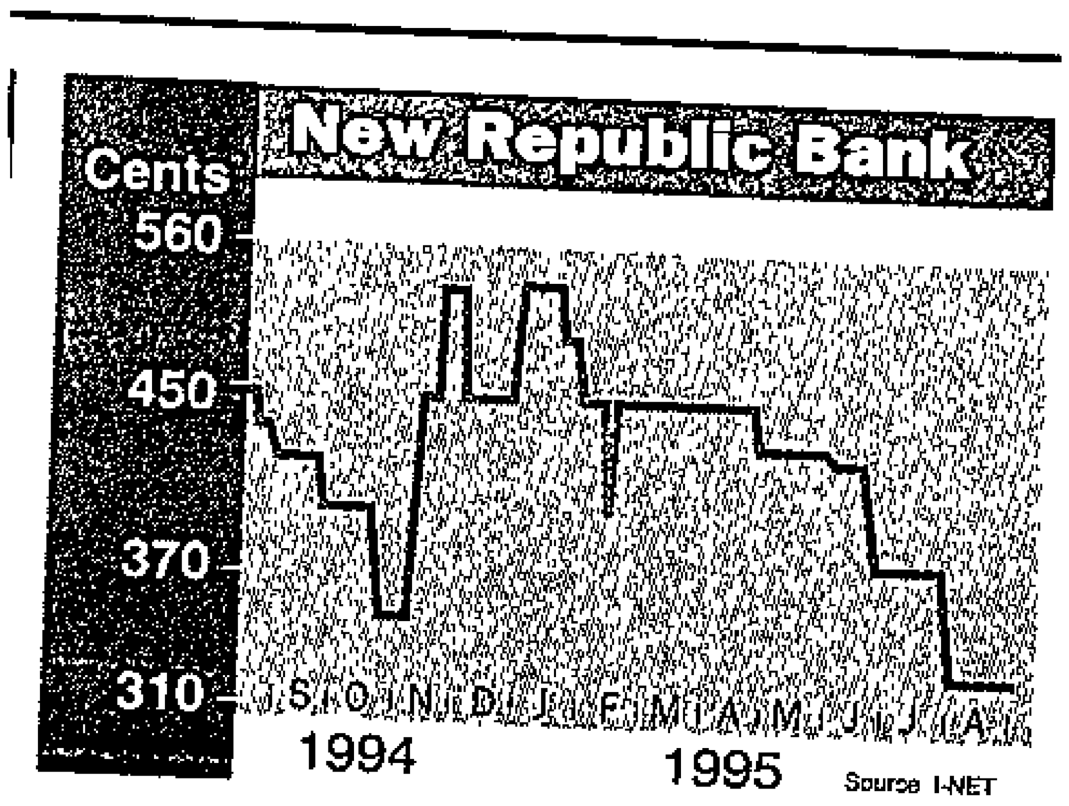
Despite a 17% increase in issued ordinary shares after a R32m rights issue in February, New Republic Bank (NRB)'s market capitalisation has shrunk over the past year from about R112m to R94m as the share price continues to weaken.

At 325c, it is on a new low for the year, compared with the 450c price when the annual report was last reviewed. The previous premium to NAV has now become a discount of 45c, unusual in the banking sector.

There are a number of reasons. NRB continues issuing paper, which dilutes EPS growth. Apart from the 4,2m new ords issued in the past financial year, the bank issued 4,2m "C" convertible debentures.

In the process its primary capital base was beefed up to R131m, firming its capital adequacy ratio to a comfortable 11,6%. Dilution will again affect EPS this year. NRB has yet to regain the EPS of 61c it posted in its first year as a listed company.

More significant is the downward trend in ROE, often regarded as the most important performance indicator for smaller banks and merchant banks — though this would have been partly a result of increases in share capital. Still, until NRB starts getting better returns, it's unlikely to attract much interest from investors.



New strategic developments are in place. Apart from a stronger focus on traditional markets where NRB believes it has niche advantages, it is diversifying into financial services through a new division concentrating on life and short-term insurance broking, pension fund administration and investment products. It is also starting to offer home loans.

Costs are being cut, which includes rationalisation of operations, centralisation of administration and staff retrenchment.

It may be some time before this streamlining and diversification translates into improved financial performance. Most other banks are continuing to perform strongly. Until NRB can start showing EPS growth and improve its returns, it's hard to see much value in the share — even at the current low price.

Shaun Harris

African bank's closure sparks racial ferment

(58)
WM(BM) 15-21/9/95

Meshack Mabogoane reports on the political and racial issues that have arisen as the African Bank closes its doors

The closure of the African Bank (AB), pioneering black financial institution, has sparked off racial emotions, political heat and personal anguish.

The AB has been more than just a business venture; its symbolic value — reflected in its advertisement showing black bodies pulling together and telling about "our bank" — has always been its ace card.

However, its business prospects, even with its racial appeal, have been rather remote.

It began with massive handicaps: political hurdles; a dearth of black banking management expertise; the scepticism of the black community itself; and paucity of investment funds from the same — it took 10 years to raise R1-million.

The South African banking sector dominated by Leviathans, though some took equity, is now characterised by competition on service rather than price cutting.

The AB had to pull itself up by its bootstraps and rise in faith, in keeping with the spirit of the motto of the

■ To PAGE B2

P.T.O.

MAIL & GUARDIAN
September 15 to 21 1995

Bank's closure sparks racial ferment

(58) WM 15-21/9/95 (BM)

■ From PAGE B1

National African Federated Chamber of Commerce (Nafcoc), its parent. This plan was laid out in 1964 and it was only in 1975 that business began.

Although that period was the worst of times — at the height of the Bantustan policy which prohibited any significant black business enterprise development outside the homelands; it was also the best of times — the era of black consciousness which stressed, in Steve Biko's words, that blacks should be on their own.

In business the AB hoped to do just that. Nafcoc, of course, did not openly subscribe to the ideology but its spirit was significant.

From the onset the bank's operational grounds were limited to the periphery. The first branch, in Garankuwa was chosen as it was in a Bantustan closest to the PWV area.

For every inch of concession, including the establishment of branches in other areas, Nafcoc had to negotiate through [illegible] heavy restrictions.

The role of Sam Motsuenyane in all of this is legendary. He shouldered the burden of piloting the bank through all the stormy weather.

The emotional struggles that he waged should be reckoned as the real capital he brought to the AB, in particular, and to the liberation of black business, in general.

The AB is both a monument to his struggles and hopes for a black financial institution. This legacy provides much of the emotional substance that has come to the fore. With the formation of this new order, black business has come to expect a fillip.

After all, both economic empowerment and affirmative action are the "in things", even with government.

At the recent Nafcoc annual conference four cabinet ministers were present and promised meaningful changes for black business.

The problems of the AB are viewed as the classic test case.

Although comparison with the treatment given to the Trust Bank by the Reserve Bank, when the former got into trouble, is specious — the Trust Bank had liquidity problems while the African Bank is faced with insolvency — there is a feeling that the black government has a duty to step in to salvage a national institution much as the British and American governments helped to rescue Rolls Royce and Chrysler, grounded by insolvency, on "national" ground.

After all, the AB has been a genuine case of collective black empowerment conducted by a true national business organisation.

Political and racial feelings are running high. White chief executive Jack Theron was seconded by the Reserve Bank, while chief executive Moses Maubane left in the wake of the b[illegible] being used by white officials [illegible] financial rand fraud.

The [illegible] stands accused of not paying in[illegible]t on a loan of more than R3-millio[illegible] and his issuing of doubtful loans to [illegible]hite clients, in spite of refusal by black managers, has led to charges of "sabotage" of a black institution.

It is paradoxical that the collapse of an institution that survived the worst period in black business history should happen when it was expanding — for the first time cheques were to be issued to customers, a lack of which had discouraged many potential clients — and at a time when black economic empowerment is at its zenith.

No lifeline for bank

(58)
WM(BM) 15-21|9|95

Meshack Mabogoane and Reg Rumney

If any government aid is granted to the closed African Bank (AB) it will not come from the Reserve Bank.

Pressure built up this week to throw the AB a lifeline, but Registrar of Banks Christo Wiese is adamant the Reserve Bank will only lend support to solvent institutions — AB's liabilities exceed its assets.

He told the *Mail & Guardian* this week that the bank has been put under curatorship at the request of the Afbank board of directors because the capital has been depleted.

The Reserve Bank stance, he said, was that it provided only short-term liquidity support as a lender of last resort against a deposit of securities.

He said the AB had put up R30-million of securities eligible in terms of the Reserve Bank Act.

"African Bank has depleted that reserve. We cannot provide any future liquidity support."

The curator put in charge of managing the bank, he says, can sell the bank as a going concern, or he can sell

■ To PAGE B2

No lifeline for bank

(58)

From PAGE B1

WM(BM) 15-21/9/95

off the assets to other banks to repay creditors.

Other developments this week include:

- Distressed depositors demanding their money; the government has given the African Bank R36-million to enable withdrawals of R500 each by depositors with less than R10 000 ;
- Chairman of African Bank, Dr Sam Motsuenyane, has called on debtors to pay, though he still expects the Government to come to the rescue. There are reports that he is under pressure to resign as deputy speaker of the Senate if this is not forthcoming.
- Revelations that former chief executive Jack Theron owes R3-million and that he authorised several loans to whites whose applications had been declined by senior black managers. The bank is proceeding with legal action against Theron;
- Disclosure that Dr Nthato Motlana's New African Investment (Nail) and its subsidiary, Metropolitan Life, knew about the bank's irregularities for over a year yet went ahead and pumped in R4-million and R5-million.

When the bank approached both companies for more investment funds they re-examined its affairs, stumbled across irregularities and blew the whistle.

- Auditing firm Deloitte and Touche had long before informed both the AB's Board and the RB about bad debts and malpractices; the RB made investigations but took no action.
- Curator John Louw says "prospects are good" for a deal to salvage the AB. A Malaysian consortium, spearheaded by Tiny Naidoo's African Development Corporation, is cited as main suitor.
- South African Commercial and Catering Workers Union (Saccawu), which has been monitoring the situation and in the past raised alarms within AB, has called for the government to step in and save the AB, citing the previous government's role in Trust Bank's past liquidity problems.

African Bank lends a bad name to empowerment

(58) ST (BT) 17/9/95

DAVID BULLARD

OUT TO LUNCH

LAST week's collapse of African Bank continues a South African tradition of bank failure

Bank licences in the 1980s were selectively available for the price of a weekend at a game farm or a case of Klipdrift but we had been led to believe that things had changed

The reason for wanting a banking licence in those days was quite simple. A bank was the best way of assembling other people's money in a convenient place before transferring it into the personal accounts of the directors. This method of robbery is so much cleaner than a messy bank hold-up, where weapons are apt to go off and people could get hurt.

The bank licence route was clean and easy and, provided you involved senior personnel in the Finance Department and persuaded them to do embarrassing things like lend you taxpayers' money at 1% interest, you were unlikely ever to need appear in court to answer a lot of impertinent questions from nosy depositors.

The public naturally got a little grumpy about regularly losing its money to flim-flam men who always seemed to ride off into the sunset laughing, and so the powers of the Registrar of Banks were widened.

The Registrar of Banks is an interesting animal because, while he cannot prevent a disaster, it is his job to keep a beady eye on the banks and to start sniffing if he sees money flowing in unusual directions.

According to reports, the auditing firm of Deloitte & Touche warned the Reserve Bank as long ago as last March that the hot and smelly was fast approaching the whirring fan blades at African Bank.

Did the lads leap into a fast car and roar down the M1 with blue lights flashing? Apparently not. Another warning was apparently sent last month which is presumably gathering dust in the in-tray.

In fairness to Christo Wiese, the registrar, he did ask the chaps at African Bank if they were in trouble. They said something like, "What us squire? Nah. Business has never been better". Having received this or some similar assurance, he went back to his office, no doubt to wrestle with more pressing problems

So we come to the current, rather unhappy situation where depositors have been offered the chance of withdrawing R500 instead of R10 000. African Bank is in a rather more interesting position, however, than previous banking debacles which were run for the sole benefit of a gang of crooks. This is the bank that was supposed to represent black empowerment. Deposits were made, not because anybody actually thought the bank was any better than another, but because it was a "struggle deposit". It was an emotive demonstration of solidarity.

One has to wonder what the directors were doing while the bank collapsed? That of course we will never know because all hearings will be held in camera and the results kept secret. There will also be no suggestion that the chairman and the board are unfit to hold directorial positions in other companies.

Most importantly though, I predict that none of those responsible will suffer any financial setback from this small upset.

Meanwhile, the community African Bank claimed to serve will be wondering whether empowerment means the same as enrichment. For the lucky few it often does.

Cut in bond rate for low earners

ST 17/9/95

(58)

By LINDA RULASHE and CHIARA CARTER

THE banking fraternity is considering reducing the bond rate paid by low-income earners because it believes this expense is one of the key reasons for the slow response to the government's new housing policy.

Council of South African Bankers general manager Lance Edmunds has confirmed that proposals for lower borrowing rates are being discussed by members of the Association of Mortgage Lenders.

According to analysts, these measures could include a sliding scale where poorer people paid less interest than the wealthy, the relaxation of strict criteria used when low-income earners applied for loans, and a proposal that the government subsidises interest on loans.

First-time homeowners who earn less than R3 500 a month qualify for a government subsidy of up to R15 000, whether or not they get a private loan. If they do not wish to apply for a private loan, they can apply for a subsidy directly from the provincial government.

People who previously received government subsidies for site-and-service schemes can apply for another consolidation subsidy to build on the site. People can also group together to apply for a project subsidy.

Government keeps options open on African Bank

(58)

ST(BT) 17/9/95

By SVEN LUNSCHE

THE government has not ruled out a rescue package for African Bank, Finance Minister Chris Liebenberg said on Friday.

"We are not ruling out assistance. Several options are available, but first the curator will have to provide a detailed breakdown of the bank's financial status," he said.

The curator, John Louw of auditors KPMG Aiken & Peak, is expected to release his initial assessment to potential investors tomorrow.

Early indications are that the bank has non-performing loans of about R60-million, including those worth R17-million linked to former chief executive Jack Theron (see report below).

Mr Louw said several potential investors had expressed an interest since the bank was put into curatorship, including its major shareholders, New Africa Investments and Metropolitan Life, SA banks and a foreign bank.

He confirmed that government support was a possibility, "but there have been no firm undertakings from the government".

"It is something we will pursue if I am unable to find a full buyer or the company goes into liquidation," Mr Louw said.

More than R600-million has been invested with the bank, of which R240-million belongs to the government in various forms.

It has been speculated that government could convert this into low-interest-bearing debentures or another form of equity.

New Africa Investment and its subsidiary Metlife, which hold a combined 41% of African Bank equity, indicated to Mr Liebenberg they would put up R100-million if the government converted its exposure to equity.

The proposal was rejected, but Nthato Motlana, Nail's chairman emphasises that government support is crucial to any rescue package.

"We await the curator's report and will welcome discussions with any party, especially the government, to place African Bank in a position where it once again will prosper," Dr Motlana said.

To date the government has paid R27-million to the curator to allow the bank's 125 000 depositors to withdraw R500 each.

The government's failure to launch a strong rescue bid has angered black businessmen, including African Bank's chairman, Sam Motsuenyane.

He said he had not expected the government "to drop African Bank, thereby destroying any chance of a rescue package".

An emotional Dr Motsuenyane, who co-founded the bank 30 years ago, said the government had previously given him the impression it would not let the bank go under.

"Just as Afrikaners developed their pride by creating their own institutions, Africans must have a bank they call their own."

Dr Motlana said it was vital for the self-esteem of black business that the bank survived.

Both drew comparisons with the Reserve Bank's R1-billion lifeline to Trust Bank in 1993, a loan that is still being repaid by Trust Bank's parent, Absa.

However, the Registrar of Banks, Christo Wiese, rejected the comparision, arguing that Trust Bank had not been insolvent.

"In terms of the Banks Act we can only provide funds against security. African Bank does not have security at present."

He said the Reserve Bank helped as far as it could by providing a R30-million loan as recently as last month.

Dr Motsuenyane is critical of the Reserve Bank's approach, arguing that it should have "sounded a very strong warning bell".

Mr Wiese replied that his role was to supervise banks and not to manage them. He said that the bank had launched a full inquiry into the affair, headed by a retired judge with the power to subpoena witnesses.

Dr Motsuenyane now has to deal with accusations that lack of board control was the main reason for the bank's collapse. Mr Liebenberg said he was disappointed "with the management, the board and the audit committee at African Bank".

Dr Motsuenyane responded that he had followed all the correct procedures when notified of the problems.

DISAPPOINTED ... chairman Sam Motsuenyane

R17m in loans linked to ex-boss's account

ST(BT) 17/9/95 (58)

By SVEN LUNSCHE

JOHN Louw, curator of African Bank, has disclosed that Jack Theron, the bank's former chief executive, awarded loans worth R17-million to himself and other parties.

This is double the previous estimate of Mr Theron's unserviced loan account and amounts to a quarter of African Bank's estimated R60-million in bad debts.

Sam Motsuenyane, African Bank's chairman, said the security Mr Theron had provided for his own R5,3-million loan included property and bank guarantees.

"The bank guarantee has since proved fraudulent and we are also examining the valuation of Mr Theron's property — a R5,3-million apple farm in

JACK THERON

the Eastern Cape," Dr Motsuenyane said.

Dr Motsuenyane said he was first made aware of Mr Theron's doubtful loans when the Registrar of Banks expressed concern about them at a meeting in May.

The Registrar has to be notified if a loan exceeds 10% of a bank's capital.

"I briefed the board, which gave Mr Theron until mid-July to bring his loans up to date.

"He did not comply but on his departure provided us with the security of a bank guarantee and the property."

Dr Motsuenyane said the board had no reason to distrust Mr Theron.

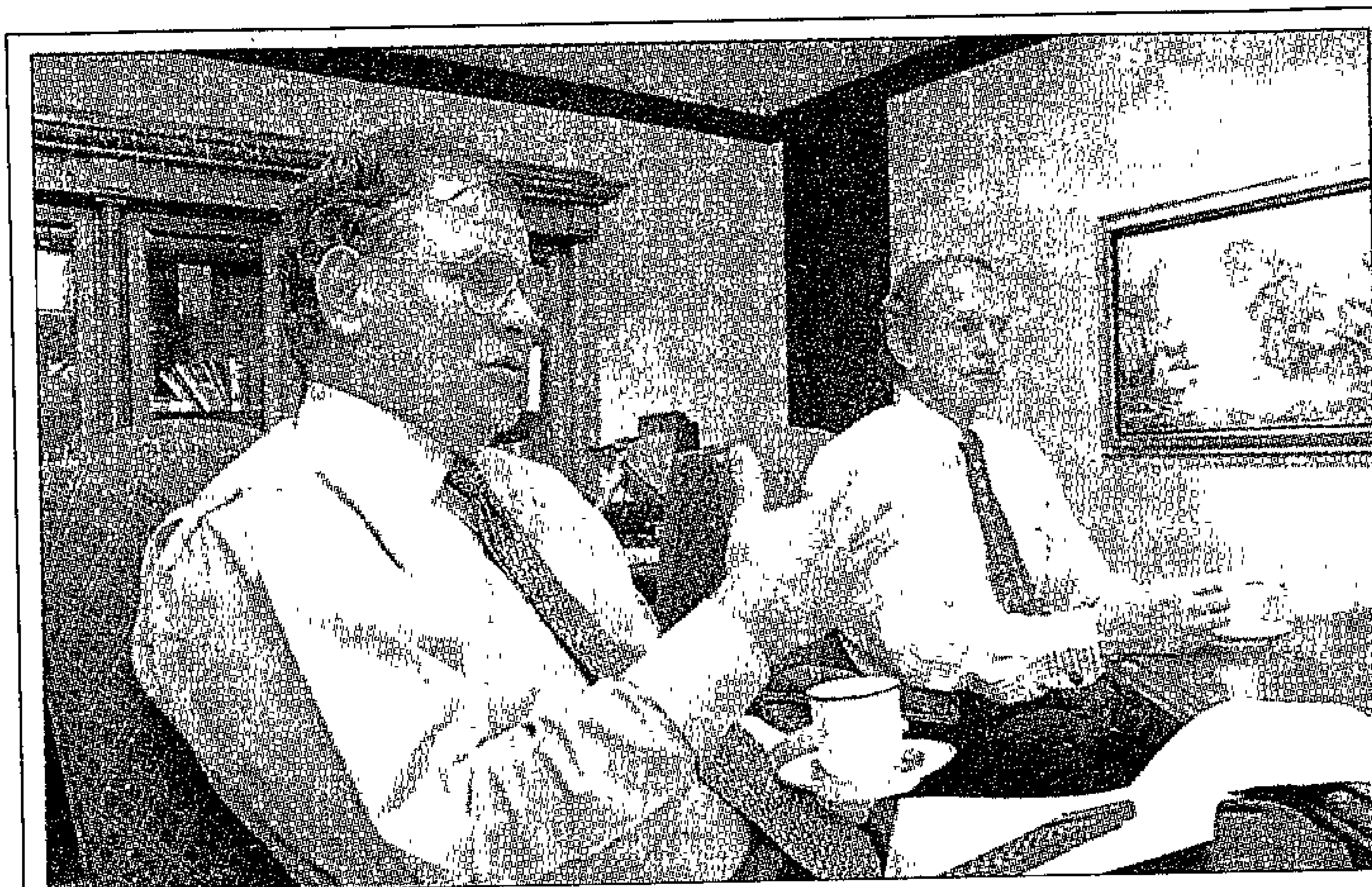
"He was sent to us by the Reserve Bank, backed with 30 years banking experience at Trust Bank."

He said Mr Theron, a member of African Bank's audit committee, did not disclose the loan's non-performance to the board.

Mr Theron could not be reached for comment.

He was quoted this week as saying he had been made a scapegoat for the bank's collapse.

"As far as I am concerned I have done nothing wrong," he said.



PREMIUM GROWTH *Momentum chairman Laurie Dippenaar with deputy-chairman Niel Krige*

PHOTO JOHN WOODROOF

Momentum's premium income surges to R1,98bn

(58) CT(BR) 18/9/95

BY LLEWELLYN JONES
STAFF WRITER

Momentum Life, an RMB Holdings subsidiary, increased attributable earnings 21 percent to R98,1 million for the year to June, as total premium income surged 52 percent to R1,98 billion.

Earnings a share rose 20 percent to 72,8c (60,6c), but chairman Laurie Dippenaar said this figure would have been closer to 25 percent had short-term insurer Aegis, whose contribution fell about 29 percent, merely maintained profits. A final total dividend of 40,5c (32,5c) was declared.

Annualised new recurring premium income and single premium income for individual life business soared by 83 percent and 109 percent respectively. But Dippenaar said he was more impressed by the material improvement in the quality of new business — average premium size increased 49 percent and the lapse ratio continued its downward trend to be amongst the lowest in the industry.

Management expenses increased 7,5 percent over the year, but Dippenaar said it was more notable that increases in management expenses averaged at only 5,8 percent over the past three years compared with an average inflation rate of 11 percent.

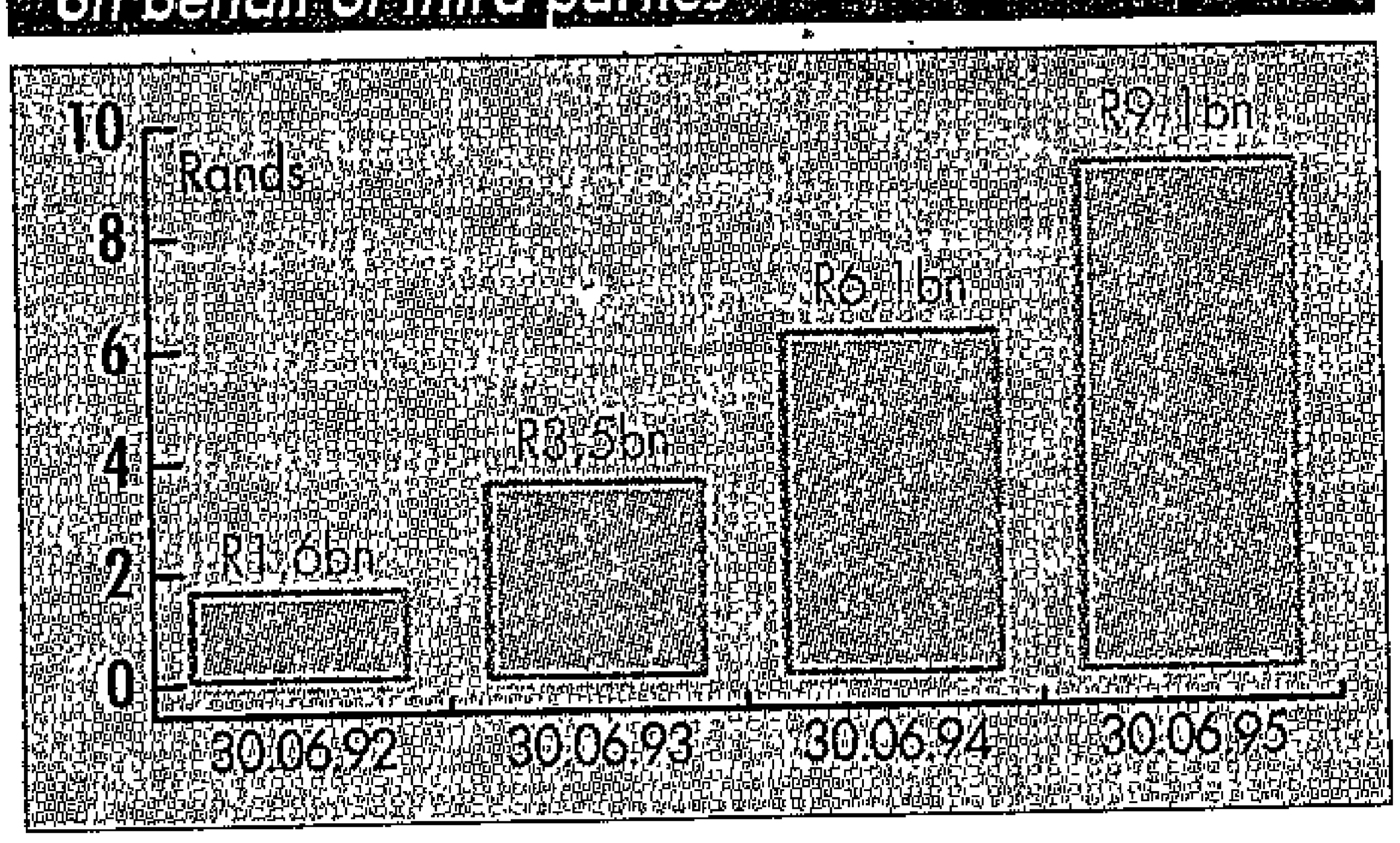
Dippenaar said this had been achieved by a reduction in staff levels, while at the same time improving the productivity of the remaining staff.

According to the statement of actuarial values of assets and liabilities, published for the second time by Momentum Life, the surplus grew 22 percent. Dippenaar said this proved that profit did not grow at the expense of the surplus.

Of the subsidiaries, deputy-chairman Niel Krige singled out RMB Asset Managers, which had improved its profit contribution dramatically.

Krige said RMB had increased the funds under management from pension funds to R9,1 billion, compared with R1,6 billion three years ago.

Funds by RMB Asset Management on behalf of third parties



Afbank — the latest in a long list of failures (56)

By Llewellyn Jones CT (BR) 18/9/95
STAFF WRITER

If African Bank does manage to come out of curatorship, it will be the first "small" bank to have done so in the past 10 years.

An overwhelming tide of history against African Bank features names of failures and near misses such as Nedbank, Trustbank, Cape Investment Bank (CIB), Prima Bank, Alpha Bank, Pretoria Bank and Sechold.

Of these Nedbank and Trust Bank are the only names that may still be seen on the high street. Both were bailed out of their "liquidity" problems by the Reserve Bank.

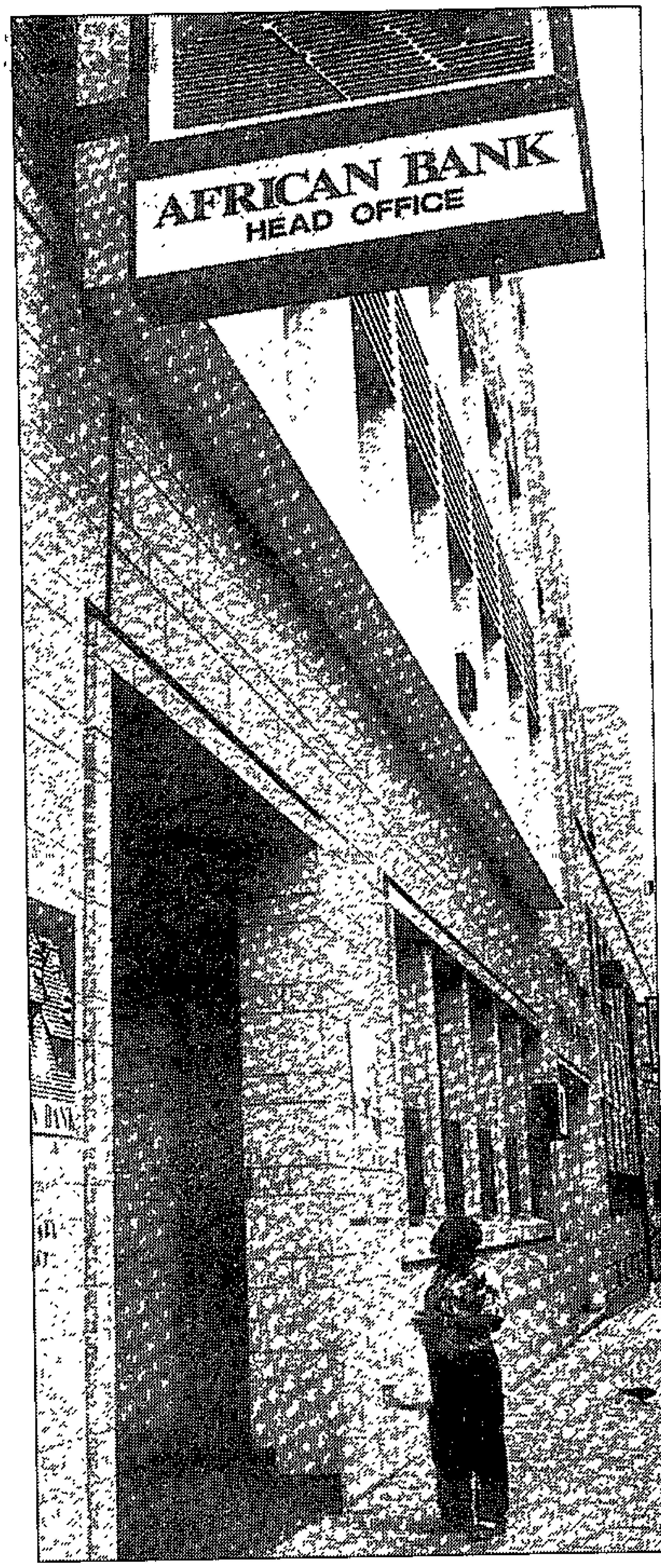
Nedbank was caught by the foreign debt freeze in 1985 and Trustbank, much like African Bank, tried to grow its assets too quickly, resulting in a string of poor loan decisions exacerbated by an economic downturn.

Sechold lost an estimated R200 million to questionable derivative positions. The bank was bailed out and recapitalised by Investec which reconstituted it as a wholly owned subsidiary.

Alpha Bank was first placed under curatorship when it began to experience liquidity problems in 1990. The bank remained under curatorship until 1994, but so did the mismanagement — the Ernst & Young curator was charged with fraud and dismissed from his position.

Trouble at CIB first came to light in 1990 when it was bailed out by Prima Bank. However, a final liquidation order was granted in 1991, resulting in an investigation into the R249 million investment habits of the Rail Commuter Corporation and a bruising battle between former CIB chairman Jan Pickard and the liquidators over R142 million in "missing" funds. Prima Bank's turn came last year following the speculative rating given it by Republic Ratings. It was bailed out by Unibank.

And then there was Pretoria Bank, which went down in flames with Masterbond.



CASH STRAPPED *A customer stands outside the deserted Johannesburg branch of Afbank, wondering where his money went*

PHOTO JOHN WOODROOF

All Mandela's Afbank cash safe

CT(BR)18/9/95(58)

FROM SAPA

President Nelson Mandela's personal savings were withdrawn from the African Bank the day before the bank was placed under curatorship, without his knowledge, according to Sam Motsuenyane, the chairman of Afbank.

Motsuenyane said on Friday that Mandela had not instructed anyone to remove his savings and Mandela had instructed that the money be redeposited.

Motsuenyane said he had paid out Mandela's savings under duress to Ishmail Ayob, the president's lawyer, who was not available for comment.

Responding to the comment made by Marius Smith, Metropolitan Life's managing director and African Bank's director, that depositors would receive at least 90 percent of their money back, Motsuenyane said he had no basis to make an estimation on the extent of protection, but did say the depositors' funds would be protected to some extent.

Smith said even if the bank's debts were twice as bad as forecast, depositors could expect to receive back 90c in the rand.

Afbank was placed under curatorship last weekend as a result of bad-debt provisions and questionable loans.

☐ See Page 17

Hope for African Bank

(58)

Sowetan

LOANS linked to former chief executive of the ailing African Bank Mr Jack Theron totalled R17 million, which is double the amount previously attributed to him by bank chairman Dr Sam Motsuenyane. 18/9/95

Curator Mr John Louw told a weekend newspaper that Theron owed R5,3 million in loans. He also approved unrefunded loans of R11,5 million to other people, almost a quarter of the bank's R60 million bad debt.

Weekend reports that Louw would submit his report today could not be confirmed by Finance Ministry officials yesterday and Louw was unavailable for comment.

Louw said several potential investors had expressed interest since the bank was put into curatorship. These included the bank's major shareholders, New Africa Investments Limited and Metropolitan Life.

Nail said it had invested R4 million in African Bank three months before it collapsed. Finance Minister Mr Chris Liebenberg said the Government would still consider rescuing the bank if Louw's report was favourable.

Banks must alter greedy image, says Liebenberg

Nicola Jenvey (58) BD 18/9/95

DURBAN — The perception that the banking industry was concerned only with profit-making must be rectified if banks were to benefit from the opportunities of the new SA, Finance Minister Chris Liebenberg said at the weekend.

Addressing the Institute of Bankers' Durban branch, Liebenberg said there was a perception within political circles that banks ignored appeals by the Reserve Bank to limit credit card funding, because of the profits of the increased interest rate.

"If bankers are serious about controlling inflation, they must consider the quality and not just the quantity of credit given. The utilisation of credit is vital for SA and thought must be given to whether the capital will be wasted on credit cards or used to build factories and provide employment."

Liebenberg said a stable banking system played a pivotal role in creating a sound political, economic and social environment. Banks could promote economic growth and create employment opportunities.

He said another perception was that banks were not interested in expanding their mortgage bond lending beyond the 40% upper-income bracket already held. The remaining 60% was "unserviceable".

"The community believes banks are trying to do something, but with very little enthusiasm. Although banks accept deposits and new accounts, loans are out of the question," he said.

He said the community believed banks colluded to fix interest rates and competed among themselves only in terms of service offered, not price.

"Banks have a long way to go in correcting these misconceptions, as although we know they are untrue, it look very different from the outside."

Another major challenge was devising innovative methods for banks to finance the excluded 60% of the market.

SA had to develop a culture of saving within the public and private sectors to ensure a job-creating economic growth. However, inflation was a major disincentive.

During the past year, government had dissaved almost the total savings of the corporate sector.

Development Bank, IDC merger off

(58)

Greta Steyn BD 19/9/95

THE proposed merger between the Development Bank of Southern Africa and the Industrial Development Corporation (IDC) to create a new "super wholesaler" for development finance was unlikely to be implemented in the foreseeable future, bank CE Nick Christodolou said.

The merger had been proposed by a government-appointed team which made recommendations on the bank's future. But Christodolou believed it would not be feasible to create a big development institution at this stage.

"The institutions are different animals, the one concerned with infrastructure and the other with industry." Putting them together made sense only in the context of resource mobilisation and at this stage other considerations outweighed that objective.

The bank and the IDC would be two of five separate government-owned financial institutions — the others were for small business, agriculture (a restructured Land Bank) and the National Housing Finance Corporation.

Christodolou said bank functions that logically belonged with other institutions would be transferred in a rationalisation process which would minimise job losses. The bank's focus would be on financing infrastructure, and its main borrowers would be local authorities, and not the provinces.

The provinces' inability to borrow, because legislation had not yet been passed, had not turned out to be the problem initially feared.

He said the bank should provide finance only for projects that would generate income. "In the past, when one of the bank's main responsibilities was financing the homelands, we often pro-

Continued on Page 2

Merger off

Continued from Page 1

vided finance for projects that should not have had loan finance." It had to be done because there was no alternative.

If central government could not afford to finance investment in infrastructure that would not generate income, the bank should not take up the slack. "Financing non-income generating infrastructure is not a bank's role." Those projects should form part of central government's reconstruction and development programme.

He foresaw the bank and private sector working closely to put together a mix of public and private sector finance for infrastructure projects. The bank would carry the development risk, although the idea would not be to offload all the risk on the public sector.

Christodolou saw infrastructure projects ranging from those that would attract only public sector finance to those financed entirely by the private sector. In between, there were many projects that the bank and private sector could handle together.

Development momentum had not been hampered too much by the time taken to work out a restructuring plan for development finance institutions. The bank's rate of new projects approved was running above expectations (above R1bn). Loan disbursements this financial year were expected to be about R1,4bn, compared with R1,2bn the previous financial year.

SA's dilemma was not a shortage of cash but the lack of institutional capacity to deliver. "I am not optimistic that we will see an inverse bottleneck soon, with finance becoming the problem rather than delivery." The reason for institutional failure to deliver was that time was needed for the different players to build up trust in each other.

Aside from local authorities, the bank's other role should be to provide finance for southern African projects. He foresaw a gradual acceptance by countries in the region of the bank's potential role.

DBSA 'wants to be govt's broker'

BD 11/9/95 (58)

Robyn Chalmers

THE Development Bank of Southern Africa is lobbying to become government's broker for the most competitive local and international deals on development finance for large infrastructural projects, a confidential document says.

The document, which was the result of board meetings held on recently published plans for the bank's transformation, indicated the lure of adopting such a role was one of the reasons for the proposed narrowing of the bank's focus to financing infrastructure.

The bank's transformation plans were outlined in a report drawn up by a government-appointed team, most of whose members have been appointed to the bank's new board which is overseeing the transformation.

The document said the mobilisation of development finance should focus on major national or sub-Saharan infrastructure projects and should consist of a technical analysis in order to market any projects to potential investors.

The analysis "is intended to pave the way for other investors and it is believed that the approach will comfort financial institutions. The analysis could include preparation assistance".

It suggested a major drive to recruit policy specialists, planners, institutional capacity-building skills and social specialists be undertaken as the bank would need strong policy capacity to underpin its new operational activities.

As outlined in the report, the document said the bank's macropolicy capacity should be funded by the bank in the short term, but this made no sense over a longer period and government should eventually pay for these services.

"However, the principle should be observed of not tampering with existing capacity before something better is in place."

Referring to its focus on the financing of infrastructure, the document said all the hard infrastructure that could justify and support a loan should be considered, but with qualifications.

These included that enterprise-related infrastructure should be excluded. Only infrastructure where the private sector would not normally be involved should be supported, as should infrastructure in support of the reconstruction and development programme in general.

The document said the transformation team viewed infrastructure in a broad sense which included infrastructure that would provide economic opportunities.

"In the main, it should be targetted at underdeveloped communities, but projects serving both underdeveloped and developed communities should be considered. Decisions would be made on a project-by-project basis, based on the facts of a particular case.

"Eventually, prioritisation of funds will have to be undertaken. We will have to categorise projects and consider a regional allocation and capping of funds to avoid the first-come, first-serve syndrome.

Other solutions to the issue of funds supply included a form of equity to be made available by the fiscus, shareholding in the bank and funds mobilisation.

The document said the recommendation by the team that the bank be merged with the Industrial Development Corporation to create a R16bn holding company able to mobilise private capital was still under consideration.

"The idea of a holding company responds to the likelihood of a quantum leap in the demand for infrastructure, leading to a high demand for funds." However, sources said the proposal was losing favour among bank officials.

Mandela to decide on bail-out for bank

(58) BD 18/9/95

Sello Motlhabakwe

DEPUTY president Thabo Mbeki will this week brief President Nelson Mandela on developments concerning the African Bank after a meeting with major stakeholders and the bank's executives at the weekend.

Mbeki's spokesman Ricky Naidoo said yesterday the deputy president had been briefed on Friday by a delegation including New Africa Investment's chairman Dr Nthato Motlana, his adviser Jonty Sandler, advocate Dikgang Moseneke and African Bank chairman Dr Sam Motsuenyane. Members of the finance ministry also attended the meeting.

Naidoo said "no substantive issues" were discussed. Mbeki and the finance ministry officials will separately brief the President, who will decide whether government should intervene to rescue the debt-stricken bank.

Naidoo could not say what action government would take. The bank was placed under curatorship a week ago after financial irregularities were uncovered.

Sapa reports that thousands of depositors on Saturday besieged several of the bank's country branches, demanding their savings. Police were called in to subdue unruly crowds at the bank's Umtata, Eastern Cape, branch.

Deposits made before last Saturday have been frozen until further notice. Bank curator John Louw was reported to have revised initial figures for money owed to the bank by its former CEO Jack Theron and others from R5m to about R17m. Louw's report is due out early this week.

Afribank report out this week

(58) Sowetan 19/9/95

By Mzimkulu Malunga and *Sapa*

AFRICAN Bank curator John Louw says his findings about the institution's financial position will be completed in the "next couple of days".

A number of parties, ranging from the Government, potential investors and African Bank shareholders and deposit holders, are impatiently waiting for Louw's report.

"We are all waiting for the curator's report," said New Africa Investments Limited's chairman Dr Nthato Motlana, whose company has indicated an interest to participate in any rescue package for the bank. On the other hand more than 200 000 depositors are waiting to hear if their hard-earned deposits can still be saved.

In addition to indicating that his investigations will be complete this week, Louw also stands by statements attributed to him over the weekend in which he linked former African Bank chief executive Jack Theron to loans worth R17 million instead of R8,5 million as was initially reported. *Sowetan* approached Theron for comment and he in turn referred us to his attorney, Mr Tony Mostert.

Mostert said his client stood by his earlier comments that he had done nothing wrong and that all the loans Theron was said to have approved were passed in the "normal course of banking".

"Everything he did was done in the normal course of banking," said Mostert.

As for the R3,6 million personal loan which Theron got from the bank, Mostert said his client agreed with African Bank's board that the loan would not be repaid for a particular period of time, so "he did nothing wrong".

He added that every situation linked to Theron in the bank was with the "full knowledge of the board".

Mostert also hinted that Theron could call a media conference if a necessity arose.

Meanwhile the National African Federated Chamber of Commerce blamed white-owned banks for the downfall of the African Bank. Nafcoc would support the call for new management.

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DP calls for probe into withdrawal of Mandela savings

(58) CT (BR) 19/9/95

By Ross Herbert
STAFF WRITER

The Democratic Party would ask the Registrar of Banks to investigate the circumstances surrounding the withdrawal of President Nelson Mandela's personal savings from African Bank just before it was put into curatorship, MP Ken Andrew said yesterday.

Andrew said the spectre of public officials withdrawing funds at the last minute, apparently based on information unavailable to the general public, created a damaging appearance of corruption that could damage the "integrity of our banking system", one of the country's most developed and respected economic sectors.

"If someone has acted on inside information, that is at least an unethical practice, if not something more ... South Africa dare not allow corruption, patronage and disregard for the law among people in high places to take root in our new democracy," he said.

Andrew commended Mandela for returning the money to the bank, but urged him to initiate a speedy and public investigation of the circumstances surrounding the withdrawal.

He said the registrar should determine the identity of the person who withdrew Mandela's savings without his knowledge, whether that person had inside information about the bank's financial state that was not available to the general public and why Sam Motsuenyane, the chairman of Afbank, had been put under duress to pay out Mandela's savings.

"President Mandela is personally beyond reproach," he said.

"However, that cannot be said for some others occupying senior positions in the ANC or who have benefited unduly from their relationship with the country's new government."

New turn in Afbank affair

(58) Star 20/9/95

The registrar of banks is to convene a meeting to consider the appointment of a special commissioner, under section 69a of the Bank Act, to investigate allegations of fraud and mismanagement at the African Bank, officials said yesterday.

Johann de Jager, the legal advisor to the registrar and senior manager of the Reserve Bank's legal department, said he could not disclose who would attend today's meeting or its charter, but sources said there was strong pressure to appoint an investigator.

De Jager said those attending the meeting would rely on the evidence gathered by the bank curator, John Louw, a partner in KPMG. De Jager said the commissioner would have to prepare a report within six months on allegations of fraud and mismanagement.

Louw's staff is drawing up a list of all staff members at African Bank, the extent of loans issued to them by the bank and the amount in arrears.

If appointed, an investigator would also be empowered to investigate the circumstances surrounding the last-minute withdrawal of Nelson Mandela's personal funds from the bank just before it was thrown into curatorship.

Investigator considered for Afbank

(58)

By Ross Herbert

Staff Writer

CT(BR) 20/9/96

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Inappropriate

Louw said he did not want to comment on the meeting and said it was inappropriate for any discussion of the meeting's purpose or occurrence to take place in the media.

Louw issued a statement yesterday to counteract "the impression that may have been created" by a radio interview with Sam Motsuenyane, the founder and chairman of African Bank, that depositors' funds would be protected.

"Whilst I, as curator, shall make every endeavour to take care of and rehabilitate the business of the bank, no assurance can be given that deposits will be protected or that the bank will be saved."

(68)

Banking SA's top competitor

ARG 20/9/95

Business Staff

DURBAN. — Banking is the most competitive sector of the economy because it does not rely on import tariffs or export incentives.

"This is what I have been telling Trevor Manuel (Minister of Trade and Industry) and I encourage him to stick to his guns (by dismantling import protection for local industry) because the example of the South African banking sector shows he is on the right track," Finance Minister Chris Liebenberg told members of the Institute of Bankers' Durban branch.

Other factors contributing to competitiveness among banks were their ties to a long tradition of international banking, training of staff abroad and the strength of their balance sheets.

Mr Liebenberg made no reference in his speech to the collapse nine days ago of African Bank.

He expressed "concern and dismay" that banks had apparently not responded to the "moral suasion" of Reserve Bank Governor Chris Stals to get them to limit credit extension.

"If you want to control inflation, you will have to play by the rules," said the minister.

Banks would also have to take steps to deal with perceptions that they concentrated their efforts on the 40 percent of home borrowers at the upper income end of the market while neglecting the remaining 60 percent.

"Imaginative" solutions were needed if the drive to cater to that 60 percent was not to expose banks to excessive risk."

Fixed interest rates were one way but, because of the effect of inflation on banks' loan books, not the best option.

Only R4m is paid out to African Bank clients

BD 21/9/95 (58)

Amanda Vermeulen

AFRICAN Bank, which reopened on Saturday to limited trading, has paid out only R4m of the R26m allocated to savings account holders, indicating a groundswell of loyalty for the bank.

Afbank curator John Louw said yesterday only a fraction of the money had been paid out to savings account holders who last week were informed they could withdraw money transferred into their accounts after the bank was placed under curatorship, or up to R500 from savings accounts holding a maximum of R10 000.

The Finance Department made R26m available to the thousands of depositors, but despite scenes on Saturday of angry depositors being dispersed by police after storming some branches, less than one-sixth of the amount made available had been paid out.

Louw speculated that loyalty to the bank was the main reason for the limited withdrawals.

Bank chairman Sam Motsuenyane said there was much support for the institution and many depositors were hopeful the bank would be salvaged.

Late last night Louw said he expected to release information to potential investors.

Sources close to New Africa Investments, which holds 25% of Afbank, said yesterday a rescue package, possibly involving government, was being drawn up which would see all depositors recoup their full deposits.

Louw also said media reports that all loans issued to the staff and the extent of their arrears were being investigated, were misleading.

Registrar of banks Christo Wiese yesterday convened a meeting to consider appointing an investigator to probe allegations of fraud and mismanagement.

RMB assets top the R400-m mark

(58) Star 21/9/95

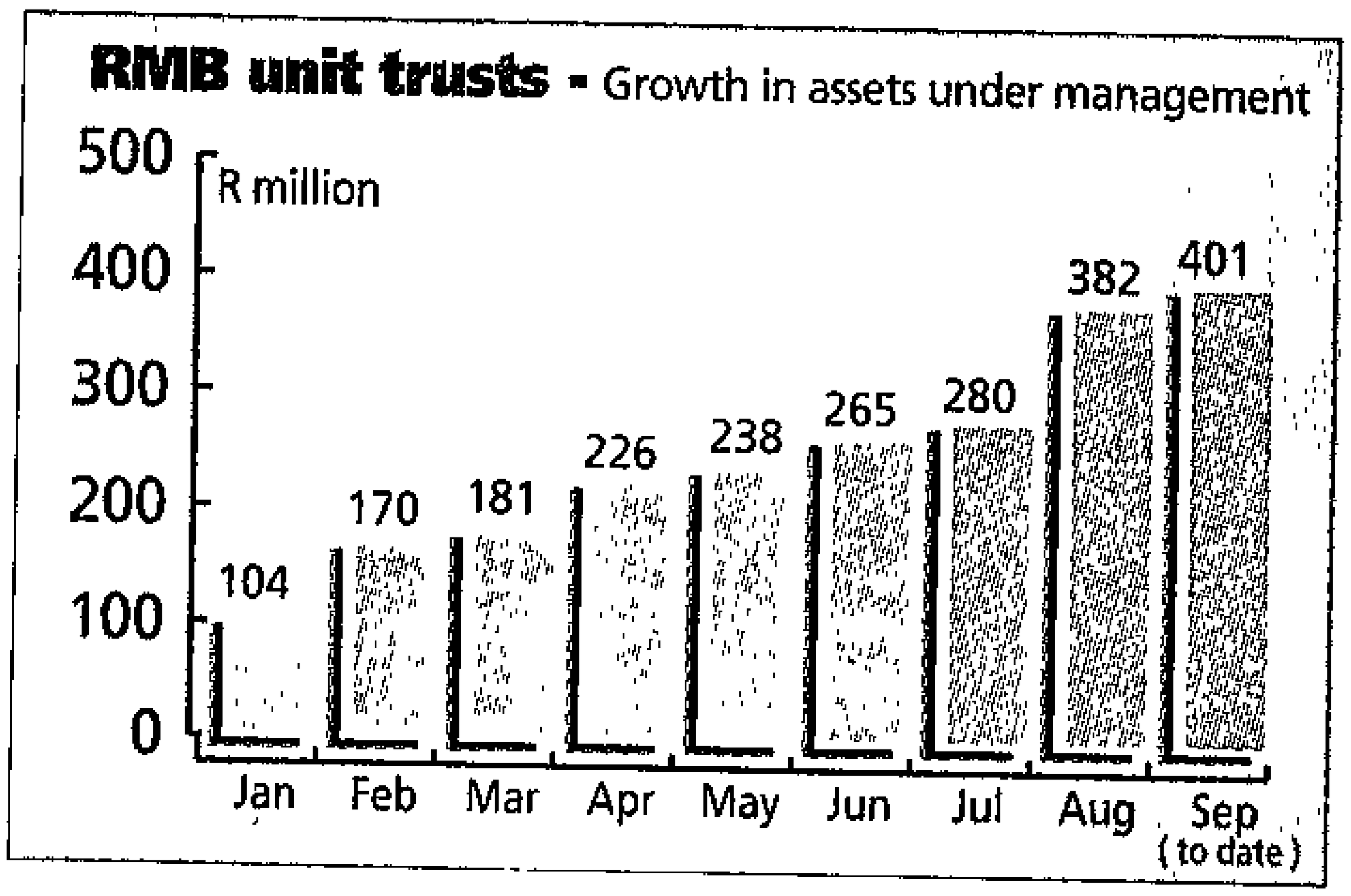
■ BY LLEWELLYN JONES

The Rand Merchant Bank Fund Managers' assets under management yesterday breached the R400 million mark, up from R170 million in February this year.

The Fund Managers has been attracting net inflows at an average of R40 million a month since February when it repositioned and renamed the existing momentum fund as the Rand Merchant Bank Equity Fund. At the same time, it launched three new unit trust funds — the Balanced, Gilt and Maximum Income Funds.

Stella Pengilly, the head of marketing, said Rand Merchant Bank was capturing about 13 percent of the unit trust industry's net inflows, despite representing only 1,5 percent of assets under management, R401 million out of R27 billion, and 4,8 percent in terms of the number of funds, four out of 84.

In addition, she said, repurchases — when investors sell their unit trusts — were running at only 4 percent compared with the industry average of about 50 percent.



Present business volumes were running at double those budgeted for despite the fact that the company's new range of unit trusts was barely six months old. "We should breach the R500 million mark by the year-end, she said.

About R171 million of the R400 million under management is in the Equity Fund, R131 million in the Maximum Income Fund and R41 million in the Balanced Fund.

Banks hope for better credit rating for SA

(68) CT (BR) 21/9/95

By Derek Tommey

Banks and other organisations which are large borrowers of foreign money are waiting anxiously for the major international credit-rating agencies to announce their 1995 assessment for South Africa.

There have been substantial improvements in some areas of the South African economy and its ability to repay loans, which could justify a higher rating. But there were also problems which could result in the rating remaining unchanged, said Nedcor's Magan Mistry.

Last year Nippon Investor Service awarded South Africa a BBB rating while Moody's awarded a Baa3 (which is equal to a BBB minus). Both of these are investor ratings but only marginally so.

Standard and Poor's gave South Africa a BB rating (with positive outlook) and the IBCA awarded just a BB rating. Both these indicate that a loan to South Africa would be speculative.

Mistry said the agencies used scientific methods when making their assessments, but subjective methods were also used in the case of political and economic factors and the country's future economic potential.

He noted eight reasons why South Africa should have a better investment rating this year. One was that the question of leadership succession was less of an issue now that the leading party had exhibited a reasonable depth of leadership while the government had been largely successful in maintaining political consensus.

Efforts of the fiscus to reduce the government deficit and the recent demonstration of the Reserve Bank's independence were also positive.

However, issues which could have a negative bearing on South Africa's credit rating included the delay in the completion of the final constitution, the tensions in KwaZulu Natal, and the uncertain effect of affirmative action on efficiency in the country's public service.

Depositors confident about troubled African Bank (58)

WM 22-28/9/95

Meshack Mabogoane

WHEN the African Bank went through its first major scam involving forex irregularities in 1988, the Reserve Bank seconded Jack Theron, an experienced banker from Trust Bank, to take over from then-chief executive Moses Maubane. Theron's brief was to salvage the mess, then hand the reigns back to a black chief executive.

Ironically it is Theron — who went on to become chief executive and stayed until his resignation a few weeks ago — who is at the centre of the latest storm which has sent Afbank to insolvency and brought the Reserve Bank to intervene yet again.

Theron, an amiable, well-heeled technocrat, is said by a former senior Afbank executive to have "lacked the vision and commitment necessary to drive a growing institution". He is also alleged to have misused his position to offer himself and others doubtful loans — worth R17-million— in spite of objections by senior staff. Theron has denied the charges and says he "has nothing to hide".

Registrar of Banks Christo Wiese this week called for a commission of inquiry to investigate the causes of the bank's collapse, an exercise that could take six months.

Meanwhile, Afbank has reopened for limited business. Though depositors had earlier stormed many branches to demand their money, it turns out there has been no real rush on the bank. With a back-up allocation of R26-million from government to enable savings account holders with up to R10 000 to withdraw up to R500, less than R4-million of the amount had been been taken by mid-week. Curator John Louw attributes this to client confidence in the bank.

This signal of support is in line with attempts to rescue the bank. New Africa Investments Ltd (Nail), which brought the alleged irregularities to light, is taking the lead to salvage Afbank. Nail, which has a 25 percent stake, and its subsidiary Metropolitan Life, which has another 17 percent, together are the largest and most substantial shareholders. Prospects, according to Louw, "are good".

In an added twist, the government, which has been called on to assist in restoring Afbank, is reported to have withdrawn R38-million of investments it had in the bank over the past nine months.

This excludes the Mandela Children's Fund, which also withdrew its deposits just before the Reserve Bank moved on Afbank. The money was redeposited on the orders of President Nelson Mandela after allegations that insider knowledge had precipitated the withdrawal. It is accepted Mandela had not personally ordered the withdrawal.

No to new parasites

There is great resistance against using Government funds to satisfy the avarice of *baaskap* management at African Bank. **Tiego Moseneke** explains why...

(58) Sowetan 22/9/95

MUCH COMMENTARY on African Bank has abandoned truth in favour of vendettas. This is plain in the insinuations that cash withdrawals executed by President Nelson Mandela's lawyer, Ismail Ayob, contrary to his express wishes, can somehow be attributed to the President himself.

Others have belittled Mandela's methodical commitment to saving the bank, suggesting that he should abandon careful planning in favour of reflex cash hand-outs.

Yet Government cash will not save African Bank in the absence of fundamental management restructuring to create a competitive bank that is black in form, substance and practice.

Leading black journalists have confused African Bank's largely decorative, non-executive black directors with the genuine item: hands-on black ownership and control.

Despite perceptions that African Bank is a "black bank", its white managers diverted million to themselves, white farmers, white motor dealers and other white cronies. In approving large loans, African Bank was about as black as the white-supremacist Land Bank.

Faced with such realities, those determined to hound Mandela are driven to some notable contortions. Witness this from *Sowetan*'s Mathatha Tsedu ("Let's not allow our own to die", September 15):

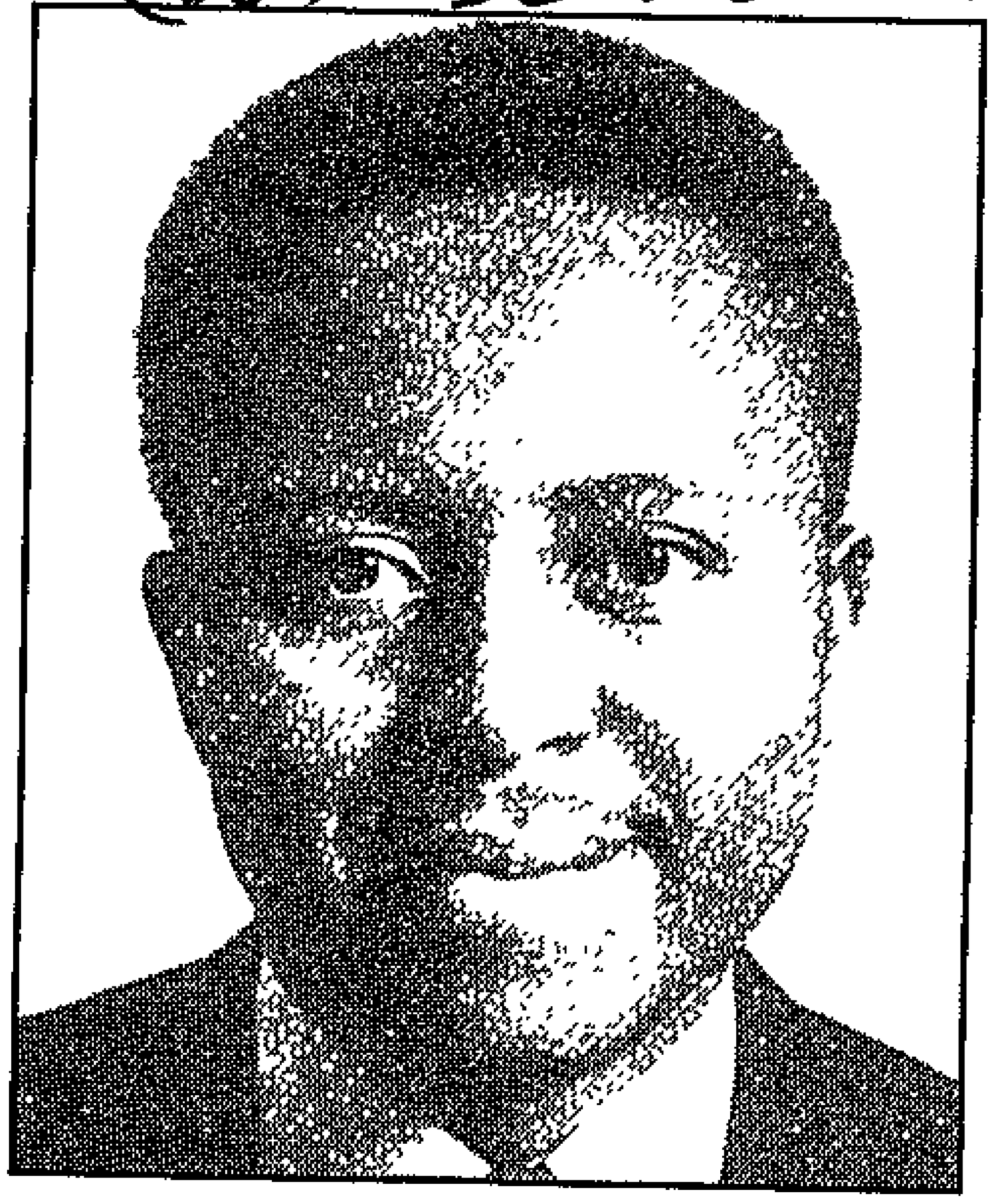
"When African Bank found itself in trouble due to the siphoning off of money by people who did not share its mission and the aspirations of its founders and supporters, the black-led Government was given an opportunity to display its own commitment to the goals of nation-building and empowerment."

Come again? Tsedu effectively argues that the Government can demonstrate its commitment to black empowerment by pumping cash, no questions asked, into an institution whose failures epitomise the betrayal of that idea. By this logic, failing bantustan profiteers deserve Government largesse.

Despite Tsedu's claim to see issues through "Black Eyes" (the name of his column), there is massive resistance among blacks and non-black's alike against using the Government's funds to satisfy the avarice of the *baaskap* management of the unrestructured African Bank.

It has been obvious to those not blinded by vendettas that Mandela is committed to saving African Bank, a fact conceded by both Dr Sam Motsuenyane and Dr Nthato Motlana.

What Mandela has done, rather than doling out cash with reckless haste, is to insist that the bank must be fundamentally restructured. Moreover, in this restructuring exercise, the tension between shareholders and depositors should be resolved in favour of depositors.



Tiego Moseneke

Shareholders had a luxury that depositors did not: the opportunity to institute management changes to avert today's disastrous events.

Ultimately, the African Bank fiasco goes to the heart of black economic empowerment. The first generation of black economic empowerment transactions, implemented under conglomerate tutelage, has merely produced a "blacker shade of pale" – isolated black executives beholden to indifferent whites and unable to deliver real change.

That is, frankly, the old African Bank model. Meaningful restructuring, to which Mandela is plainly committed, must avoid the simple resumption of its old, tokenistic, bad habits and must create the conditions for genuine, commercially driven investor interest in the restructured bank.

African Bank 's fate also highlights the role of old banking regulators in the new South Africa. Reserve Bank officials, attempting to distinguish the bank from previous cases where assistance was rendered, have invoked a bogus distinction between banks that must be saved because their failure would cause widespread dislocations throughout the financial system (Trust Bank) and those that need not be saved because their collapse would not cause broader ripples (African Bank).

This position is untenable: the issue of principle, whether governments should save troubled banks, cannot depend on the size of particular banks. Sheer largeness cannot legitimately give a bank's management the comfort that if it fails, Government will automatically rescue it.

It is a measure of the intellectual isolation of South Africa's financial old guard that the Reserve Bank can so brazenly revive a principle – that some banks are too big to fail – discredited among bank regulators internationally.

Moreover, the idea that the Reserve Bank may properly step in to save large banks, but not small ones, defies Government's pro-competition initiatives designed to tame South Africa's corporate elephants and assist "smaller creatures" to compete on merit.

Conversely, certain individuals have berated Mandela for alleged double standards in declining to give African Bank the same assistance the previous Government gave Trust Bank and other troubled financial institutions.

Comrades in black business must not perpetuate the failed practices of the past, where incompetent private sector bureaucrats could demand that Government undo their mistakes and allow them to continue with failed practices. In the new South Africa, when Government assists, it must also require restructuring.

One reason past governments could afford repeated bail-outs of incompetent businesses was that they were free to ignore the majority.

Black business must face this hard choice: do we deserve bail-outs at the expense of houses, water and medical care for the majority? Do we wish to boost reconstruction or retard it?

Black business must be a pillar of reconstruction, not a new parasite class seeking Government give-aways as white business continues to do

If black business backs the principle that Government should bail out banks, the state funds that will pass to large banks, when next they run aground, will far outweigh any short-term black business benefits of African Bank hand-outs.

Instead, black business should demand that next time a large bank is in trouble, the Government, acting consistently, should deny hand-outs and allow black businesses to bid for the distressed assets.

The new era of competition will topple many of apartheid's success stories. The taller they are, the harder they will fall.

(The writer is with the Johannesburg law firm Moseneke & Partners.)

COMPANIES

Sentrasure takeover is approved

Amanda Vermeulen (58) BD 22/9/95

THE proposed Commercial Union takeover of short-term insurer Sentrasure had been given the green light by Sentrasure's major shareholders following talks which led to a new R87,7m proposal, the companies said today.

At a general meeting on September 11, Sentrasure shareholders rejected a proposal which would have seen Commercial Union of SA (Cusaf) subsidiary CU Insurance take a controlling interest in the company.

In a statement released yesterday, the companies said the primary reason for the rejection of the proposal was that shareholders wanted to retain a minority shareholding in Sentrasure but the terms of the proposal would have seen them disposing of their entire shareholding in the company.

Further negotiations led to a new proposal which would see Sentrasure's capital base expanding, and CU Insurance acquiring a controlling interest.

CU Insurance would subscribe in cash for 125,3-million new Sentrasure shares at 70c a share for a total of R87,7m, representing a 60% stake. Sentrasure shareholders would keep their 40% stake indefinitely or trade their shares among themselves.

CU Insurance would have a first right of refusal on shares held by the major shareholders as well as shares held in any pool which may be established by the shareholders.

Cusaf group MD Roger Wanless said he was pleased the transaction was going ahead as Sentrasure's branch network would expand CU Insurance's geographical representation and was "an ideal complementary fit".

Sentrasure MD Pierre Maritz said the shareholders' wish to remain investors in the company would have positive implications for the business.

Government 'should save Afbank'

(58) BD 22/9/95

Amanda Vermeulen

GOVERNMENT should rescue African Bank as this would be in SA's best interests, but a creative solution was needed which would not put too much pressure on public funds, bank curator John Louw said yesterday.

Louw, who will release copies of his report on the bank to potential investors this morning, said Afbank played a vital role in the community, particularly in the rural areas. Government should take a strategic decision to bail out the bank, but if taxpayers' funds were used, it would be the last chance the bank would get for government assistance. "The bank will have to be run efficiently ... with adequate risk management structures in place. It cannot be continually rescued."

But he said government intervention would create a precedent, which posed a tough dilemma for the state.

Twelve copies of Louw's "information pack" would be released today, one to an existing shareholder — probably New Africa Investments — and 11 to potential investors. Four of the applications for a copy came from parties representing foreign organisations.

Registrar of banks Christo Wiese said yesterday a commissioner to head the inquiry into the bank's collapse would be appointed by month-end.

If the investigations disclosed fraud, the matter would be handed over to the attorney-general, Wiese said, but there was also a possibility of civil suits. After the investigation it would be decided whether the bank would be taken out of curatorship.

RISK MANAGEMENT COMPETITION

Participants demonstrated last week that fortunes are made and lost quickly in the futures market. A strongly bullish industrial board saw another shake-up in the Safex/Actsa Risk Management Competition. New leader in the trading division, Investec Risk Surfers, leapt to the front from nowhere.

Proving that private investors need not be at a disadvantage, Andrew Proctor, the leader in the novice trading section, is nearly 50% ahead of the leading professional team, with a portfolio return of 6,6% (see table). After four weeks of trading, his return is an annualised 80%: a return on cash of 52%, a staggering 630% annualised. Though traders have a starting portfolio of R2m, only the cash portion of R200 000 may be used for futures trading.

In the hedging division, The Chasers retain the lead. But RMB Brass Monkeys shot into second place — a remarkable achievement considering how difficult it is to make up ground in this division.

Two new faces in the top five — Bull Fighters and Phantom Fund — demonstrate the need for hedgers to manage positions actively. Craig McKenzie still leads the novice hedging section but Reg Courtney is closing in. In the *FM* reader competition, Cape Town's David Collinet moves into first spot, with Anthony Hayes (third previously) now second. Collinet's position (long E168 and R150 futures) has almost doubled his cash outlay on margin in three weeks. Doug Hare, the early leader, is third.

The Safex/Actsa Risk Management Competition is sponsored by Standard Corporate & Merchant Bank, Rand Merchant Bank, Investec, FirstDerivatives and the *FM*.

ANYONE'S RACE

Leaders: Hedging Trophy

Pos	Portfolio Name	Unweighted deviation	Weighted deviation
1.	The Chasers	0,17%	0,42%
2.	Brass Monkeys	0,33%	0,77%
3.	Phantom Fund	0,29%	0,84%
4.	Gavosk	0,29%	0,85%
5.	Bull Fighters	0,29%	0,85%

Leaders: Trading Trophy

Pos	Portfolio Name	Portfolio Return
1.	Investec Risk Surfers	4,4%
2.	Irad Stuntmen	4,0%
3.	Private Bin 95	3,9%
4.	FNB Ace of Trades	3,6%
5.	Martin & Co	3,0%

FM 22/9/95

BANKING (58)

Measuring by merger

The merger, earlier this year, of Standard Bank, Standard Merchant and Standard Bophuthatswana, has made comparisons with rival Absa simpler.

Virtually all the banking interests of the Absa group — United, Volkskas, Allied and Bankorp — are registered with the Reserve Bank as Absa Bank. With R1,7bn for subsidiary MLS Bank, total assets for the group are R102,5bn.

The banking operations of the other three major banking groups were all reflected separately. So the figures on the DI900s, monthly returns submitted by the banks to the Reserve Bank, were not directly comparable.

Now those of Standard are. Figures for July show Absa Bank remains the biggest SA bank, in terms of total assets, with

R100,8bn, after a 12-month growth rate of 16,3%. Standard Bank grew 28,2% to R79,5bn.

Figures for the other two major banks, First National and Nedcor Bank, reflect only their groups' commercial banking operations.

FNB has assets of R64,4bn (up 14,4%). To make a comparison valid, the figures of its merchant banking operation FirstCorp should be added. The combined figure is R68,6bn (up 12,3%).

Nedcor Bank, which comprises Nedbank, Peoples Bank and Permanent Bank, has assets of R49,7bn (up 15,3%). If the Nedcor group's merchant banking subsidiary, UAL, the Cape of Good Hope and Syfrets are added the total is R59,3bn (up 16,5%).

NBS Bank, not in the big league, grew 18,2%. Its total assets of R16,2bn put it in fifth place.

Though ranking by total assets of the big four is still the same, some upsets have taken place in various categories of lending.

DI900 data shows there has been a reranking in the item described as "other private-sector loans and advances." Absa, with growth of only 10,4% to R19,1bn, lost ground to the other banks (see table).

Standard, with growth of 38% over the 12 months to July, overtook Absa. Its total at the end of July was R21,8bn.

Absa group GM (finance) Frans du Toit explains: "Growth accelerated from the first quarter of 1995. If the December figure (R17,4bn) is taken as a starting point, and growth for the seven months to July is annualised, it is 16,7%."

FNB's other loans and advances rose 29,5% to R16,7bn and Nedcor's 28,3% to R12,7bn.

NBS Bank, after phenomenal growth of 50%, skipped from eighth to fifth place in the order of merit.

Another reranking took place in the instalment debtors, suspensive sales and leases category, where Absa gained on rival Standard.

Both FNB with growth of 22% to R14,9bn and Absa (35,1%) to R12,7bn grew significantly while others show declines (see table).

NBS Bank, which has made a determined thrust into this market, lost market share when it grew only 10% to R1,1bn. Says GM (finance) Peter Gover: "It was due to the loss of a sizeable client to another institution."

FNB senior GM Norman Axten says growth is mainly in the Wesbank operation, the market leader in its field.

Nedcor Bank grew only 7,8% to R5,5bn. Says a spokesman for Nedcor: "Our unhappiness with our instalment credit market share in 1994 led to the launch of NedCredit in August 1995."

Leader in the credit card market is Standard with a total of R2bn, after growth of 42,9%. It is followed by FNB, at R1,5bn up 36,4%. After sharing second position with Absa last year, it overtook that bank, which grew only 30% to R1,3bn.

Both Standard and Nedcor (up 40% to R700m) are confident that the issue of private label cards, as well as a general growth in the industry will see their market share increase.

Mortgage loans form the biggest part of private-sector credit extension (see table).

Market leader Absa has maintained its position, growing its mortgage portfolio 20% July-on-July, to R44,4bn. Standard's grew 17,6% to R20,7bn.

Nedcor Bank, with the loan portfolio of former building society, the Perm, grew 14,8% to R18,6bn. "Surprisingly, Nedcor Bank's growth in home loans has mainly come from Nedbank," says a spokesman. "Permanent's growth has been pedestrian at best. The recent market-focused rebranding of Perm into Permanent Bank and Peoples Bank should improve the home loan growth prospects."

FNB grew 21,4% off a relatively low base to R13,6bn.

NBS Bank's portfolio grew 20% to R10,2bn.

The biggest growth in capital and reserves — 39,4% to R4,3bn — came from FNB. NBS grew 28% to R982m; Standard 13,6% to R5,5bn; Nedcor Bank 10,6% to R2,7bn; and Absa 8,9% to R5,5bn. ■

SA BANKS: GROWING PAINS AND GAINS

		Absa		Standard		FNB		Nedcor Bank		NBS Bank		Total*	
		Jul '94	Jul '95	Jul '94	Jul '95	Jul '94	Jul '95	Jul '94	Jul '95	Jul '94	Jul '95	Jul '94	Jul '95
Instalment debtors suspensive sales & leases	bn	9,4	12,7	9,9	11,5	12,2	14,9	5,1	5,5	1,0	1,1	42,3	51,1
	%	22,2	24,6	23,4	22,3	19,5	28,9	12,0	10,7	2,4	2,1		
Instalment sales	bn	6,4	8,8	5,7	6,5	7,2	9,3	3,0	3,5	0,7	0,9	26,5	33,3
	%	24,2	26,4	21,5	19,5	27,2	27,9	11,3	10,5	2,3	2,7		
Leases	bn	3,0	3,9	4,1	4,9	5,0	5,6	2,1	2,0	0,5	0,3	15,8	18,3
	%	19,0	21,3	25,9	26,8	31,6	30,6	13,3	10,9	3,2	1,6		
Mortgage loans	bn	37,0	44,4	17,6	20,7	11,2	13,6	16,2	18,6	8,5	10,2	101,3	121,8
	%	36,5	36,5	17,4	17,0	11,0	11,2	16,0	15,3	8,4	8,4		
Credit card debtors	bn	1,0	1,3	1,4	2,0	1,0	1,5	0,5	0,7	N/A	N/A	4,1	5,7
	%	24,4	22,8	34,1	35,0	24,4	26,3	12,2	12,3				
Private-sector loans and advances	bn	17,3	19,1	15,8	21,8	12,9	16,7	9,9	12,7	1,6	2,4	72,9	85,0
	%	23,7	22,5	21,7	25,6	17,7	19,6	13,6	14,9	2,2	2,8		
Total assets	bn	86,7	100,8	62,0	79,5	56,3	64,4	43,1	49,7	13,7	16,2	320,0	374,0
	%	27,1	27,0	19,4	21,3	17,6	17,2	13,5	13,3	4,3	4,3		
Capital & reserves	bn	5,0	5,5	4,8	5,5	3,1	4,3	2,4	2,7	0,7	1,0		

% market share

*Industry figure

SOURCE: DI900s

INSURANCE — 1

Premium theft rocks industry

(58) FM 22/9/95

At a conservative estimate, 30 000 insurance "policyholders," who regularly pay their premiums, are without cover. They are victims of a scam — or a series of similar scams — which involve upwards of R10m of premiums a month.

Last Thursday, insurance agency Profin was placed in liquidation. That followed a month after Eagle Underwriting Agency was liquidated after a Financial Services Board investigation.

The board is investigating other brokers and "underwriting agencies." Eagle and Profin were doing business together, though efforts were made to conceal this. Together, they were collecting at least R2m a month of premiums and possibly as much as R6m.

They are interlinked with family ties and "friendships" in a web of so-called underwriting agencies, with a network of other operations described variously as "agents" and "brokers" sending through business.

There are several common threads:

❑ Companies and close corporations which appear and disappear, often with the prefix *Pro*;

❑ The same names appear with each new operation — though often they do not reveal themselves on the letterhead; and

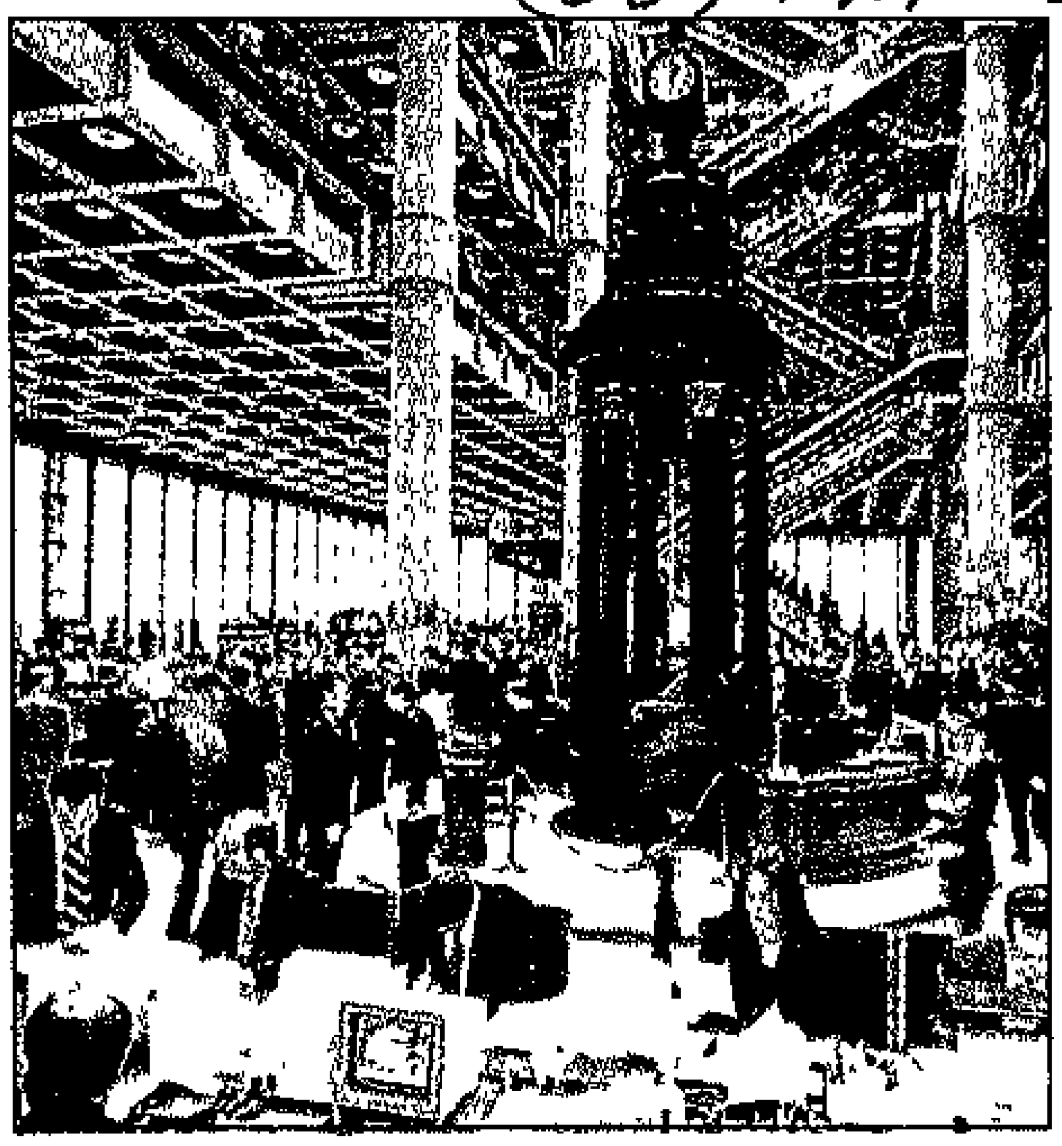
❑ The sting has become more sophisticated. Originally, these were simply cashflow agencies. They collected premiums and, instead of forwarding them less commission, to a licensed underwriter, retained the money, filed the proposals against the day when a claim might require details to be filled in, even paid out some claims and disappeared when the sheer volume of claims and inquiries made life uncomfortable.

Now, the "underwriting managers" usually legitimise their operations by securing a part of their premium income with a licensed insurance company. They then represent themselves as owning a binder — insurance terminology for the right to bind an underwriter to accept proposals on specific types of business and up to specified limits.

The favoured binder is one allegedly secured from a Lloyd's source and Lloyd's is so concerned that it has sent auditors to SA to investigate premium flows.

But the brokers try also to get contracts from local insurers. Compass Insurance GM John Haenen produced a file of affidavits, mostly from clients of Premium Wise (an agency of both Eagle and Profin) showing clients had paid substantial premiums, on the understanding the underwriter was Compass.

"At one stage we found ourselves repudiating a large number of claims because no cover had ever been arranged and the premiums had vanished into thin air. We had previously declined to do business with Eagle and were astounded when people started claiming that Eagle had issued them with a Compass policy," says Haenen.



Lloyd's of London . . . *investigating premium flows*

Mafia-like silence is not a feature of the dubious operators. They spontaneously accuse each other. Early in an *FM* investigation, other brokers pointed at Willie Smit. Smit found prominence three years ago when he became MD of President Insurance. Following investigations by the Financial Services Board and the Office for Serious Economic Offences a number of fraud charges were brought against Smit, though they have not been proved.

But Smit denies any connection with Eagle, except that Eagle asked his firm's help in securing underwriting for its book. He directed them to a Lloyd's agent, Don Daly, of Cape Town, who refused the Eagle book.

Lloyd's remains the favourite vehicle and a term, "the Florida binder," is a joke among unscrupulous agents to describe a mythical right to "a pen at Lloyd's," exercised by "The Florida Cowboys."

Florida, west of Johannesburg, is where many of the scams originated. They've since spread in a loop through Pretoria to Nelspruit.

Smit says he knows of the Florida binder: "They are tribunalised (recognised) by Lloyd's, have about 6 000 clients, but they do not have a slip to prove there is any cover in place."

Don Daly of Cape Town is tribunalised by Lloyd's. Daly says he has been meeting Lloyd's general representative in SA, Ron-

WORRYING FISCAL OUTLOOK

After five months of the fiscal year, there are concerns that Budget projections won't be met.

According to the latest figures on State finances, R48,6bn (an increase on the similar period last year of 14,8%) was brought in from the various revenue sources in the period April-August. Exchequer requisitions totalled R64,2bn (a 12,2% increase).

Extrapolated over 12 months, these figures imply a Budget deficit of R37,5bn, much larger than the R29,1bn (6,4% of GDP) estimated in March.

The Department of Finance, which releases the figures, is at pains to point out that requisitions do not equal actual spending, but are transfers to departments for spending, which may not occur in the month in question. They add that the August numbers include requisitions for improvements in conditions of service (civil service pay increases) for both July and August, owing to nonpayments of these amounts in July.

But even allowing for lumpy payments, there is cause for concern because of lagging revenue receipts.

Finance itself concedes the figures for revenue include the transfer of R1,2bn from the Central Energy Fund in April — technically capital revenue — and R500m that should be attributed to March 1995, in the previous fiscal year. Without these two numbers, revenue growth is only 10,8% over the comparable period last year.

Bearing in mind the possibility that many RDP expenditures will begin later this year, and the fact that departments may carry over unspent amounts into the new year (*Economy* July 21), it's clear government will battle to meet its estimates.

nie Napier, "to sort out the mess."

He agreed he knew of the "Florida binder." Also, he had been offered lines of business which he had rejected for lack of capacity. "That was very fortunate."

Also, he had insisted he would accept certain Gauteng lines only if he was absolutely convinced of the bona fides of the broker concerned.

Daly did write to Smit stating that the ultimate objective was to get his brokerage tribunalised. Daly adds that, after going to Lloyd's on Smit's behalf, he found Smit was on a list of South Africans with whom Lloyd's would not deal.

Smit acknowledges this, adding it could be his reputation had been deliberately tarnished after the demise of President Insurance. He is now trying to rebuild a legitimate business, he says, and vehemently denies he has any dealing with "The Florida Binder," Eagle or Profin. And he supplied a list of brokers and agencies which he said were flouting insurance law.

Inquiries clearly show the existence of a ring or rings which openly ignore two aspects of insurance law. Section 5 of the Insurance Act bars anyone who is not a licensed insurer from underwriting. Section 20 bis compels a broker or agent to remit premiums collected to a licensed insurer.

Daly says that, from papers he had read, the dubious premium flow would amount to R10m-R12m monthly. If he is right, and the average premium is R300, possibly as many as 40 000 "policyholders" have been sucked in by promises of cheap insurance.

Compass collected affidavits from a number of "policyholders" who had been duped and handed these to the *FM*. The common thread is that most were enrolled by a firm called Premium Wise, as agents for Eagle Underwriting Agency or Profin, told they were protected by Compass and, when that company indignantly repudiated claims, were then assured they were underwritten by Absa. (Absa is quoted as underwriter by more than one operation under investigation and might be advised to comb its book.)

One deponent, who contested the situation, was paid out and says he did not suffer financial loss. Haenen says Compass didn't pay — "presumably the broker settled."

At Profin's liquidation proceedings, a panelbeater deposed that he had set up a business on Profin's urging, exclusively to handle the vehicles of Profin claimants, in premises leased by Profin. Repeated requests for payment of work done were refused and he was told payment could not be made because of the liquidation of Eagle Underwriting. The panelbeater says he has a workshop full of vehicles in partial repair and a staff he cannot pay.

By Monday this week, Profin director Hennie Swanepoel was back in business, in a close corporation called Centisure.

All the evidence points to an elaborate arrangement in which just sufficient legitimacy was introduced to confuse official regulators. There was *some* underwriting in place. *Some* claims were met. And, when one underwriting source dried up, enough evidence could be shown that the "underwriting managers" were trying to find alternative cover.

Even that offered a profitable avenue. In the window periods, when no underwriting is in place, every R1m of premium flow offers the brokers a commission of about R150 000 plus investment interest.

The Financial Services Board says it is hampered by a shortage of inspectors but it will not hesitate to move against an operation which, though contravening S20 bis, insists it is trying to find a home for premiums with a licensed underwriter.

Opportunities for insurance scams have been presented by general insurance conditions. Licensed insurers have moved the cost of insurance outside the reach of many consumers.

While new aspects of the sting are being investigated, the best advice for insurance consumers is — take nothing on trust. Insistence on a policy document on which the policyholder's name appears, together with the signature of a licensed insurer, is the most elementary precaution.

It may not be enough. Daly says there are policies, signed, completed, with policy numbers in place. But there's no trace of the cover at Lloyd's.

Bryan Dean

AFRICAN BANK

A thin line

FM 22/9/95

Unlike depositors in other small banks, people who put their savings into African Bank were not necessarily seeking the highest possible return. While those who placed funds in Prima, Alpha and Pretoria banks were relatively sophisticated investors attracted by the higher interest rates on offer, many of African Bank's depositors are insensitive to interest rates.

Individuals — who supplied about a third of total deposits of more than R600m — placed their funds in an institution established against the odds of apartheid to become the embodiment of black business aspirations. The depositors' motive gives an additional dimension to the tragedy facing the host of small and other depositors.

Motsuenyane

Smith

It has also been advanced as an argument in favour of a rescue package sponsored by the Reserve Bank.

While the collapse of African Bank may pose no risk to the banking system — the Bank's criterion for rescue — it would have a profound knock-on effect in the black community.

The Bank's shift to more market orientated supervisory practices has, unfortunately, coincided with a change in the balance of political power. And however sound the motives of the supervisory authority, the history of rescuing another ethnic institution lays it open to attack.

If there ever was an argument in favour of a rescue, African Bank is a textbook case. But the beneficiaries can only be the depositors — and the bank itself.

The shareholders should sacrifice their funds and chairman Samuel Motsuenyane, director Marius Smith and the other directors should be fired from the board.

Management was incompetent, and some members may have laid themselves open to accusations of much worse. Presumably, these issues will be thoroughly investigated.

Culpability doesn't stop there.

African Debt and Equity Information Services MD Dave King points out that executives of big corporate depositors will have to answer to their shareholders. "And so will New Africa Investments, which acquired 24% of the bank in March without completing a due diligence analysis."

If the bank is to continue, the problems that have plagued it for at least a decade must be addressed. A prerequisite is a major upgrading of banking skills.

A broadening of the depositor base across the population is advisable.

Consultants in Finance's Des Hudgson says: "The idea of a community bank is possibly flawed — when a community saves an insignificant amount in relation to what it borrows. And when a bank is forced to lend to the lower end of the market, profitability gets too little attention."

Hudgson talks of a "small bank syndrome." Institutions are loath to deposit in small banks because they think the risk profile is undesirable. The monthly DI900 returns for July 1995 for African Bank show no inter-bank funding.

Other hazards confronting a small bank are inadequate systems and bad loan documentation, Hudgson says.

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AFRICAN BANK (58)

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This was certainly the case in African Bank, where the problem was compounded by rapid growth. King says deposits increased by 130% between December 1991 to September 1994, when they stood at R617m.

The role of Registrar Christo Wiese has also come under scrutiny. His office has been criticised for failing to identify African Bank's problems early enough.

However, Hudgson comments: "The regulators don't have a duty to protect banks. They can't try to manage banks. That would be overstepping the mark."

Given its stance on banking management, the supervisory authorities have to be seen to be doing their job of monitoring banks' risk management systems and practices.

Banks are required to submit 25 risk management returns — most of them monthly — to the Registrar. Of these, 24 are treated as confidential. Only the DI900s are available to potential depositors.

If returns are late, the bank concerned may be fined up to R100 for every day's delay, or it may be given an extension.

A spokesman for the Registrar would not divulge what happened in the case of African Bank. "Information in this respect is confidential."

Ad hoc on-site examinations are carried out by the office of the Registrar with the help of external auditors. However, the Registrar's manpower resources are limited.

Bill Ryback, of the division of bank supervision & regulation of the US Federal Reserve, raised the question of training for on-site supervision at a conference in Zimbabwe last month. He said 10 years' experience in the field is required before someone can be considered qualified to do the job adequately.

Motlana

Wiese

He made two other points — the process is expensive and intrusive. The latter is important, because simply by investigating poorly managed banks the supervisor draws attention to its problems — which in itself creates further problems, said Ryback.

The Registrar has to maintain a delicate balance between investor protection and the dictates of the market. When his office does not achieve that balance, it's difficult to accurately apportion blame.

Hopefully, lessons have been learnt all round that will help prevent a repetition of the African Bank debacle. ■

(56) FM 22/9/95

AFRICAN BANK

Timely withdrawal

The controversy surrounding the withdrawal of some of President Nelson Mandela's personal savings from African Bank — a day before it went into curatorship — needs to be resolved quickly.

Afbank chairman Sam Motsuenyane — generally regarded as the doyen of black business — has suggested that the withdrawal was based on confidential inside information. He had previously petitioned Mandela to help save the bank.

Mandela . . . *who controls the purse?*

As has been widely reported, Mandela — whose financial affairs are in the hands of a blind trust — has instructed that the funds be redeposited. But the affair contains curious elements which the DP's finance spokesman Ken Andrew isolates thus: "Who decided to withdraw the money without the President's knowledge? Did that person or those people have access to inside information about the bank's financial position, which was not available to other depositors? Why was (Motsuenyane) put under duress to pay out Mandela's savings — and by whom?"

The DP is to ask the Registrar of Banks to investigate the matter. ■

(58) FM 22/9/95

MOMENTUM LIFE

Only Aegis disappoints

Momentum Life is something of a misnomer. Life activities, which with strong sales fuelled the 52% rise in premium income to R1,98bn, constitute the core, but a broad collection of businesses offer a wide spread of financial service interests.

With one exception, the engine which powers the RMB Holdings group was firing on all cylinders in financial 1995.

That exception was 50%-held Aegis Insurance. Its 29% dip in earnings (10% of Momentum's total profits) trimmed the otherwise strong 31% increase in taxed profits from the life company, RMB Asset Management and Rand Me[illegible] (RMB) to earnings growth of [illegible]%.

This, in turn, took about 5% off Momentum's EPS gain of 20%. To put the results in perspective, though, they come off a high base — Momentum grew EPS by 43% in financial 1994.

The tone was set two weeks ago, when wholly owned RMB reported earnings up by 29%, feeding R42,6m to Momentum shareholders and R28,4m to policyholders.

A notable feature of RMB's accounts is the growing contribution from investments (excluding unrealised profits of R112m on the portfolio) and fee-earning activities, which, at R112,5m, outpaced interest income, offsetting tightening interest margins.

Asset management made a significant contribution despite lacklustre local markets. Momentum executive chairman Laurie Dippenaar notes costs here are not linear, allowing chunky new funds to be added with little increase to overhead costs. Assets managed for third parties are up from R1,6bn three years ago to R9,1bn.

Momentum Health, a 70% subsidiary in its third year of operation, is close to making its maiden profit. The health insurer's MD Adrian Gore says the 72% rise in annualised new business premiums — to R136m — was ahead of forecast.

This type of growth can strain capital resources but Momentum Health's capital base was recently strengthened by a R25m rights issue. Gore is comfortable with its capital resources — strong performance allowed reserves to be strengthened, he says.

RMB Properties recorded lower earnings, though this was a function of timing as a number of development projects are uncompleted. New contracts grew assets under management by more than 50%.

Aegis' poor showing was largely due to continuing high crime, particularly on the motor account. But there may be changes ahead for the short-term insurer.

Dippenaar admits earlier premium growth may have been too rapid, perhaps at the expense of quality. "We are happy to slow premium growth. That's what we did with Momentum. Initially, growth was slow as we concentrated on quality business. We can see the benefit now as premium growth strengthens, but our lapse ratio remains one of the lowest in the industry."

Apart from changes at Aegis — Dippenaar says it may quit certain markets and enter new ones — the underwriting cycle appears to have turned. Results should firm.

GAINING

Year to June 30	1994	1995
Total assets (Rbn)	14,4	16,8
Life fund (Rbn)	9,6	10,3
Attributable (Rm)	81,4	98,1
Earnings (c)	61	73
Dividends (c)	32,5	40,5

Though small, property and health should also contribute. But a stronger performance is probably already in the Momentum share price, looking fairly full around R18.

These results point to good figures from 68% top holding company RMB Holdings when it reports next week. Apart from Momentum, it will also get the benefit of strongly performing NBS Holdings (20%) as well as unlisted interests Australian Gilt Holdings (71%), Hollandia (25%) and Glenvaal Dewar Rand (20%).

Despite its slightly less demanding p:e ratio of 22,5, the unlisted interests are possibly undervalued, offering a marginally cheaper entry into the group.

Shaun Harris

Dippenaar . . *costs aren't linear*

(58)

INSURANCE — 2 FM 22/9/95

Telesales warm up

Prestasi Brokers opened a national telesales centre in Midrand recently, starting a new chapter in the competition for this class of insurance business.

Prestasi, now a JSE-listed company, had until recently been noted for broking group insurance schemes.

Now, along with the telesales centre, the company has launched a package product which attempts to offer sufficient choices to satisfy individual requirements. That still has to be tested.

But of more significance is that the traditional distinction between underwriters and brokers is further breached. Prestasi openly crossed that line when its founder, Jan Erasmus, last year helped to start an underwriting company, Compass Insurance.

The original argument for the distinction is that a broker legally is the agent of the client, not of the underwriter where the business is placed.

Yet there are now scores of policies marketed by brokers under their own brands, with the actual underwriter's name appearing as a passing reference, if at all.

In many cases, claims settlement and dispute resolution are handled entirely by the broker.

There is increasing anxiety that the practice is making it hard to enforce Section 5 of the Insurance Act (only registered insurers may underwrite) and S20 bis, which controls the flow of premiums from brokers to insurers.

Prestasi is one of the top five brokers in SA. If there is concern, it is that the distinction between broking and underwriting was drawn for sound reasons. In the case of its latest product, the Persona policy, the joint underwriters are Compass and Absa Insurance.

Prestasi "remains a distribution channel for the insurers and cannot and does not want to become an underwriter," MD Arnold van der Linde emphasises.

But the distinction of roles is not helped when Prestasi publicity refers to its "policyholders," rather than "clients." What Prestasi and a few other large brokers can do, should not signal open season for every other intermediary.

A large proportion of the Financial Services Board's inspectorate is kept busy investigating whether millions of rand of premiums sent to brokers actually reach underwriters (see page 35.) ■

INSURANCE — 2 (58) FM 22/9/95

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US banking firm may launch Afbank rescue bid

(58) Star (PM) 25/9/95

STAFF WRITER

Nthato Motlana and a leading American investment banking firm are reportedly preparing a rescue package for African Bank, which was forced into curatorship two weeks ago.

Motlana said that Donaldson, Lufkin & Jenrette would invest R25 million in Pleiade Investments, the merchant banking unit of Motlana's New Africa Investments, according to weekend newspaper reports.

Pleiade would form the core of a merchant banking operation at a revitalised African Bank.

Donaldson, Lufkin & Jenrette is the firm that recently helped Sappi acquire American paper company SD Warren.

The deal, if it goes ahead, would provide credibility to Pleiade, which has been trying to build an investment banking presence from scratch. The American company's ability to tap foreign capital markets and its asset management expertise could provide needed credibility to Pleide.

Given a strong management team, Afbank-Pleiade would also be in a good position to reply to the government's request for bids to manage pension funds.

Afbank was placed in curatorship with nearly R100 million in debts.

Rembrandt's Johann Rupert was reportedly prepared to back a rescue plan for Afbank.

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ET (PTA) 25/9/95 (58)

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Sowetan 26/9/95

Rembrandt offers help to African Bank

(58)

By Mzimkulu Malunga

ATTEMPTS to rescue African Bank are continuing in full force and the number of potential investors appears to be growing.

The latest group to declare its readiness to help African Bank is the tobacco conglomerate Rembrandt. It was reported over the weekend that the group has been holding talks with a number of influential people regarding the African Bank issue.

However, it looks as if influential shareholders New Africa Investments could offer the best rescue package for the embattled bank.

Two and half weeks ago, Nail representatives comprising the company's deputy chairman, Mr Dikgang Moseneke, and chief executive Jonty Sandler went to New York to rope in potential partners who could help the company save African Bank.

This weekend it was reported that Nail has teamed up with leading New York-based banking firm Donaldson, Lufkin and Jenrette. There was also talk in black business circles of the formation of a consortium – which could possibly include the bank's chairman, Sam Motsuenyane – in order to save the bank from collapse.

However, these rumours have yet to be confirmed by the people whose names are linked to it. The latest situation regarding the bank could become clearer today at a Press conference to be addressed jointly by Motsuenyane and the president of the National African Federated Chamber of Commerce and Industry, Mr Joe Hlogwane.

Last week Nafcoc lambasted the Government for its response to the African Bank crisis.

Nail plans to recapitalise African Bank

CT(BR)26/9/95 (58)

By Charlotte Mathews

Investment Editor

New Africa Investments Limited (Nail) had assembled a plan involving the recapitalisation and restructuring of African Bank worth hundreds of millions of rands , Rob Dow, the managing director of Nail's merchant banking arm, Pleiade, said yesterday.

"Nail's management is putting forward a plan which will see African Bank hopefully capitalised with a significant amount of money and with several profitable divisions, including for example, insurance and not only retail and merchant banking," he said. The plan had been put before Finance Minister Chris Liebenberg.

Nail, which has financial assets of more than R1 billion, and Metropolitan Life are the bank's dominant shareholders.

Any restructure aimed at the continuation of the bank would have to be discussed with all shareholders, but the intention was to keep it under black ownership.

"Nail's position is simple. African Bank is a cause celebre among the black community and Nail's mission is partly to service the black community through Metropolitan Life and partly to woo black investors through the equity markets," Dow said.

"So we believe that everything possible should be done, not only to save it, but to propel it into the mainstream of South African institutional life," he said.

However, this could not be done by simply injecting a few million rands into retail activity.

There had been a few meetings on its recapitalisation, but no firm conclusions as yet, he said. Part of the plan, announced at the weekend, was to link Pleiade, Nail's recently formed merchant bank, with New York-based investment house Donaldson, Lufkin and Jenrette.

John Chelsty, the chief executive officer of Donaldson, Lufkin and Jenrette, confirmed the tie-up from New York yesterday. The tie-up will see the investment house pay R25 million for a stake in Pleiade.

"They are seeking to restructure or renew African Bank."

COMPANIES

Aflife acquisition plan finalised

Amanda Vermeulen (68) BD 26/9/95

ASSURER African Life has finalised plans to acquire a major stake in stockbrokers G O'Flaherty.

The acquisition, cemented last week, was part of its plan to launch an asset management company and will make O'Flaherty the first black stockbroking firm on the JSE.

Aflife CE Bill Jack could not disclose the value of the transaction. He said the establishment of Aflife's asset management company was part of the group's long-term plan to become a fully fledged financial services group. "By buying a part of the firm, we are also buying a paid-up business, avoiding rent or growing pains."

Aflife parent Real Africa chairman Don Ncube said the stockbroking firm would assist in the group's ambitions to develop black economic empowerment, and would add value to opportunities which arose. The stockbroking side of the business, G O'Flaherty, would retain its name and would continue to operate as before.

US skills for African Bank

(58) BD 26/9/95

Adrienne Giliomee

THE proposed R25m investment by Wall Street banking firm Donaldson, Lufkin & Jenrette (DLJ) in New Africa Investment Ltd (Nail) merchant banking arm Pleiade would inject much-needed skills into a revitalised African Bank, Pleiade MD Rob Dow said yesterday.

Afbank was placed in curatorship two weeks ago. Weekend reports indicated that Nail, a major shareholder in Afbank, planned to link up with the US firm in a bid to rescue Afbank.

If the proposals were accepted, Pleiade could become the core of Afbank's banking sector. The bank would continue to be owned by black shareholders and DLJ would have interests in the investment bank sector of Afbank. "We need their skills and capabilities," said Dow.

Nafcoc claims control of Afbank

(1258) Star 27/9/95

■ BY ANDY DUFFY

The National African Federated Chamber of Commerce and Industry (Nafcoc) is claiming control over African Bank's fate, setting itself on a collision course with the Reserve Bank and the bank's curator.

The chamber said yesterday that it was taking power of veto over all plans to save the bank and that any rescue should leave the chamber with a controlling stake in Afbank.

The chamber, claiming a mandate from individuals holding 35,3 percent of Afbank's equity, also promised that all Nafcoc-inspired deposits and shareholdings in the bank were safe.

The chamber had already decided that core members on Afbank's new board would be Nafcoc president Joe Hlongwane, New Africa Investments (Nail) chairman Nthato Motlana, Afbank founder and chairman Sam Motsuenyane, and Telkom chairman Dikgang Moseneke.

Rescue plans would have to be channelled into the chamber's new investment company, the chamber said, which was also seeking backing from an unnamed bank.

The plans were to be detailed to Afbank shareholders at a meeting yesterday.

"Whoever has a plan will have to talk to us," Hlongwane said.

"Nafcoc represents a broader base of shareholders. We want to keep this bank in the hands of black people. The shots will be called by us, that's for sure."

But KPMG partner John Louw, Afbank's curator, warned that the chamber's claims could scupper Afbank's rehabilitation.

At least ten potential Afbank rescuers are due to table their proposals to KPMG by Friday.

"I'm calling the shots," Louw said. "This has nothing to do with Nafcoc. I don't recall Nafcoc being on the list of shareholders."

Christo Weise, the Registrar of Banks, said KPMG was in charge of Afbank under the terms of the Banks Act.

Afbank went into curatorship earlier this month, hit by bad debts and poor management.

Nail, which holds an effective 41 percent stake in Afbank, has already announced a R1 billion recapitalisation for Afbank and plans to draft in expertise from American investment house Donaldson, Lufkin and Jenrette.

Rob Dow, the managing director of Nail's merchant bank Pleiade, said he had known nothing about the chamber's plans, but that Motlana and Moseneke were planning to meet Hlongwane.

Nail had no obligation to clear its plans with the chamber, he said, but would be interested if the chamber wanted to buy a stake in the revitalised bank.

Hlongwane said talks with Nail were paramount, though there were other interested parties.

Afbank's links with the empowerment struggle meant that it could not be allowed to fail, he said.

Battle for African Bank opens on another front

(58) Star 28/9/95

BY STAFF WRITERS

The battle for African Bank opened on another front yesterday as New Africa Investments (Nail) questioned the rescue plans proposed by the National African Federated Chamber of Commerce and Industry.

Nail said Nafcoc's plans to draft three Nail directors, including chairman Nthato Motlana, on to a new Afbank board, would leave the three facing a basic conflict of interest.

The other two proposed directors are Afbank's chairman, Sam Motsuenyane, and Telkom's chairman, Dikgang Moseneke.

Motlana's group holds an effective 41 percent in Afbank but Nafcoc has claimed a power of veto over all plans to save it.

Rob Dow, the managing director of Nail's merchant bank Pleiade, said that as board members of Nail, the three owed a fiduciary duty to the company and he questioned how they could be proposed as directors of a reconstructed African Bank in any other capacity.

Media unfair to Mandela

(58) Sowetan 27/9/95

African Bank is not necessarily under curators 'kiss of death'

By Kader Asmal

Mr Kader Asmal

THE DISTRESSING EVENTS surrounding African Bank have, inexplicably, been used by some commentators to criticise President Nelson Mandela. *Sowetan* has been in the forefront of this, with a battery of critical articles.

Much of the criticism is based on the myth that, through some power not granted to other mortals, Mandela is able to step in to salvage any situation.

Whatever remarkable talents Mandela possesses, it should be appreciated that there are limits to his powers. There are limits to his capacity to change hard reality, too.

It is time all South Africans ceased expecting his intervention whenever their lives become inconvenient or threatened.

What, then, should we make of the African Bank affair, and of the criticisms levelled at Mandela? Those more technical in these matters will debate the issue at length, but I would like to offer a few thoughts.

African Bank has been a major plus factor in black empowerment. Because of our past history of discrimination against blacks, its pioneering activities have of necessity involved risk and required courage.

Bruised but head high

African Bank emerged from the apartheid era bruised but holding its head high. Some past mistakes and, more recently, shoddy management, have contributed to the bank being placed under a curator. Clearly, steps must be devised to put it back on the path to success, if at all possible.

These troubles have come, ironically, at the very moment when the bank was expanding, and when the changed circumstances in the country promised to make its activities less problematic.

It would be a terrible pity, therefore, if it were allowed to fail – and I have no doubt Mandela shares this view. The Finance Minister has also shown himself to be by no means unsympathetic or inactive.

But it must be faced that, before a good government decides to take action with taxpayers' money, it should first gain the facts; hence the importance of the curator's report.

The next few days will show whether something can be done for the thousands of small investors who face such unwarranted deprivation.

Yet to focus such powerful attention on Mandela – as *Sowetan* has – as the person who should step in and save the situation is less than fair.

Sowetan headlines such as "Blacks not impressed by President's refusal to rescue African Bank" lose sight of the fact that we do not live in the comfy era when a cool billion rand or so could be used by Government to bail out a bank at taxpayers' expense. We have to demonstrate better moral and ethical norms than those employed in the previous era. Now we live in an open, democratic environment in which the appropriate authorities must grapple with such matters themselves and not look constantly to Mandela for initiatives.

The insinuation that Mandela, privy to what was going on, could have supplied his lawyer with privileged information is less than worthy. As the public knows, Mandela ordered that the money taken out of the bank by his lawyer without his knowledge just before the curatorship, be replaced.

It is some small consolation to see *Sowetan*'s Political editor (September 14) saying this issue has now "seemingly been laid to rest". Yet he persists in arguing that Mandela should have given the bank a "real lifeline", and claiming this alleged failure had brought him "immense criticism" from within the black community.

It is stories like these that will fan any criticism that may exist. The full facts must be established before judgments can be made.

The assumption is widely publicised in *Sowetan* that curatorship means demise – or, as your September 15 report so unhelpfully puts it, "the kiss of death". The effect this has on depositors who are *Sowetan* readers is obvious.

Comment in other newspapers by those intimately involved in the curatorship suggests that prospects are good to salvage the bank. Your "kiss of death" reference is hardly calculated to help shore up confidence in the bank, since everyone knows that confidence is the key to a bank's success or failure.

The informed view appears to be that African Bank's problems are small by comparison with recent collapses and that no "kiss of death" conclusion should summarily be drawn. One can only hope that out of this important controversy will emerge a credible strategy to save African Bank (with whatever involvement by the Government is possible and justifiable) and the putting in place of arrangements that provide security in future for depositors who face ruin in circumstances where banks collapse – not to mention ensuring proper management and supervision.

Also, a country now committed to openness can expect answers to be given to the numerous questions that arise – and can hope than any improvements in public reporting of banks' solvency and financial performances that are shown to be necessary will be introduced.

It might reasonably be suggested that the banking institutions which enjoyed such ready support in the past era should now rally round to assist a bank that was bravely leading the way into the new era.

This would surely be one way to pay back some of the easily obtained gains of the past; particularly in a sector where black empowerment has meant little more than appointing a few black people to the board whilst still maintaining white dominance of the sector.

Difficulties appreciated

And, to emerging investors, one must say two things: 1. Specifically to African Bank depositors – your difficulties are fully appreciated and it is fervently hoped that they will be rectified; and 2. More generally to emerging investors – we now live in an era of freedom and non-discrimination which gives us all the means to ensure our own improvement.

There will be both risks and opportunities. But, rather than adopting a whining attitude and an expectation of automatic succour if things go wrong, one should rise to the challenges and opportunities.

Might one also make an appeal to newspapers? In exercising their unfettered right to publish what they think fit, they should try more effectively to focus their criticisms on real targets.

(Kader Asmal is a Cabinet Minister and chairman of the National Assembly's Ethics Committee.)

Bank to stay black

Sowetan 27/9/95

(58)

By Mzimkulu Malunga

ANY rescue package for African Bank must enshrine the retention of black control, says National Federated Chamber of Commerce and Industry's president Mr Joe Hlongwane.

Speaking in Johannesburg yesterday, Hlongwane said his organisation also demanded that rescue packages be accompanied by a thorough overhaul of the management and board.

He hinted that the new board of the bank could comprise himself, Sam Motsuenyane, Dr Nthato Motlana and Advocate Dikgang Moseneke.

He said while Nafcoc appreciated proposals to rescue the bank by groups like New Africa Investments Limited, the organisation was putting together a rescue plan through its investment arm.

However, Hlongwane was tight-lipped about details of Nafcoc's proposed rescue plan.

Nafcoc had not communicated its intention to Nail but was hopeful the two parties would agree on the way forward for the bank.

The organisation also wanted to hold a "significant stake" in the restructured African Bank.

Nafcoc claims control of Afbank

CT(BR) 27/9/95 (58)

By Andy Duffy
Staff Writer

The National African Federated Chamber of Commerce and Industry (Nafcoc) is claiming control over African Bank's fate, setting itself on a collision course with the Reserve Bank and the bank's curator.

The chamber said yesterday that it was taking power of veto over all plans to save the bank and that any rescue should leave the chamber with a controlling stake in African Bank.

The chamber, claiming a mandate from individuals holding 35,3 percent of Afbank's equity, also promised that all Nafcoc-inspired deposits and shareholdings in the bank were safe.

The chamber had already decided that core members on Afbank's new board would be Nafcoc president Joe Hlongwane, New Africa Investments (Nail) chairman Nthato Motlana, Afbank founder and chairman Sam Motsuenyane, and Telkom chairman Dikgang Moseneke.

Rescue plans would have to be channelled into the chamber's new investment company, the chamber said, which was also seeking backing from an unnamed bank.

The plans were to be detailed to Afbank shareholders at a meeting yesterday.

"Whoever has a plan will have to talk to us," Hlongwane said.

"Nafcoc represents a broader base of shareholders. We want to keep this bank in the hands of black people. The shots will be called by us, that's for sure."

But KPMG partner John Louw, Afbank's curator, warned that the chamber's claims could scupper Afbank's rehabilitation.

At least ten potential Afbank rescuers are due to table their proposals to KPMG by Friday.

"I'm calling the shots," Louw said. "This has nothing to do with Nafcoc. I don't recall Nafcoc being on the list of shareholders."

Christo Weise, the Registrar of Banks, said KPMG was in charge of Afbank under the terms of the Banks Act.

Afbank went into curatorship earlier this month, hit by bad debts and poor management.

Nail, which holds an effective 41 percent stake in Afbank, has already announced a R1 billion recapitalisation for Afbank and plans to draft in expertise from American investment house Donaldson, Lufkin and Jenrette.

Rob Dow, the managing director of Nail's merchant bank Pleiade, said he had known nothing about the chamber's plans, but that Motlana and Moseneke were planning to meet Hlongwane. Nail had no obligation to clear its plans with the chamber, he said, but would be interested if the chamber wanted to buy a stake in the revitalised bank.

Hlongwane said talks with Nail were paramount, though there were other interested parties.

Afbank's links with the empowerment struggle meant that it could not be allowed to fail, he said.

CALLING THE SHOTS *The Nafcoc circle of power, Peter Rabali, right, the vice-president, Joe Hlongwane, the president, Cyprian Lekoma, the general secretary, and Elizabeth Maklein, the assistant secretary, after the group claimed veto power over all plans to save Afbank*

PHOTO JOHN WOODROOF

Rival bid launched for African Bank

(58) BD 27/9/95

Amanda Vermeulen

THE National African Federated Chamber of Commerce (Nafcoc) has launched a rival bid for African Bank (Afbank) which could see its holding company take a majority stake in the bank after a R100m recapitalisation plan is implemented.

Nafcoc's announcement comes days after Afbank shareholder New Africa Investments (Nail) announced its plans to transform Afbank into a diversified financial services institution.

Yesterday Nafcoc president Joe Hlongwane said that the organisation was in talks with a major bank on finance and equity partnership. He said, however, that Nafcoc planned to be a significant participant in a bid to rescue Afbank, and would "call the shots" regarding its future.

Hlongwane claimed that Nafcoc members represented about 35,3% of the shareholding of Afbank. It was essential to get the bank back on its feet and to keep it in black hands, he said. He played down the possibility of a conflict with Nail. "Nafcoc helped found this bank in 1975, and that has to count for something."

Funding to recapitalise the bank, estimated at R100m, was being negotiated. Nafcoc would discuss rescue plans with interested parties, but he said he had not held talks with Nail, which has a 25% stake in the bank.

Hlongwane recently met Deputy President Thabo Mbeki, and received assurances government was sensitive

Continued on Page 2

African Bank

(58) 27/9/95

Continued from Page 1

to the bank's predicament.

He said plans for the bank also included a major restructuring of its board. A task force would be created to monitor and report to government on initiatives and the progress of the Afbank investigation.

The new board would also address the issue of management.

Nail MD Jonty Sandler said the group would welcome working with Nafcoc to put together a bid to save Afbank. He said he could not comment on Nafcoc's intention to take a controlling stake in the bank.

Meanwhile, **Beatrix Payne** reports local stockbroker Frankel Pollak Vinderine's trading agreement with investment bank Donaldson, Lufkin & Jenerette (DLJ) could be scuppered as a result of the joint venture between the New York-based bank and Nail's merchant banking operation, Pleiade Investments.

Frankels established a joint solicitation agreement last year with DLJ and Japanese bank Yamaichi, but DLJ announced last week that it would invest R25m in Pleiade as part of a bid to rescue African Bank.

The terms of the solicitation agreement with Frankels would "probably be superseded" by the bank's partnership with Pleiade, DLJ CE John Chalsty said from New York yesterday. The agreement would either fall away or become "relatively inactive".

Frankels director Sydney Frankel said yesterday: "Our relationship with DLJ stands but we are not involved with African Bank at this stage."

Chalsty said DLJ's main focus in SA would be the merchant banking venture.

"Frankels was very helpful in introducing us to the SA business environment but there was no partnership or formal exchange of equity."

The bank would still be interested in any proposals that Frankels might introduce to it.

Picture: Page 4

New bid to resuscitate Afribank

(58) Sowetan 28/9/95

Four groups show interest in rescueing ailing black bank

By Mzimkulu Malunga

AFRICAN BANK officials are proposing to set up a new structure whose priority will be to take the bank out of curatorship.

The bank's advisory and management boards yesterday held talks at the offices of the Gauteng region of Nafcoc to explore ways to be followed. Earlier estimates suggest that it will take between R50 million and R100 million to get the bank back on its feet.

Although the loans that the bank has issued are worth about R100 million, bad debts or loans that will have to written off are estimated to be on the R28 million mark.

It was not yet clear whether the proposed structure was part of Tuesday's remarks by Nafcoc's president Joe Hlongwane who announced that his organisation was putting together a rescue package for the bank.

A number of parties are said to be putting forward proposals to the curator outlining their rescue plans.

So far four groups have gone public that they want to be involved in helping the bank recover from the present financial crisis.

Apart from Nafcoc, the bank's influential shareholder New Africa Investments Limited and tobacco group Rembrandt have declared their intentions to get involved.

Earlier reports had also suggested that a Malaysian investor, in conjunction with the black-controlled African Development Corporation, was also interested in entering the race to rescue African Bank.

There has also been a talk of another consortium of black business people that wants to be involved.

BUSINESS

"You can try African Bank"...Ralph Zikalala was told.

Funds? Not for blacks

(58) (38) Sowetan 28/9/95

Black business people find top banks are not so friendly

By Mzimkulu Malunga

SOME SOWETO business people are terminating their accounts with major banks in favour of small ones because of what they term "bad treatment".

A number of business people say the banks treat them as "numbers" and have no personal touch, whereas at small ones they get better treatment.

One such business person is Solly Tshesane, who says "I pulled out my resources" from Standard Bank and First National Bank in favour of a smaller bank because there he was not just a number.

"In big banks before you get an appointment with a manager, you have to go through a lot of red tape," he says. Since moving to a smaller bank, Tshesane says the situation has improved.

But Ralph Zikalala has not been as lucky. He says he left Standard Bank early this year after his loan application was turned down.

Zikalala, who owns Club 707, says he applied for a loan to expand his business and used his house as security.

The bank went to evaluate the house but the application was turned down because of what the bank called the "risk factor in Soweto", he says.

When Zikalala wanted to know how much his house was worth, Standard Bank declined to reveal details of its evaluation, arguing that they were confidential.

In protest, Zikalaka decided to try his luck somewhere else. "I related my problem to one manager at Nedbank's Industria branch and he told me that there was no problem and Nedbank could be of help."

But after he made an application for a R100 000 loan and the bank had valued his Soweto home – which he used as security – Zikalala's application was declined.

The branch manager said the decision to decline the loan was not his and gave Zikalala a number to call.

"When I called the number he gave me, the lady who answered the phone told me that if I was not satisfied with the fact that my application had been declined then I could go to the African Bank – this was after African Bank was reported to be having financial problems," he says.

When *Sowetan* contacted the Standard Bank manager who was handling Zikalala's loan applications, he initially said he was not prepared to discuss the matter over the phone and suggested we set up an appointment.

Half an hour later the manager called back. He said he had consulted with his superior who advised him not to see us.

Sanctions threat

Zikalala says after *Sowetan* had contacted the bank, the manager phoned Zikalala threatening him with sanctions in future as punishment for going to the media.

As for Nedbank, *Sowetan's* inquiry was referred to the public affairs section. A public affairs representative said due to the technical nature of the complain, it should be in writing.

Another Soweto business person who left a major bank in protest against service is Thami Skhenjane.

"The service is terrible. Anything you want, no matter what it is, the answer is no," he says.

Soweto Chamber of Commerce and Industry's executive director Max Legodi says the chamber is aware of serious problems that that some business people have with major banks. Talks have already been held with First National Bank and Absa as the first step to address the problem.

"The two banks have acknowledged that black business people have not been getting proper treatment and that the issue should be addressed," he says. However, says Legodi, at the moment there are no systems in place to correct the problem.

BoP deficit at R1,5bn as imports soar

(58)

STAFF WRITER

CT(BR) 28/9/95

South Africa incurred a deficit of more than R1,5 billion on the current account of the balance of payments in August, according to provisional data from customs and excise.

But customs has recently acquired a reputation for inaccuracies in its presentations of the monthly trade figures, and its calculations for last month must be treated with caution.

But if the figures are even roughly accurate they show a massive deterioration in the current account position for August compared with July, and they indicate that the overall balance of payments remains a problem for South Africa.

Customs said that in August exports were R9,24 billion against R9,41 billion in July. Over the same period the monthly import bill surged from R9,09 billion to R9,76 billion. The net outcome was that the balance of trade moved from a surplus of R320 million in July to a deficit of R520 million in August.

However, the total current account includes payments and receipts for services, or "invisibles", headed by interest and dividend flows, tourism, shipping and insurance. In the first half of this year South Africa had an average monthly shortfall of more than R1 billion on this account.

Thus, if the customs estimate of a balance of trade deficit of R520 million for August is somewhere near correct it would mean a full current account deficit for the month of over R1,5 billion. With the Reserve Bank reporting an official current account shortfall of R5,6 billion for the first half of this year this would suggest a current deficit for the full year of a minimum R10 billion.

This could be financed by capital inflows, but the Reserve Bank is rightly worried about the extent of short-term foreign borrowing. Also, while the high level of imports can be seen as a plus, there must be concern about the disappointing level of exports.

Customs said that for the eight months from January to August this year exports were R67,49 billion against imports of R66,18 billion, leaving a balance of trade surplus of R1,32 billion, against R10,43 billion last year.

Battle for AfBank opens on another front

(58) CT(BR) 28/9/95

By Llewellyn Jones and Thabo Leshilo

The battle for African Bank opened on another front yesterday as New Africa Investments (Nail) questioned a key pillar of the rescue plans proposed by the National African Federated Chamber of Commerce and Industry.

Nail said Nafcoc's plans to draft three Nail directors, including chairman Nthato Motlana, on to a new Afbank board, would leave the three facing a basic conflict of interest.

The other two proposed directors are Afbank's founder and chairman, Sam Motsuenyane, and Telkom's chairman, Dikgang Moseneke.

Motlana's group holds an effective 41 percent in Afbank but Nafcoc has claimed a power of veto over all plans to save it, saying it represents more black shareholders.

Rob Dow, the managing director of Nail's merchant bank Pleiade, said that as board members of Nail the three owed a fiduciary duty to the company and its shareholders and he did not understand how they could be proposed as directors of a reconstructed African Bank in any other capacity.

"But it depends on who Afbank's shareholders are after the reconstruction," Dow said. "If Nail were not included in the rescue programme, there would be no conflict.

"There are other plans which make a lot of sense and Nail does not wish to be prescriptive in any way."

Benjamin Wauchope, Nafcoc's chief executive director, said Nafcoc would like to see Motsuenyane included in any plan to rescue the bank, which was placed under curatorship earlier this month.

Said Wauchope: "Motsuenyane represents continuity in the bank. He is the moral authority of the bank. Any decision which excludes him will give the wrong impression that he was responsible for the bank's failure."

Mashold exceeds profit target with income of R9m

By Françoise Botha

STAFF WRITER

Mashold, the Western Cape mail-order company, had exceeded its profit target for the 18 months ended on August 31, said Marco van Embden, the chief executive.

In terms of the restructuring agreement with financial institutions, the group was required to achieve cumulative operating income of R7,314 million during the period, but "this figure will be closer to R9 million", said Van Embden.

Speaking at the group's annual general meeting yesterday, Van Embden said the strong recovery had continued during the first six months of this financial year.

This had been achieved by a strong focus on asset management and a reduction in the debt burden, which would continue, he said.

The group turned a R12 [illegible] loss into a R4,9 million [illegible] year to end in February.

John O'Sullivan, the financial director, said the group was expected to return profit of R4 million for the first half of this year and stronger results could be expected in the second half.

The mail-order business continued to perform ahead of budget during the present six month period and the direct-selling business, which had returned to profitability, was expected to make strong contributions to earnings growth, said O'Sullivan.

"Turnover of Table Charm was already 25 percent up and improved stock levels and an increased sales force had contributed to very strong performance since the second quarter," said O'Sullivan.

The group had established a stock disposal division to sell end-of-range and surplus clothing stocks. The actions taken to reduce stock holdings, combined with the increased profit and the cash realised from the rights issue would lead to a further drop in borrowings over the next two years, said Van Embden.

Call for improved lending policy

(58)

Louise Cook

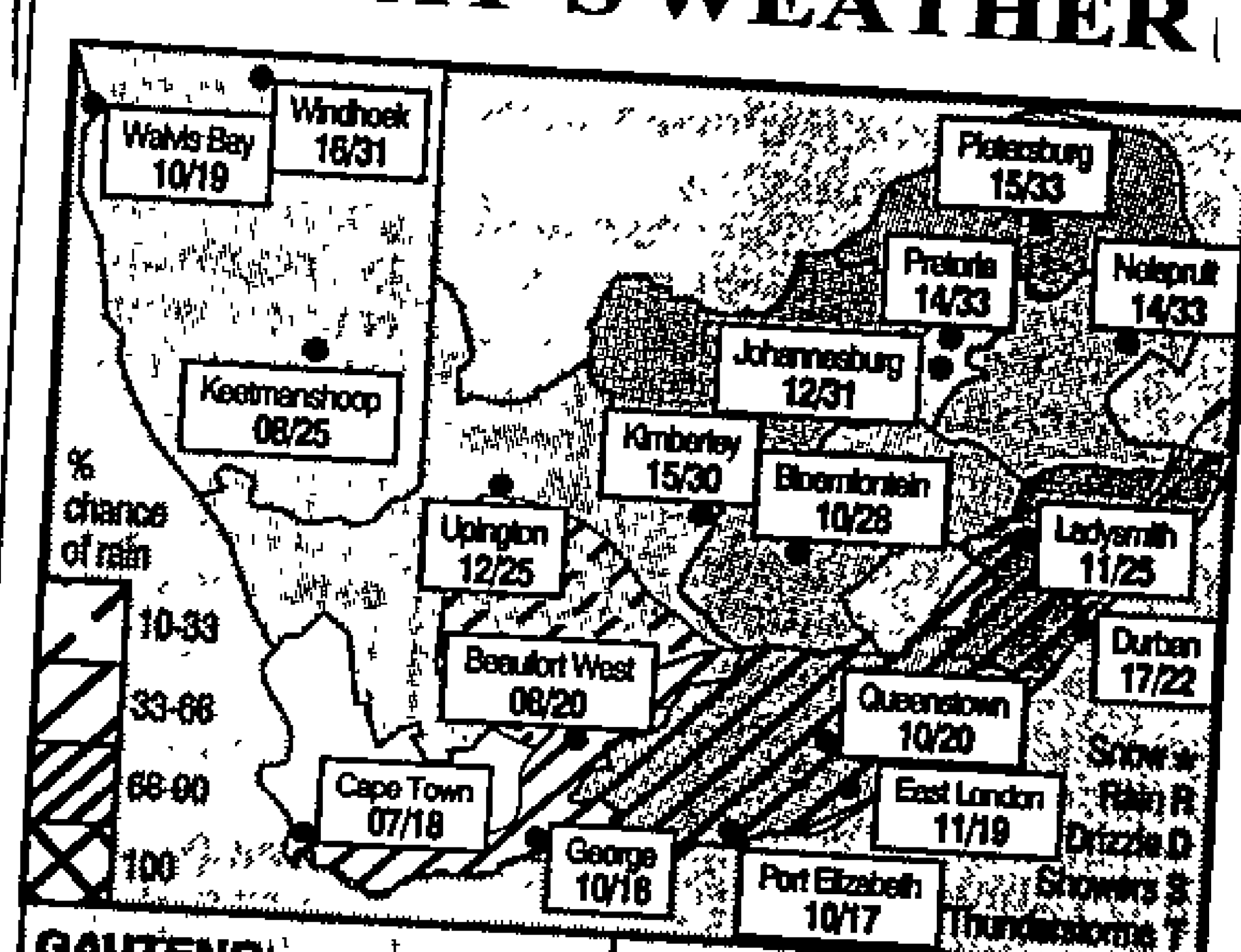
BD 28/9/95

BLOEMFONTEIN — Non-governmental organisations had been useful vehicles in transferring financial assistance to disadvantaged rural people, but they had to expand more rapidly and adopt more appropriate lending policies, the Agricultural Economics Association conference heard yesterday.

Rural Financial Services Commission adviser Douglas Graham said new initiatives and group lending schemes should be developed.

Graham said the village bank movement in Northwest province, where financial service associations guaranteed money borrowed from banks, had worked well. He criticised parastatal lending policies of the past, saying heavily subsidised interest rates on lending to the rural poor were not sustainable.

TODAY'S WEATHER



GAUTENG FINE and hot.

NORTHERN CAPE PARTLY cloudy, hot with thundershowers.

NORTHWEST PARTLY cloudy and hot.

EASTERN CAPE PARTLY cloudy and mild with rain.

NORTHERN PROVINCE FINE and very hot.

WESTERN CAPE PARTLY cloudy and mild with rain.

MPUMALANGA FINE and hot.

KWAZULU-NATAL PARTLY cloudy [illegible]

FREE STATE PARTLY cloudy and hot.

NAMIBIA PARTLY cloudy and hot.

Global temperatures

	Min	Max		Min	Max		Min	Max
Amsterdam	13	17	Lisbon	16	25	Rome	14	25
Brussels	11	17	London	14	17	Sydney	10	15
Buenos Aires	15	24	Los Angeles	19	29	Taipei	22	28
Frankfurt	10	17	Moscow	06	16	Tel Aviv	21	29
Geneva	08	17	New York	14	19	Tokyo	21	24
Harare	14	31	Paris	12	18	Toronto	05	17
Hong Kong	25	29	Rio de Janeiro	17	28	Vienna	14	21

INSURANCE

Running for cover

FM 29/9/95 (58)

Prokor, an insurance broker tribunalised (authorised) by Lloyd's, has placed about 6 200 clients with Steven Daly Holdings/Gardiennage. For months they had not been covered by a registered insurer, though Prokor insists it had been trying to arrange cover. The arrangement is backdated to August 1 and Prokor is supported by many Insurance Brokers Council members, each acting in a subagent capacity.

The deal with Daly may have a connection with the investigations under way into brokers and underwriting managers, mounted by the Financial Services Board, which has so far seen two "underwriting managers" — Eagle and Profin — closed down. Both were shown to have taken millions of rand in premiums, to have paid some claims and to have acted apparently as underwriters — though they were not licensed under the Insurance Act (*Economy* September 22).

Since then, there has been a run for legitimate cover by a number of agents, details of which are emerging on a daily basis.

Though the FSB is aware of problems at Prokor, it has declined to confirm it is investigating.

Prokor's problem may be that it had the wrong class of legitimacy. It was tribunalised to operate in the open market, which is different from owning a specific Lloyd's binder.

Lloyd's general representative in SA Ronnie Napier confirms that the company was authorised to transact several classes of business but, without the support of a binding authority, this had little weight.

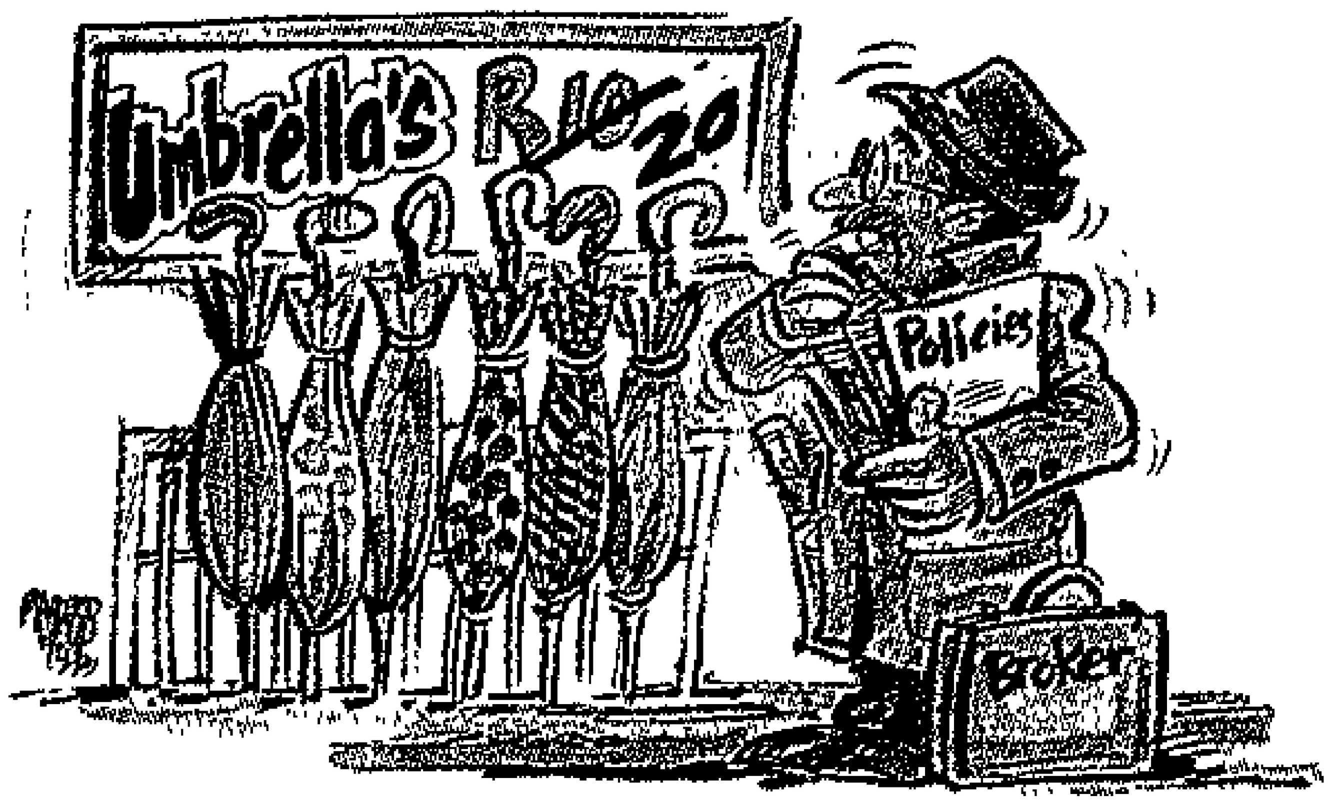
Don Daly (Steven's father), who "owns" the Gardiennage binder, confirmed this week that cover, backdated — "but at a suitable price" — had been finalised last week "in the general interests of policyholders."

Prokor MD Karl Borchard says: "We were victims in this. We had tried for months to find a suitable carrier, but none of the leading insurers wanted more short-term business. All premiums taken from policyholders, when they were not on risk with a licensed underwriter, are in trust. After we have paid legitimate claims, I have no problem with the fact that the money belongs to the policyholders."

Meanwhile, Absa Insurance — mentioned last week as one of the underwriters often quoted by agents who have been challenged about the existence of their underwriting — has closed the door on any dubious business. A spokesman says business can be introduced only by two agencies, which have been thoroughly checked. "We do not accept business from subagents."

Protea Insurance has also fired at least one agency after checking the directors' reputations.

With Lloyd's and the local market all aware that underwriting reputations are at risk, life is becoming more difficult for the brokerages and agencies which offer nonexistent cover.



Persistency, however, seems a characteristic of the sting operators. Steven Daly says his commercial printer asked his authorisation to reprint large numbers of his (Daly's) Assetsline policy documents for an unknown third party.

The flurry of activity since the collapse of Eagle Underwriting in August raises many questions.

How many insurance clients, for how long, were technically not covered because they trusted their agents and brokers? It will take a vigorous and lengthy investigation to find out, not just that, but who profited from the situation.

For Lloyd's, which recognises 93 agents or brokers in SA, the operation could develop into a nightmare. New legislation will make it unnecessary for tribunalised agents to submit any returns to the FSB The policing job will then pass to Napier. *Bryan Deans*

ASSET SWAPS

New horizons

The US$60m asset swap, the largest so far, arranged this week by Norwich Life — with Montgomery Asset Management — is an indication that the concept is working well for those who have already tried it.

They are the Iscor Pension Fund ($25m with GT Management), Standard Bank ($8m with State Street Asset Management), and Sanlam (at least $30m with a party yet to be announced).

Counterparties have shown no signs of shedding their recently acquired assets. Nor were assets in any of the transactions swapped at a discount — thus discouraging arbitrage. This raises the possibility that the Reserve Bank will see its way to relaxing the existing requirements.

"Montgomery is one of the world's oldest emerging market investors, with substantial investments already in SA," says MD of Norwich Investments Louis Fourie. "We were able to provide it with very specific lines of stock."

The key to successful asset swapping lies in choosing the right counterparty.

The Bank (the administrator of exchange controls) needs to protect the integrity of the gross gold and foreign exchange reserves but is not in a position to place restrictions on foreign investors. Moreover, an attempt to do so would prove an em-

BULLISH BONDS

Optimism about key economic data due for release this week — producer prices, consumer prices, trade and money supply — pushed down bond market rates. Government's R150 was trading at 15,31% (15,425% at Friday's close) late on Tuesday, and Eskom's E168 was at 15,31% (15,44%).

Sentiment was boosted by JP Morgan's announcement that it would sponsor depository receipt trading in Eskom rand-denominated bonds, to ease offshore purchases of the series E167 to E170.

There was good news later in the day for bond bulls when the US investment bank announced a further addition to the fledgling Eurorand market. It is to lead manage the issue of a R250m Eurobond by the European Bank for Reconstruction & Development.

Like the pioneer issue by Merrill Lynch, the paper has a three-year tenor. Yield-to-maturity is 14,33%, with a semi-annual coupon of 14,75%.

barrassment so soon after the abolition of the financial rand.

So the authorities have put the onus on the SA parties in the swap. While the foreign counterparty is free to unload its SA holdings at any time, the Bank can insist the SA party either finds a new buyer for the assets, or sells the foreign assets acquired in the swap and repatriates the funds.

To avoid this, domestic parties have done deals only with foreign investors who are unlikely to sell their SA assets in the short term. Usually, this means looking for investors who want to increase their SA holdings to match the IFC and Morgan Stanley emerging market indices, in which SA was only recently included.

Given the illiquidity of the JSE, many offshore investors would otherwise have struggled to achieve the target weighting with the quality stocks desired.

Matching counterparties' divestment isn't the only guideline to which SA institutions have to adhere.

"Interest and dividend flows held by us have to be repatriated within seven days, a requirement of exchange control," says head of asset management at Standard Corporate & Merchant Bank Derick Finlayson.

"We are also barred from investing in derivatives, and it is recommended that we keep out of relatively illiquid assets, such as property, in case we have to repatriate our portfolio quickly."

SA institutions are limited in the assets they may invest abroad: up to 2,5% of pension fund assets; or the free reserves of life assurance assets. Unit trust assets may not yet be invested abroad.

Asset swaps are also useful for the Bank, postulates Fourie: "By encouraging swaps, the Bank can partly remove the effect of short-term portfolio flows on reserves. At the same time, it's creating a buffer of offshore assets in case of a future crisis."

Is there much more of an appetite for swaps?

Certainly, there can only be a limited number of foreign investors who would fit the bill required by the Bank, and Fourie believes the saturation point for asset swaps in their current form may be near.

In that case, the next step can only be further relaxation of exchange control. ■

CONFERENCE

The Economic History Society of Southern Africa, founded in July 1980, is hosting a conference this week. The discussions will centre on "a modern SA." The keynote speaker will be Oxonian Colin Newbury.

The conference will be held at the Rand Afrikaans University history department auditorium, D-block, C-ring, sixth floor. It will start at 2 pm on Thursday and resume the next day at 9 am. Those interested should make further inquiries from the society president, economic historian Stuart Jones, on (011) 788-9453, or John Inggs on (012) 429-4464.

GDP

Good mix

Figures for second-quarter GDP growth, released by the Central Statistical Service in August, showed growth of 0,8% The breakdown that accompanied the release related to output only. The figures in the Reserve Bank's *Quarterly Bulletin*, published last week, include an expenditure breakdown.

What is important about this breakdown is that the composition of expenditure is a critical clue to the sustainability of the recovery.

While private consumption expenditure grew 3,7%, government consumption expenditure rose only 0,2% (the figures are quarterly changes seasonally adjusted and annualised).

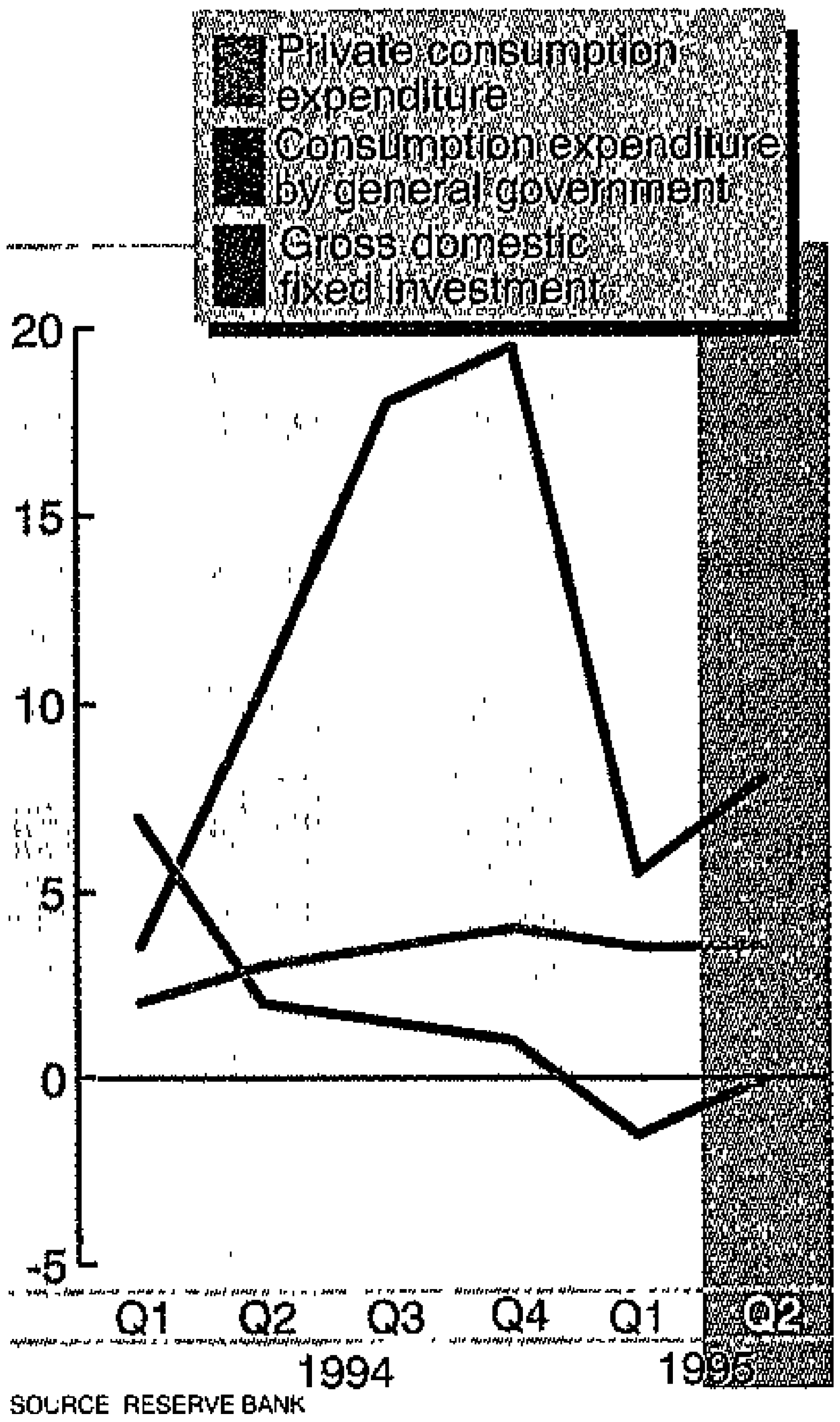
This follows first-quarter figures which showed private consumer spending growth of 3,4%, while government consumption fell 1,3%. It is a healthy break in the pattern — established in the Eighties and continued almost uninterrupted to 1994 — of government spending growing at a faster pace than that of the private sector's.

Equally important, gross domestic fixed investment rose 8,1%. This implies an increase in SA's productive capacity and that the trade balance will be in better shape.

This in turn means less pressure to increase interest rates and that the lifespan of the recovery will be longer than it would have been if consumer spending growth had been roaring ahead of capex. ■

HOW SA SPENDS

Percentage change at seasonally adjusted and annualised rates



SOURCE RESERVE BANK

CURRENCIES

Into safe havens

As far as the currency markets were concerned, Germany's Finance Minister Theo Waigel was only stating the obvious when he said it was unlikely that Italy would be able to put the lira into a single European currency in 1999. But the statement set an uncomfortable cat among the pigeons at the European Union's informal summit in Majorca and started a minor market panic into safe haven currencies

It has always been clear that the high-debt countries among the EU's 15 would find it impossible to meet one of the key "convergence" criteria for the single currency agreed in the Maastricht Treaty. Achieving the required 60% ratio of gross debt to GDP in just three years looks out of the question for Italy (on 122%), Belgium (138%, but falling), Ireland (120%) and Sweden (84,5%, and rising).

The issue was whether, for political reasons, the EU would water down Maastricht to lessen the dangers inherent in a two-tier single market (*FM* September 15).

At the Majorca summit, German Chancellor Helmut Kohl tried to assuage injured Italian feelings by expressing "sympathy" for a fellow member "making important efforts" to bring down its debt and budget deficit (7,8% of GDP vs Maastricht's 3% target) After all, Italy was one of the original six of the EEC, the foundation stone of which is the Treaty of Rome.

But there was no escaping the widening of divisions which Waigel's realism caused among the EU. The weaker countries, such as Spain and Italy, suspected a hidden German agenda for stricter rules on convergence, while British Prime Minister John Major said the whole issue of a single currency should be reconsidered, given the risks to political and economic togetherness in the EU.

And though Kohl said there were to be "no new criteria," he was not supported by the Bundesbank (Buba). One regional Buba governor — Reimut Jochimsen, of Dussel-

Friday September 29 1995 SOWETAN

D-day for bid on Afribank

(58) Sowetan 29/9/95

By Mzimkulu Malunga

TODAY is the deadline for proposals from parties interested in buying African Bank.

Seventeen potential investors – 10 local groups, five overseas and two unknown consortiums are in the running to buy the bank.

However, there is growing fear in black business circles that there could be some groups who are plotting to wrest the bank's control from black hands.

The fears have been caused by rumours that some of the major banks could position themselves to take over African Bank.

Since the beginning of the year, all the major banks have formed new divisions which are planning to compete in the market which has been African Bank's terrain.

None of the newly formed structures have established a branch network to match that of African Bank and it is rumoured that some of these institutions see purchasing the bank as the quickest way to establish countrywide branch networks for their new divisions.

On Wednesday members of the bank's former board and some shareholders, established a new structure whose prime intention is to take the bank out of curatorship while retaining black control.

The structure includes New Africa Investments chairman Dr Nthato Motlana, National Sorghum Breweries chairman Mr Mohale Mahanyele and the bank's chairman Mr Sam Motsuenyane.

The committee will co-opt people as it goes along. Other people who still have to confirm membership to the committee include Advocate Dikgang Moseneke and National African Federated Chamber of Commerce president Mr Joe Hlongwane.

Meanwhile, many of the bank's clients are said to be facing bankrupcy as their money is still tied up as the bank's assets. Some clients say they cannot pay their employees.

Probe targets top Afbank officials

(58) BD 29/9/95

Amanda Vermeulen

THE Office for Serious Economic Offences would investigate possible fraud charges involving former African Bank CEO Jack Theron and others, office director Jan Swanepoel said yesterday.

This follows a request by the bank's curator, John Louw, for an investigation. Swanepoel said the probe would begin almost immediately. Theron could not be reached for comment.

Meanwhile, Louw said he had received more applications for the report compiled for prospective investors in the bank. There were now 11 SA applicants, four foreign ones and two more requests from agents acting on behalf of anonymous parties.

Thebe Investments' merchant banking arm Msele joint MD Litha Nyhonyha said this week the company, which earlier decided to consider a role in Afbank, had decided not to pursue any short-term involvement. The change of heart came after the National African Chamber of Commerce announced plans to become the major player in an Afbank rescue package.

Nafcoc wants hand in Afbank rescue

(58) WM 29/9 - 5/10/95

Meshack Mabogoane

THE National African Federated Chambers of Commerce (Nafcoc), the main black business organisation, which formed the African Bank and has been its main supporter, has spoken out on the bank's difficulties.

Nafcoc president Joe Hlongwane this week announced his organisation, whose members hold 35,3 percent of Afbank's equity, is determined to get involved in the estimated R100-million recapitalisation exercise.

He said he hoped Nafcoc's newly established investment company would take a significant stake to keep Afbank in black hands. He said it was likely Nafcoc would be a finance and equity partner with a major bank to revive and reposition Afbank.

Banks shy about public opinion

(58) ARG 1/9/95

□ *Only Wesbank taking test so far*

MAUREEN MARUD, Business Staff

FEW banks seem willing to put their service standards to the test of consumer opinion, says a spokesman for the Voice of the Consumer's national service excellence competition.

Ken Loots of Zoo Promotions, the company promoting the competition, said that although consumer complaints were plentiful when it came to banking services in South Africa, only Wesbank had so far entered the competition — in which winners were judged by what customers thought of their service.

It wasn't only banks that appeared unwilling to enter, he said. The motor industry was represented in the contest by only three entries from motor dealers. Not one health club had yet signed up, he added.

"A lot of companies have refused to enter. Some say their service is up to par, while others admit their service is too bad to bear the light of public scrutiny."

Mr Loots said the contest was designed to encourage excellence in service.

"Its purpose is to create a culture of service in South Africa. By entering, companies will be conveying to their customers their commitment to higher standards of service excellence."

Judging will be done by way of a national survey in Cape Town, Johannesburg, Bloemfontein, Port Elizabeth, Durban and Pretoria, beginning after the contest's closing date on September 15.

About 3 500 customers will be asked to identify names and logos of competing companies they have dealt with personally recently.

"Once they have identified companies, consumers will be asked a series of questions relating to service. On the strength of those answers companies will be given star ratings, with the highest being five stars."

Companies that got poor ratings would receive a confidential report from Research Surveys, which would conduct the survey. The results would not be made public if they were bad, Mr Loots said.

Instead, the confidential report would outline those areas where consumers felt the service was lacking in excellence.

In the case of winners, results would be widely publicised, he said.

Winners would be selected in various categories, with an overall winner receiving the Voice of the Consumer national service excellence award.

Between 90 and 100 companies had so far entered the contest. Would-be entrants may call Voice of the Consumer at 24 3672 or Fax 24 0362.

Proceeds of the competition would go to the Consumer Education Trust, an NGO based in Gauteng, the main function of which is to hold seminars and workshops to tell consumers about consumerism.

Jack Theron of Afbank 'missing'

(58) BD 2/10/95

Amanda Vermeulen
and Adrienne Giliomee

JUSTICE department investigators have been unable to locate former African Bank CEO Jack Theron, against whom they have started investigating possible fraud charges relating to the bank's collapse.

Office for Serious Economic Offences assistant director Chris van Vuuren said at the weekend the investigating team could not find Theron.

It had been established that he had not left the country through Johannesburg International Airport, but Van Vuuren was unable to say whether Theron was still in the country.

Van Vuuren would not divulge details of the investigation, other than to say it was continuing and would hopefully be concluded shortly.

Neighbours said at the weekend that Theron's Northcliff, Johannesburg residence had been locked up and they had not seen him for several days.

The investigators have not yet put a sum on the fraud charges being probed.

Meanwhile, weekend reports said differences had developed between National African Federated Chamber of Commerce (Nafcoc) president Joe Hlongwane and new Africa Investments Limited (Nail) chairman Nthato Motlana at a meeting last week on a possible rescue package for Afbank.

African Bank was placed in curatorship last month with doubtful debts of about R100m.

Nail was due to brief curator John Louw at the weekend on a possible R1bn recapitalisation. But Hlongwane has argued Nafcoc should lead the rescue bid as it helped establish the bank in 1975. He says Nafcoc has a mandate from 6 500 African Bank shareholders — an effective 35% — to negotiate a restructuring package.

African Bank bidder calls for former boss's return

(58) CT(BR) 2/10/95

By Thabo Leshilo

Staff Writer

In yet another dramatic twist to the African Bank saga, one of the parties bidding to buy the troubled bank wants Gaby Magomola, who once headed the bank, to return as the chief executive.

Tiny Naidoo, the executive director of African Development Corporation, said the organisation had invited Magomola to fill the position if its bid, backed by a Malaysian investor, succeeded.

Magomola was appointed as the chief executive of Afbank in 1987, at the time the bank's image had been tarnished by a foreign-exchange scandal involving some of its officials.

Magomola managed to restore some confidence in the bank, showing a 16 percent increase in shareholding for 1986/7.

However, he became unpopular with a section of the staff after embarking on a rationalisation and cost-cutting programme. He was finally dismissed by the board in 1989 and replaced by Jack Theron, the man now being blamed for the collapse of Afbank.

Naidoo said he had already sent Magomola's curriculum vitae to his Malaysian partners in the bid for Afbank. Magomola could not be reached for comment.

Magomola's qualifications include a BComm Honours degree from Unisa and an MBA from Ball State University in Indiana. He has worked for Citibank in New York.

His several business interests include a stake in Afritel, the cellphone service provider in partnership with Teljoy.

Meanwhile, John Louw, the curator of Afbank, has extended the return date, September 29, for bids to save the bank to Wednesday.

Naidoo and Nafcoc said it was important that black South Africans retained a significant controlling stake in Afbank.

Naidoo said his bid, being put together by Kingfisher Finance, would see local blacks own 75 percent of Afbank.

Rail and Nail to do battle for Afbank

(58)

CT (BR) 3/10/95

By Thabo Leshilo and Andy Duffy

Two model black empowerment groups, New Africa Investments (Nail) and the Real Africa group (Rail), are set to clash for control of African Bank.

Afbank sources said yesterday that Rail, headed by Don Ncube, would bid for the collapsed bank — putting itself in competition with industry favourite Nail, headed by Nthato Motlana.

Ncube could not be reached for comment, but had said recently that his warnings of the bank's problems had been ignored by Afbank's board.

Other groups expected to table bids to the curator KPMG tomorrow include the South African Commercial, Catering and Allied Workers Union, NBS, Unibank, and a clutch of Malaysian interests spearheaded by the African Development Corporation.

At least three of the bidders have asked Gaby Magomola, fired as the chief executive of Afbank in 1989, to resume the position.

"I am willing to take up the position if properly approached," Magomola said, "because I am still a great supporter of the concept of Afbank."

Magomola's departure from Afbank preceded an acrimonious and public dispute with staff and chairman Sam Motsuenyane.

Meanwhile, Tony Mostert, a lawyer for Afbank's former chief executive Jack Theron, dismissed reports that his client was missing.

Mostert said Theron had not fled, but was picking strawberries in the Western Cape on holiday with his wife.

Theron has been linked to bad debts worth R17 million.

"I am most surprised by these statements," Mostert said. "They are devoid of fact.

"Whoever has made them will have to bear the consequences. It is reckless; they suggest Theron is a fugitive."

Chris van Vuuren, the assistant director of the Office for Serious Economic Offences, also denied that the police were hunting for Theron.

"We have not been searching for him and reports that we are investigating specific fraud charges against him are untrue."

He said his office was investigating "certain transactions of African Bank", but it was too early to detail the investigation.

No Afbank bid from Rail

(58)

Amanda Vermeulen

BD 4/10/95

REAL Africa Investments (Rail) has dismissed claims it would submit a rescue package to African Bank's curator today, saying it had never considered playing any role in the bank.

Rail chairman Don Ncube said yesterday the group had never intended bidding for the bank. Although the group had a focus on financial services through its 46,6% stake in assurer African Life, a bid for Afbank was not part of its expansion strategy.

The curator John Louw will consider various proposals today from parties with rescue packages included in their bids for the bank.

The bank has attracted suitors including shareholder New Africa Investments, the National African Federated Chamber of Commerce, NBS, Malaysian groups, and the SA Commercial, Catering and Allied Workers' Union.

Louw said Rail had not approached him, but as some parties operated through agents, he could not confirm or deny any interest by Rail.

Meanwhile, the Office for Serious Economic Offences' investigation into certain transactions at Afbank was being kept under wraps to prevent alerting any individual who could come under scrutiny.

Sources said the office was concerned that it could be prevented from raiding certain premises on the grounds of violation of privacy under the constitution.

However, director Jan Swanepoel said yesterday that the office still had certain investigative powers under the Investigation of Serious Economic Offences Act.

Bank credit scheme for small business

(58)

Simon Barber

BD 4/10/95

WASHINGTON — A World Bank-supported "apex institution" to increase black small businesses' access to finance is expected to be up and running by November 1, according to Thyra Riley, the bank staff member who has been co-ordinating the project.

"The intent is to develop the capability of the financial system as a whole to reach a much larger share of entrepreneurs from historically disadvantaged groups."

It is hoped that the new mechanism will boost tenfold — to 250 000 — the number of "emerging enterprises" able to obtain credit and other services over the next five years. At the same time, the proportion of commercial bank assets invested in such businesses is seen doubling to 10%.

The scheme was devised by the World Bank and an SA reference group representing government, commercial and investment banks, contractual savings institutions, small business and development corporations. Riley said if the system proved successful in SA it could offer "interesting lessons for other countries".

The bank has provisionally budgeted $500m to help underwrite the scheme which will include incentives and subsidies to promote lending to "black microenterprises". But the actual level of bank financing is expected to be much lower. "We believe we can access other, more appropriate funding, including grant money from donor nations," a senior bank official said.

During a five-year "learning period" the apex institution will offer subsidies to help banks and other lenders "cover the initially high transaction costs of lending to microenterprises", a sum-

Continued on Page 2

Credit

(58)

Continued from Page 1

BD 4/10/95

mary written by Riley said.

The idea is not to provide a permanent crutch, but to establish the viability and broaden the base of the small business loan market. For example, a portfolio of small loans to qualifying microenterprises would be eligible for a subsidy that would "ring the cost of refinancing to around three percentage points below the average cost of funds to the commercial banking system".

The apex institution will also provide portfolio guarantees to limit heavy losses if loss rates become unmanageable. Riley says it will make available "funds and assistance for refinancing, seed grants, capitalisation and institutional development to institutions that are committed to meeting stringent standards of performance".

Those standards, based on international best practice for microenterprise lending, would include 90% on-time loan repayment rates and annual portfolio losses of no greater than 4%.

Apex-supported portfolios would also have to meet "outreach" criteria: at least 1 000 active loans to microenterprises (that is, with loan sizes under R2 000) or 200 loans to small and medium enterprises.

Non-bank lenders, including development corporations and community-based non-government [illegible] organisations, will be eligible for levels of apex support geared to their size and track record. Those that have already achieved substantial efficiency and scale of operations will have access to refinance and capitalisation grants. Those with some experience, but small or high-arrears portfolios, will be eligible for seed grants and "institutional development funds". New entrants with "outstanding potential" will be able to apply for seed grants and technical support.

New Southern Life funds target retirement industry

BD 4/10/95 (58)

Amanda Vermeulen

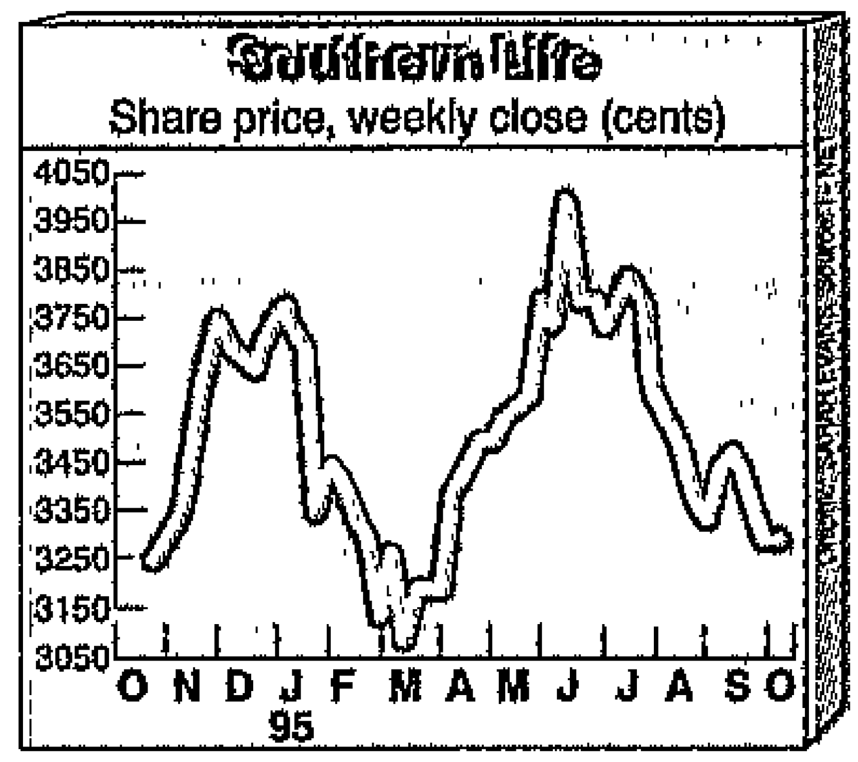
SOUTHERN Life has launched two new funds targeting SA's R450bn retirement fund industry, and is the first SA assurer to offer indexed investment management.

At a Johannesburg media conference held yesterday, newly-launched subsidiary Southern Index Managers CEO Ian Hamilton said the two funds were the Southern Index Equity Fund and the Southern Index Balanced Fund.

Index investment management differs from active portfolio management in that the investment decisions do not rely on portfolio managers, strategies, share selection or market timing.

Southern Life investments executive director Shams Pather said the portfolio tracked either a specific market index or a specially designed index which offered security and stability.

This form of investment management is employed in the US for about 30% or \$430bn of the pension market money and in the UK in 17% or £40bn of the pension market.



"Indexed investment management is an internationally accepted and growing form of fund management that has yet to be developed in SA. As we enter the international arena, we must be aware of these trends and the impact they are likely to have on our markets," Pather said.

Index management and active management were in most cases complementary, Pather said. "By offering both indexed and active portfolio management, Southern Life is able to broaden its approach to the marketplace."

Two specific indices were created, the Southern equity index and the Southern bond index.

The indices were designed to replicate the investment performance of the equity and bond components of an average retirement fund, Hamilton said.

The objective of the Southern Index Equity Fund was to track the performance of the Southern equity index. The Southern Index Balanced Fund "splits the investment between the Southern Index Equity Fund, a bond portfolio tracking the Southern bond index, and cash".

"Historically, the average return of retirement funds has been higher than that of the JSE all-share index," Pather said.

Mandela appeals to industry leaders

CT(BR) 4/10/95 (25?)

By Robert Evans

Reuter

Geneva — President Nelson Mandela, in a strong plea on behalf of developing countries, yesterday urged industry leaders to accept that telecommunications development could not be left purely to market forces.

His appeal, at yesterday's opening of the seventh World Telecom Exhibition, Telecom 95, won some backing from the European Commission president, Jacques Santer, who called on rich powers to show generosity in transferring technology to poorer states.

"Given the fundamental impact of telecommunications on society and the immense historical imbalances, telecommunications must become part of the general public debate on development policies," Mandela said.

"Telecommunications cannot be simply treated as one commercial sector of the economy, to be left to the forces of the free market."

His remarks appeared to reflect resistance among emerging economies to a deal opening up the sector to the extent sought by the United States and some other powers in World Trade Organisation (WTO) negotiations.

"Many developing countries face difficulties in raising capital for their existing operators.

"There is consequently pressure on governments to throw open their doors to international competition," Mandela said.

"This calls for great care, to avoid jeopardising local services unable to compete with powerful international operators."

In a later speech at a forum running parallel with Telecom 95, WTO chief Renato Ruggiero called on governments and the private sector to ensure that a global telecommunications pact was completed on deadline by April next year.

But Ruggiero said it was essential that negotiators, who are to hold a high-level meeting on Friday, established safeguards to prevent abuse of market power by big operators under a world-wide liberalisation programme in the sector.

"Benefits of liberalisation would be severely constrained if it were to remain possible for dominant operators to dictate prices and control access to the infrastructure that is so critical to effective global communications," he declared.

Nafcoc racing to meet Afbank bid deadline

(58) CT(BR) 4/10/95

By Thabo Leshilo

Staff Writer

At least five bids had been tabled to save the collapsed African Bank ahead of today's deadline, curator John Louw said yesterday.

Nafcoc, which has claimed control over the bank's fate, was racing against time to put the finishing touches to its bid to meet the deadline, said Joe Hlongwane, the organisation's president.

Louw would not say which of the 15 parties expected to submit bids had done so.

Hlongwane said Nafcoc would submit a joint bid with the South African Commercial, Catering and Allied Workers' Union and an unnamed banker.

"Nafcoc (and the union) want to have a new-look African Bank that will properly address the issues of black empowerment and the empowerment of workers," said Hlongwane.

The bank, which was formed by Sam Motsuenyane 20 years ago, was put under curatorship last month after being hit by bad debts amounting to R28 million for the year to March, and the effects of apparent bad management.

Southern broadens market approach

(68) CT(BR)4/10/95

By Llewellyn Jones

Staff Writer

Southern Life has become the first South African life assurer to offer indexed investment management to the country's R450 billion retirement-fund industry.

Indexed investment management differs from active management in that the investment decisions do not rely on investment managers, strategies, stock selection or market timing. Instead, the portfolio seeks to track a specific index.

Adrian Arnott, the executive director of employee benefits at Southern Life, said indexed investment management was an internationally accepted and growing form of fund management. In the United States, investment in indexed funds constitutes $430 billion, or 30 percent, of pension market money, and in Britain it constitutes £40 billion, or 17 percent.

"Index management and active management are in most cases complementary," Arnott said. "When offered the choice of the two forms of investment management, clients are likely to select a mixture of both. By offering both indexed and active portfolio management, Southern Life is able to broaden its approach to the marketplace."

But Southern Life has departed from tradition by creating its own indices which are to be tracked — a retirement fund equity index, the Southern Equity Index, and a retirement fund bond index, the Southern Bond Index.

Arnott said the JSE all share index differed from other indices like the FTSE 100 in that it had a large gold share component. "This leads to a volatility in the index which cannot be associated with general economic activity in South Africa. To use the JSE all share index as a portfolio proxy for retirement funds would therefore be unwise."

Ian Hamilton, who was appointed the chief operating officer of the new Southern Index Managers, said the indices were unique as they had been designed to replicate the investment performance of the equity and bond components of an average retirement fund as published in surveys by leading independent actuaries.

Exposure

Southern Life then designed the Southern Index Equity Fund to track the performance of the Southern Equity index, offering a pure equity exposure for retirement funds which preferred to make their own balancing decisions, and the Southern Index Balanced Fund, which split the investment between the Southern Index Equity Fund, a bond portfolio tracking the Southern Bond Index, and cash.

Hamilton said the average return of funds had been higher than that of the JSE all share index.

"By aiming to be in the middle of the performance tables, the portfolios offer trustees the assurance of never being at the bottom of the rankings. Adopting a consensus strategy not only reduces risk, but by lowering the portfolio turnover, also decreases the overall costs.

"Over the long term, the consistency in performance combined with lower management fees and transaction costs should ensure better returns than those that can be achieved by most active investment managers."

Afribank: 70 000 kids face hunger

Sowetan 5/10/95 (58)

The big cleanup begins

A municipal worker sweeps away the rubbish in central Johannesburg yesterday after the South African Municipal Workers Union suspended their three-week-old strike following an agreement with Greater Johannesburg Metropolitan Chamber late on Tuesday night. PIC: LEN KUMALO

By Mzimkulu Malunga

ABOUT 70 000 school children in KwaZulu-Natal could go hungry because African Bank's collapse.

Durban businessman Mr Ephraim Zungu, who has a government contract to feed schoolchildren at 100 pre-primary and lower primary schools in the Pinetown and Maritzburg areas, is on the brink of bankruptcy because his money is frozen in the bank.

Zungu, who employs 45 workers, had invested more than R100 000 in African Bank which he now cannot draw as a result of the bank being under curatorship.

Complicating his problem further is that 10 of the schools he services also have their accounts with African Bank and have not been able to pay as their money is also frozen.

"It is terribly, terribly difficult," Zungu said.

Zungu has written to the bank's curator, Mr John Louw, highlighting his plight and was promised a response "soon" but has since heard nothing from the curator.

Louw said he had no record of Zungu's letter but added that he had received many letters from people.

He said he had seven people who were working on correspondence received since the bank's collapse.

Asked how long it would take before the bank's fate was decided, Louw's response was: "I wish I knew."

Yesterday was the final deadline for interested parties to submit their proposals. Initially, the deadline was last Friday but was extended to yesterday after the National African Federated Chamber of Commerce and Industry asked for an extension.

For the past few days all eyes have been on rescue packages – the most prominent being from Nafcoc and New African Investments Limited.

Originally it looked as if the two parties were going to present joint proposals but differences prevented them from doing so.

After marathon and behind-the-scenes meetings last weekend and early this week, Nail and Nafcoc finally decided to present separate proposals to the curator.

Nafcoc's bid is said to be backed by Unibank, which is 25 percent-owned by a company called Yabeng, which in turn is controlled by the Northwest Development Corporation.

For its part, Nail has teamed up with a New York-based investment bank to back its bid.

There are growing fears that the longer the bank stays under curatorship, the less its chance of recovering in the face of flagging investor-confidence.

Some of the bank's clients have already indicated that they intend closing their African Bank accounts as soon as they get their savings back.

The bank's branch managers are also running out of explanations as angry clients demand their money.

One Free State-based African Bank manager received a death threat from a client who is facing eviction from his house and is unable to access his money in the bank.

● See report on page 15

Afribank: hard times for some

(58) Sowetan 5/10/95

By Mzimkulu Malunga

Large and small clients face ruin while Government drags its feet

WHILE AFRICAN BANK'S curatorship drags on and on, many black business people who have deposited money with the bank are facing bankruptcy

Some face legal action from creditors and others are about to lose major business contracts

Some business people say they have lost faith in the bank But there are others who vow not to turn their backs on what they term "our bank"

Death threats

Also some of bank managers have received death threats from angry clients who want to access the monies they invested in the bank

In terms of the curatorship, only people who have invested less than R10 000 can access R500 of their savings in the bank Those who have deposited more than R10 000 have had all their assets frozen

A Durban businessman who does not want to be named, says his R400 000 is still frozen and he cannot access any of this money

"One of my businesses, which has its account at the bank is going through a terribly difficult time," he says

> The Reserve Bank is refusing to bail out African Bank, arguing that it is insolvent. I think their decision is political

The businessman says he has had to find alternative sources of finance which deepens his debt crisis

But the businessman concerned is at least lucky that he has managed to raise some finance for his business others like Durban businessman Ephraim Zungu are not as lucky

Zungu, who has a feeding scheme contract with the Government and feeds the 69 000 school kids daily, says the scheme is on the brink of collapsing since he no longer has money to sustain his daily operations

He is having difficulty paying the wages of the 45 people he employs He has more that R100 000 frozen in African Bank

To make matters worse for Zungu, about 10 client schools also have their monies frozen in African Bank

He says he has even written to curator Mr John Louw to highlight his plight and was promised that he will get a response but so far he has had nothing

Louw says he has no record of Zungu's letter, but admitted he receives many letters

In the meantime Zungu has been unable to pay his suppliers for the feeding scheme contract and they are threatening to pull out "It is terribly, terribly difficult," he says

But despite the problems, Zungu believes the bank has potential as long as the proper management systems are in place

"I have every reason to support my bank provided there is proper management, he says, adding that what pains him most is that some of the debts are alleged to have been incurred by former chief executive Mr Jack Theron who was seconded to African Bank by the South African Reserve Bank

"But the Reserve Bank is refusing to bail out African Bank, arguing that it is insolvent I think their decision is political," he adds

Two Free State business people Ms Maria Nkoane and Mr Johannes Mothepu are among thousands of the bank's clients who are on the brink of losing all they have as their money is locked up in African Bank.

Both are facing legal action from their creditors for failing to honour their debts

Facing blacklisting

If judgment is given against the two, they will be blacklisted by the credit bureaus and will not be able to access finance in the future

Yesterday, was the final date on which proposals from about 20 groups bidding for the bank had to be submitted The deadline was supposed to have been last Friday but some bidders asked for an extension

There is growing anxiety in black business circles about what they see as the "snail's pace" at which the bank's problems are being handled

While there are many private sector consortiums that have indicated their interest in bidding for the bank, it is not clear what the Government response will be

Initially senior Government officials including President Nelson Mandela, were quoted as saying the Government is not "insensitive to African Bank's problems" and promised action would be taken once the curator finished his investigations

It is almost two weeks since Louw released his report and there is is yet no word from the Government

Government sources say that Mandela is "sympathetic" but Finance Minister Chris Liebenberg is reported to be "difficult"

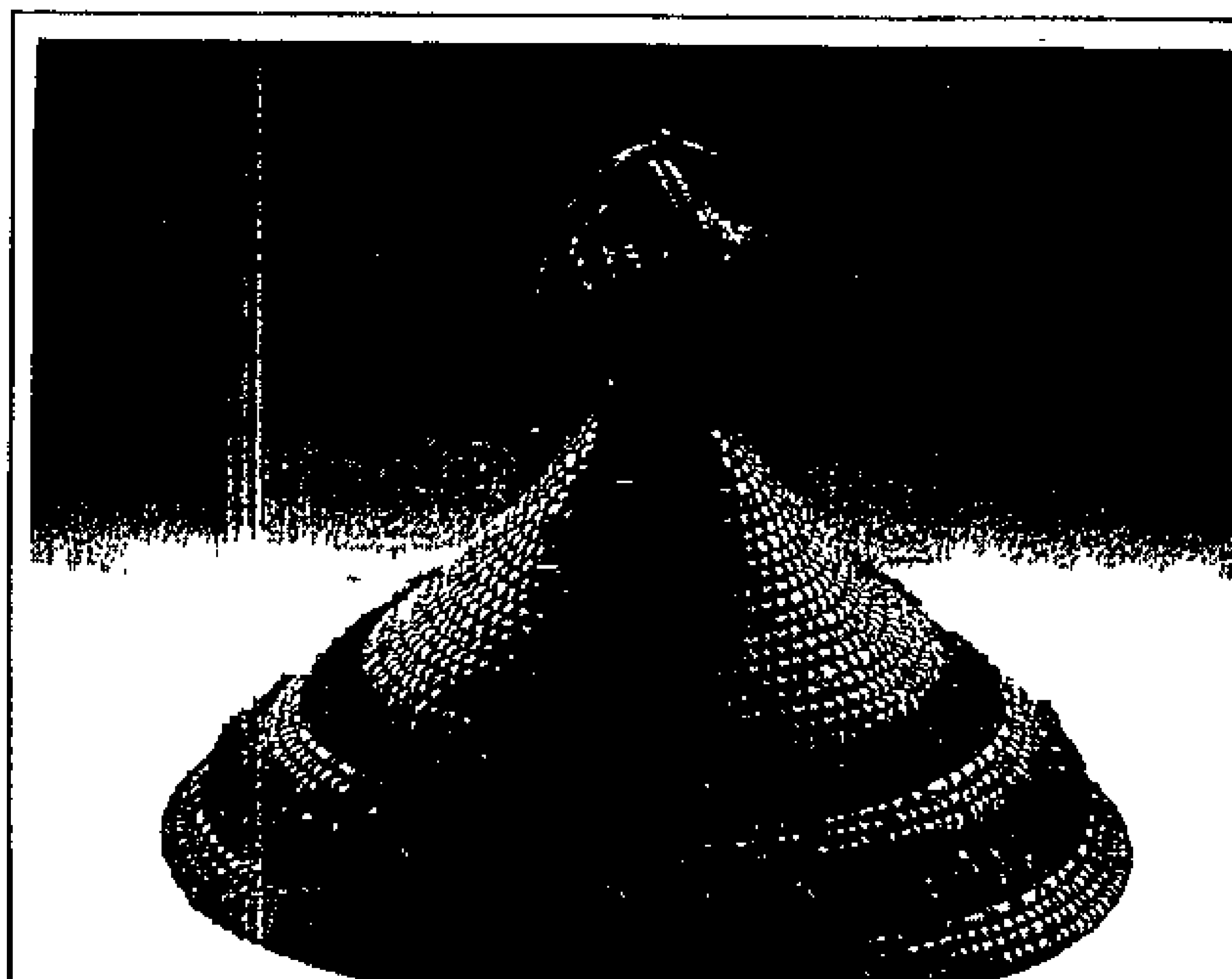
Liebenberg is overseas to attend the annual meetings of the World Bank and the International Monetary Fund and is only due back in the country in about two weeks' time

Meanwhile last week's disagreements between the National African Federated Chamber of Commerce and Industry and Dr Nthato Motlana's New Africa Investments Limited have sparked worries among black business people who believe the division could compromise chances of keeping the bank in black hands

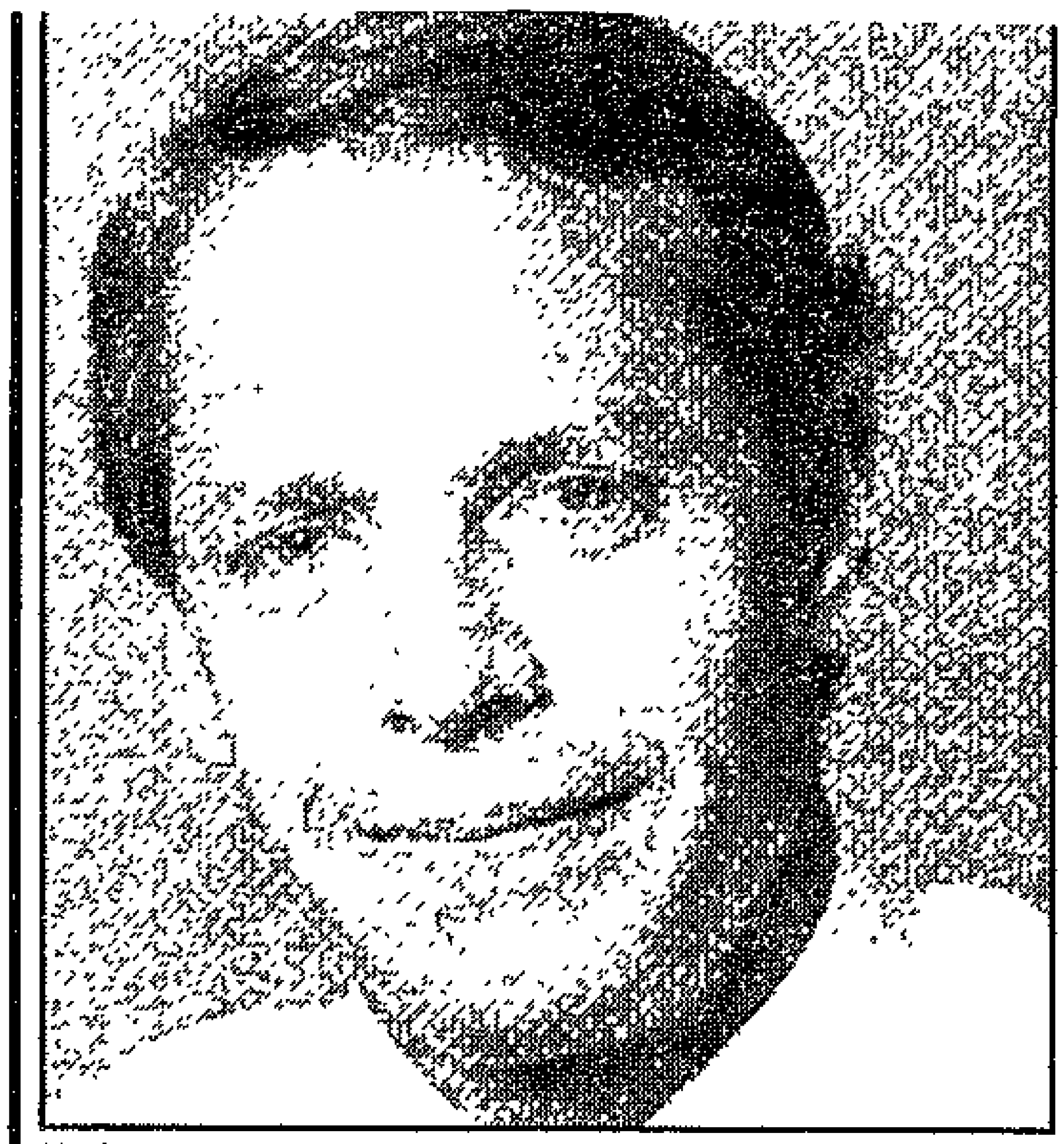
After an acrimonious meeting last Thursday, the two parties were in contact with each other again on Monday this week trying to patch up their differences

However, this week's contacts failed to bring the two parties together and each is going to make its own bid for the bank

Difficult? Finance Minister Chris Liebenberg



Hats-Off



Bob Tucker, general manager of Standard Bank's low income marketing arm, E-Bank.

Home loans worry banks

(58)( ) Sowetan 5/10/95

By Joshua Raboroko

BANKS need to be cautious before lending money to the low-income housing market in the wake of financial difficulties experienced by the African Bank.

The African Bank's overexposure to the low cost housing market served to highlight the need for the caution when major banks enter the market.

This warning came from the general manager of the Association of Mortgage Lenders, Mr Lance Edmunds, when he addressed delegates at the Institute of Housing for Southern Africa conference held in Durban this week.

The conference was convened by the Standard Bank's housing division to review progress made since the Botshabelo housing accord was signed by financial institutions, the government and other stakeholders in the housing sector.

In terms of the accord, stakeholders had promised to deliver more than 50 000 houses within a year.

Edmunds said the banks had a duty to their depositors to conduct their business in a prudent manner. They needed to protect themselves and their customers before accepting any commercial risk.

He said that since the housing accord financial institutions had revised their credit criteria until next April to ensure that those who were granted loans were in a position to repay their bonds over a required period.

However, he expected there would still be difficulties in future as interest rates escalated.

"It is estimated that 70 percent of those requiring houses earn less than R1 500 a month at present. At the most, only 30 percent would be able to obtain credit," said Edmunds.

As a result of the politicisation of expectations of many homeless and unemployed people, the subsidy scheme could not match the demand for houses.

He said the fire had been fuelled at provincial level by policy statements about the size of homes and envisaged standards of such houses.

The general manager of Standard Bank's low income market arm E-Bank, Mr Bob Tucker, warned against passing the buck for non-delivery of houses to all the parties.

R50m 'lined up for Afbank'

Amanda Vermeulen

(58) BD 5/10/95

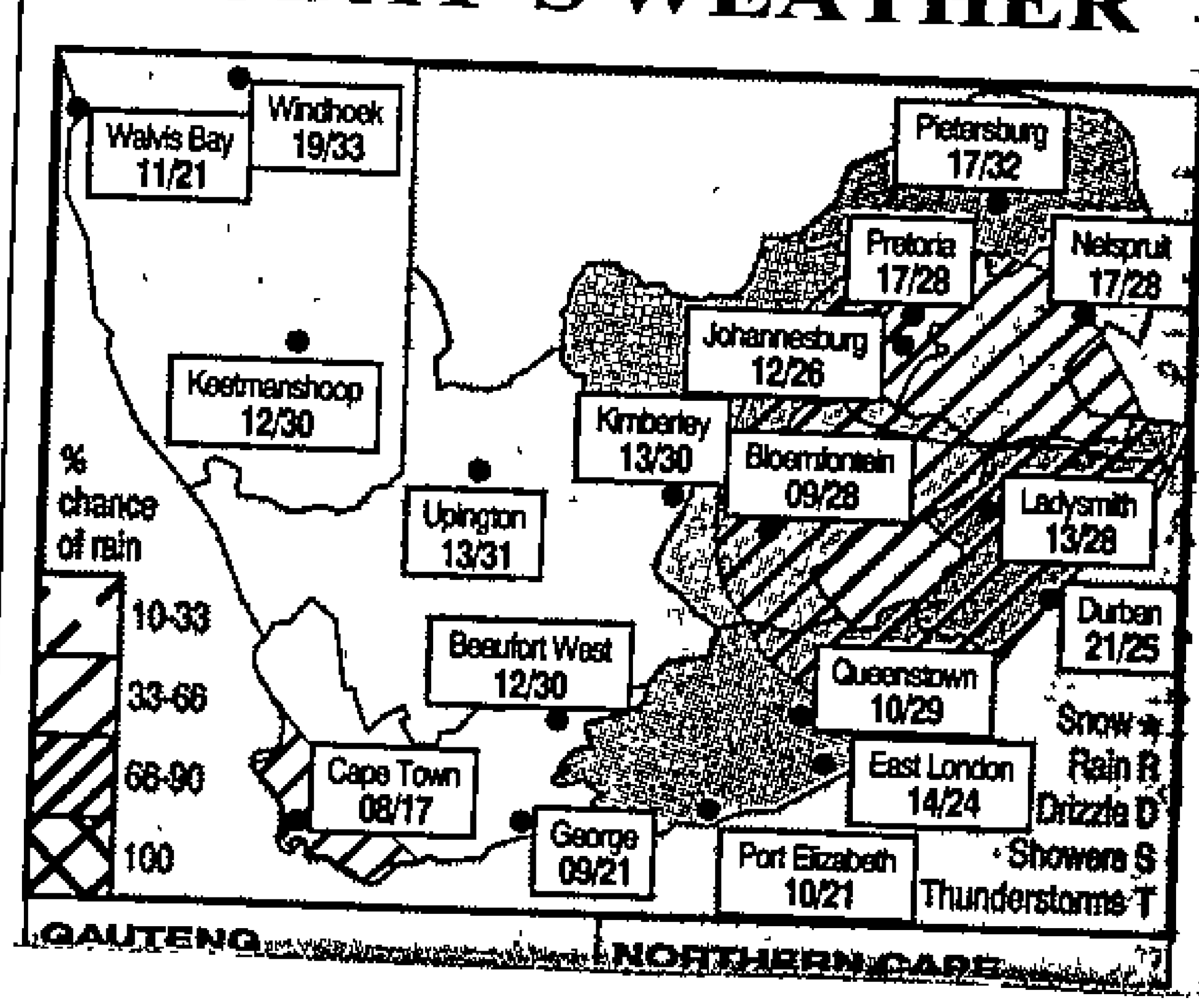
AFRICAN Bank chairman Sam Motsuenyane yesterday returned from a trip to Malaysia where he was believed to have lined up a Malaysian bank to invest R50m in the bank, African Bank sources said.

Motsuenyane could not be reached for comment, but bank insiders said he "had good news". It is one month since the bank was placed into curatorship by the Reserve Bank after bad debts and irregular loans caused its shutdown.

New Africa Investments director Rob Dow said the group had adapted its rescue strategy to accommodate others wishing to enter into a partnership to bid for the bank. Alliance with Nafcoc was possible.

African Bank curator John Louw said it would take at least a week to consider all representations.

TODAY'S WEATHER



Banks urged to invest in housing body

Robyn Chalmers (123)(58)

BD 5/10/95

GOVERNMENT was holding top-level discussions with financial institutions in an effort to encourage them to take an equity stake in the yet-to-be-formed national housing finance corporation, sources said yesterday.

The discussions were one of the main reasons for the delay in an announcement of the launch of the corporation, initially scheduled for last month. The corporation, a key component of government's low-cost housing policy, will attempt to mobilise housing finance for the lower end of the market.

Association of Mortgage Lenders spokesman Lance Edmunds said proposals that the banking sector should take an equity stake in the corporation were being considered. "We will be holding a meeting with government to discuss the proposals soon, but no decision has been made yet," he said.

An investment industry source said discussions had also been held between housing department consultants and "certain members of the insurance industry", and further talks were expected to take place.

Continued on Page 2

Housing

(123)(58)

Continued from Page 1

BD 5/10/95

Sources believed that funds invested by financial institutions — should they decide to accept the proposed offer — could boost the corporation's seed capital. The housing ministry had earlier this year pledged R200m in seed capital which had been swelled by a R250m offer from the US Agency for International Development.

A confidential draft document on the corporation said that while a significant portion of its shares would probably be owned by the state during its formative years, private sector investment would be encouraged.

"Significant private shareholding in the corporation is being pursued. Private sector shareholders will be invited on the basis of an ability not only to invest, but also to add value to and improve the corporation's chances of meeting its objectives," it said.

However, sources said financial institutions were being cautious in their response to government's equity proposal as they were wary of being forced into the low-cost housing sector.

Mountain chain proposals ready for Dawie De Villiers

(58) ARG 5/10/95

Environment Reporter

RECOMMENDATIONS for the future management of Table Mountain and the rest of the Peninsula mountain chain are to be presented to Environmental Affairs Minister Dawie de Villiers tomorrow — and may propose the establishment of a national park.

The recommendations, which could end decades of often acrimonious debate and divided management, are in the report of the Table Mountain advisory committee, constituted for Dr De Villiers by Cape Attorney-General Frank Kahn and headed by National Botanical Institute chief executive Brian Huntley.

The committee finalised its recommendations at a meeting at Kirstenbosch yesterday.

It considered a proposal by the National Parks Board that the Peninsula's protected natural environment area should be managed as a contractual national park in association with existing landowners.

There were also proposals from Cape Nature Conservation and the Cape Metropolitan Council, which said they did not want to manage a consolidated nature area and suggested a new body should be established for this purpose.

Speculation is that the committee will recommend the national park option.

Professor Huntley said his committee's final meeting had been positive and constructive.

There had been "strong reasonable consensus", he said.

Islamic Bank rides panic wave

(58) CT(BR) 5/10/95

Islamic Bank turns to Muslim leaders to maintain its liquidity after a wave of panic withdrawals

BY ANN CROTTY AND ANDY DUFFY

Muslim political and business leaders have offered Islamic Bank R30 million to underpin its finances, following a wave of panic withdrawals prompted by the collapse of African Bank.

The bank said that its customers had withdrawn nearly R20 million of the R155 million they held on deposit, amid rumours that it had R50 million stuck in Afbank's coffers and was bedevilled by bad debt.

Ebrahim Kharsany, the chief executive, said he had pleaded with the Reserve Bank to publicly confirm that Islamic Bank had no exposure to Afbank, nor bad debt.

But the Reserve Bank had turned him down, claiming the information was confidential.

With the stream of withdrawals rapidly draining Islamic Bank's liquidity, the bank was forced to turn to unnamed pre-eminent Muslims. They agreed earlier this week to provide a lifeline.

The bank has been running newspaper advertisements, dismissing rumours concerning Afbank, bad debt and non-performing assets. The advertisements quote letters from the Reserve Bank, Afbank's curator KPMG, and Islamic Bank's own auditor Khan, Salejee & Company to back the bank's case.

"Islamic Bank is not experiencing any financial difficulty and is able to meet all its commitments," Kharsany said.

"It has no investments with Afbank or any other banking institution."

He said the bank also had no bad debt, and there was no question that it would have to close its doors. But he confirmed that the bank was carrying a non-performing investment, though this represented only 5 percent of its assets.

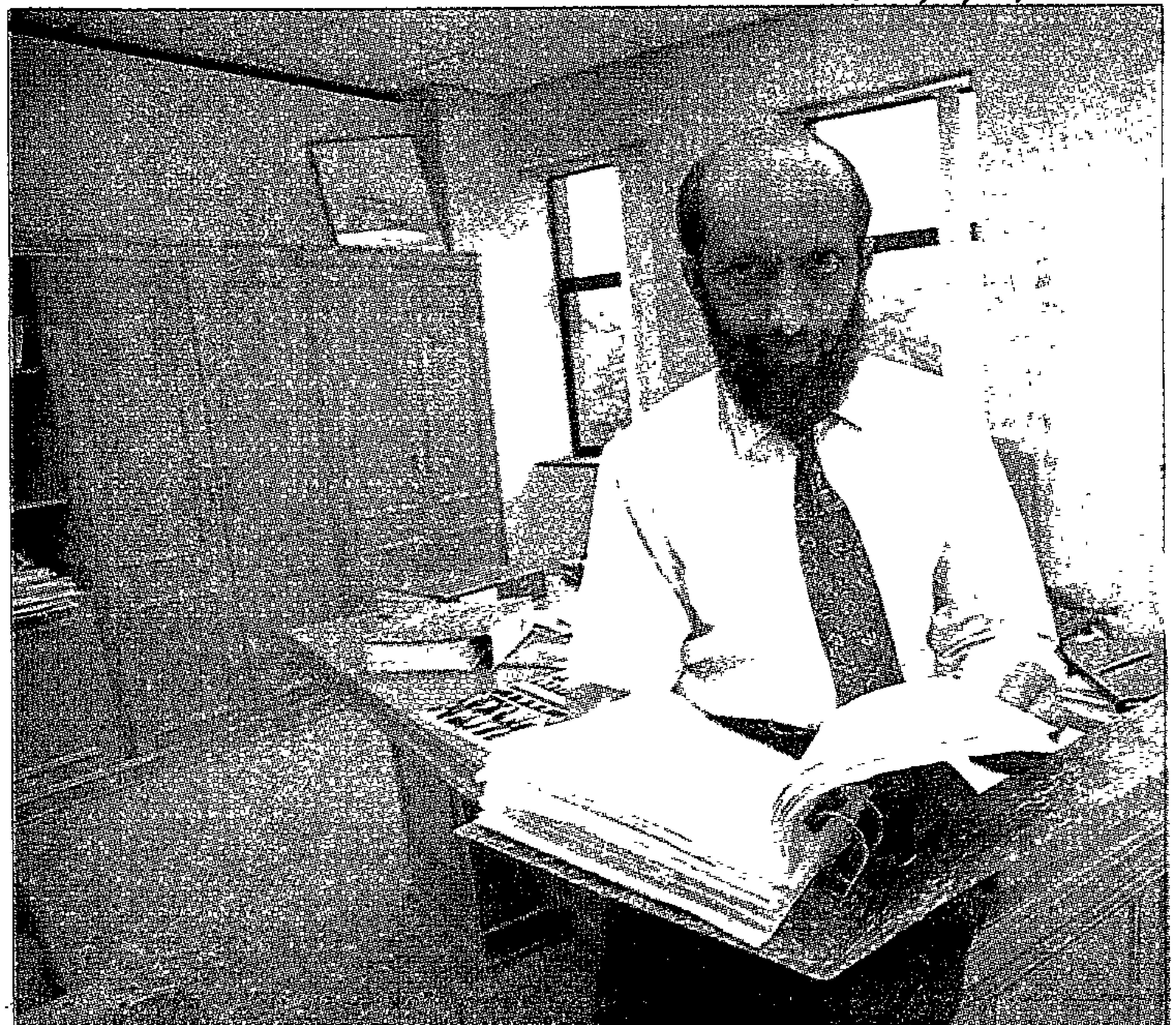
Kharsany said a R200 million housing development proposed nearly three years ago in Ormonde, Johannesburg had been scrapped.

Islamic Bank had bought the land from Rand Mines Properties for R25 million, but had since sold half to other developers.

The remainder was on the bank's books.

The Reserve Bank said that it had been barred by regulations from agreeing to Islamic Bank's requests.

☐ See Page 17



SUPPLIANT *Ebrahim Kharsany has received support from the Muslim community*

PHOTO JOHN WOODROOF

Last-minute scramble as investors bid for Afbank

(58) CT (BR) 5/10/95

By Thabo Leshilo
STAFF WRITER

John Louw, the curator of African Bank, had his hands full yesterday with a last minute rush by investors to meet the deadline for bids for control of the collapsed bank.

Louw said nine bids had been received by last night's deadline but would not name any of the investors. Today he starts the daunting task of preparing his recommendation for the registrar of banks, Christo Wiese.

Among the parties that handed in their bids yesterday was Nafcoc, which has claimed the right to save the bank it helped establish 20 years ago. Nafcoc tabled a joint bid with the SA Commercial, Catering and Allied Workers Union and a still unnamed banker.

The African Development Corporation was unable to meet the extended deadline and has asked for a further extension.

Louw said he would still be willing to look at the bid, explaining that his task of finding a suitable investor in the bank could even lead to several investors being selected.

Llewellyn Jones reports that the managing director of Republic Ratings, Dave King, said yesterday there had been substantial advance warning of African Bank's collapse.

"Some three years ago the bank was informally rated as being vulnerable. Earlier this year the bank's rating was further downgraded into the speculative band in the light of concerns regarding its poor asset quality, liquidity pressures and undue concentration of loans."

But from December 1991 to September last year, total deposits increased by more than 130 percent, with the public sector increasing its contribution of total deposits to 17 percent from 7 percent.

Government bodies accounted for about 45 percent of total deposits in the bank. King said these bodies had an obligation to undertake due diligence and heed the warning signals as they placed taxpayers money at risk.

King said Republic Ratings had approached the bank on no less than five occasions, but was refused permission to do an on-premises due diligence report.

"Management clearly failed in their fiduciary duty as directors. Had we been given the opportunity at the outset we could have laid the nature of the problems on the table giving them sufficient time to initiate corrective action."

Muslim community rallies to help bank

ET (BR) 5/10/95 (56)

BY ANN CROTTY

Between September 18 and yesterday depositors with the Islamic Bank, made nervous by pictures of queues outside branches of the African Bank, panicked and withdrew almost R20 million.

For a bank with an asset base of just R200 million, this resulted in some pressure on liquid resources.

"Community leaders, business folk and even politicians in the Muslim community rallied around with promises of sufficient cash to ensure the bank could comfortably handle a sustained period of withdrawals. The bank is able to meet its financial commitments," said Ebrahim Kharsany, the bank's chief executive.

By yesterday it seemed the worst of the storm had passed.

Problems at the African Bank inevitably affected sentiment towards other smaller banks, but for the Islamic Bank the situation was aggravated by rumours that it had R50 million of deposits with African Bank, a number of bad debts and a non-performing asset in the form of a R12,5 million investment in the Ormonde township development.

Bank figures show a different picture. As regards the African Bank deposit, Islamic Bank's involvement in the inter-bank market is, at any time, limited to a few million rand.

At the end of August it had R1,7 million with First National Bank. This balance fluctuates under R3 million and is used for the issuing of cheques — the Islamic Bank does not have its own cheques.

For religious reasons the Islamic Bank is not allowed to receive interest on its money, so it ensures the balance with First National Bank is kept to a minimum.

It has no bad debt and never has had. It makes no bad debt provisions. With regard to the Ormonde development it has scaled down its initial R23 million investment to R12,5 million by selling off three of the seven townships.

The Ormonde project had apparently been a non-performing asset. Kharsany disagreed and said he was expecting it to pick-up.

To quell the rumour about the African Bank deposit, Kharsany asked the Reserve Bank to confirm publicly that Islamic Bank had no deposits with African Bank.

The Reserve Bank said that it was unable to do so; that the information was confidential. The Bank suggested Kharsany ask the African Bank liquidator, Johan Louw, who provided the confirmation.

The Reserve Bank was also unable to lend support to a public statement that the Islamic Bank had no bad debt, although the monthly and quarterly returns it provided to the Reserve Bank would have provided sufficient information to give this support.

In the early stages of the African Bank debacle, Christo Wiese, the registrat of banks, promised assistance to banks suffering liquidity as opposed to solvency problems.

The Reserve Bank said that as part of its functions to improve the efficiency of financial markets and to support a sound and well-functioning financial system in a country, central banks have been known to have provided support to banking institutions with longer term, but temporary, financial problems caused by liquidity shortages.

Many African Bank depositors are wondering why the Reserve Bank did not sound the alarm earlier, given its regular receipt of financial data.

Islamic Bank denies bad debt rumours after panic

(58) ARG 5/10/95

Staff Reporter

ISLAMIC Bank's Cape Town branch has been virtually unaffected by the spate of panic withdrawals that has stung its Johannesburg parent, says manager Farid Sayed.

Only one depositor had withdrawn his funds in recent days, and the Cape Town branch had in fact seen its business grow in the past two weeks, Mr Sayed said today.

Ebrahim Kharsany, Islamic Bank's chief executive, disclosed yesterday that customers had withdrawn nearly R20 million out of total deposits of R155 million.

This followed rumours that the bank was plagued with bad debt and had a major deposit with the troubled African Bank, where all accounts are frozen.

Mr Kharsany flatly denied the rumours, saying the bank was in no financial difficulties and was fully able to meet its commitments.

Muslim business and political leaders had offered the bank R30 million to help it secure its finances and ride out the panic among depositors, he said.

The Reserve Bank, citing confidentiality, was not prepared to confirm that Islamic Bank had no bad debt or exposure to African Bank.

But Reserve Bank officials did say that the bank was in compliance with the Banks Act's prudential requirements, which set minimum levels of capital and reserves.

Bank may have overcharged Transkei 'millions' — official

BD 6/10/95 (58)

Own Correspondent

EAST LONDON — The Bank of Transkei may have overcharged the former Transkei government by millions, increasing the massive homeland debt and starting a police investigation into a possible breach of the Usury Act.

An Eastern Cape finance ministry official, Monde Limekaya, said this week that documents indicated that the bank had charged the former homeland government 33% on an overdraft during 1993. This was more than double the prime rate at the time and 4% above the maximum legal rate in terms of the Usury Act.

At the time the Transkei government's overdraft was believed to be R700m. A month's interest on R700m at the then prime rate of 15,25% is R8,7m, but at 33% it is R18,9m. Over a year, the difference between the two rates on that amount is R122,4m.

The 4% difference in interest rates on the same amount between the 33% charged and the legal limit of 29% is R2,3m a month or R27,6m a year.

Port Elizabeth's commercial fraud unit head Col Hannes Minnaar said police were investigating the matter. He did not wish to comment further.

The SA Usury Act registrar is unable to investigate the Bank of Transkei because it still falls under separate legislation and the Transkei authorities do not have the necessary investigators. The Eastern Cape government is trying to find out exactly what interest rate was charged.

Independent fiscal investigation organisation Alpha Financial Services was hired by the finance ministry to get this information and to calculate any overcharges. Alpha manager Marlene de Wit said the bank had repeatedly been asked for this information since July but had not yet complied.

"With the apparent contraventions

Continued on Page 2

Transkei

(58)

Continued from Page 1

BD 6/10/95

of the Usury Act like that, we felt a moral obligation to uncover this. We felt the public must be made aware," De Wit said after handing information on the matter to the police.

It is not clear what rate government should have been charged.

De Wit, a former banker, said the government could have expected to get prime less 1% or even better. Bank of Transkei MD DJ Erasmus would not say what rates were charged. He said there was no written agreement on the account limit or the interest rates.

"There is no formal contract as such. You discuss it with your client," Erasmus said, adding that none of the bank's clients were given written details on overdraft arrangements.

Provincial finance MEC Shepherd Mayatula said he did not know what interest rate had been charged. The account had been closed and the regional government now banked with First National Bank.

Several parastatals and Transkei municipalities still have accounts at the Bank of Transkei.

Mayatula said he was not aware of irregularities on the government account. Government would take legal action against the bank if any irregularities were found.

Limekaya said later that there was still an account at the Bank of Transkei but it was in credit and was being wound up. Erasmus confirmed there was still an account, but would not say whether it was in debit or credit.

The matter has highlighted the problems created by separate laws still applicable in the homelands. The former Transkei, like all the TBVC states, had its own Usury Act based on an earlier SA version.

SA gazetted numerous changes to the Usury Act as the interest rates rose and fell. Transkei gazetted very few. Transkei's Usury Act registrar Walton Mzalisi said Transkei had used the SA prime rate, but its own maximum interest rate. He said that Since October 1990 the maximum interest banks could charge in the territory was 32% for amounts up to R6 000 and 29% for more than R6 000.

The current maximum interest rate in SA is [illegible]1% for amounts below R6 000 and 28% for above R6 000.

It's a set-up, says African Bank's 'missing' MD

ST(BT)8/10/95(58)

By JEREMY WOODS

JACK Theron, African Bank's former managing director, broke his silence this week about the bank's collapse, claiming he was being made a "scapegoat" for the bank's bad management.

In an interview with Business Times Mr Theron claimed he left the bank because of a "serious death threat from within the bank".

Despite reports that he was "missing" and that the Office for Serious Economic Offences could not find him, Mr Theron has been in daily contact with Tony Mostert of attorneys A L Mostert, while spending time in the Cape.

African Bank was placed in curatorship last month with doubtful debts of about R100-million.

Much of the blame for the bank's downfall has been attributed to Mr Theron.

Questioned about his own loans at the bank, Mr Theron said he had a R3-million loan with the bank that was "fully secured".

"It is one of African Bank's better loans because it will be repaid. It is a short-term loan, approved by the board and guaranteed by ample security."

JACK THERON

About the bank's failure, Mr Theron said: "It's easy to blame me, but that's not the real situation. The writing was on the wall last year when we disclosed a loss. The situation was not new. The board was totally aware of it.

"The fact is I have 48 years of banking experience and some people are trying to make me a scapegoat. My involvement did not cause the bank's downfall."

Mr Theron believes one of the major problems contributing to the bank's insolvency was the quality of management at branch level. "Many of my managers were not capable of running branches and the board was well aware of this."

Mr Theron said at the end of each day credits and debits were put into "suspense accounts" if the right account could not be found. But the computer system did not allow operators to itemise suspense accounts.

"Many of the branches have suspense accounts with millions of rands worth of credits and debits in them that cannot be reconciled."

Mr Theron said he had not seen details of the other R14-million in loans, allegedly linked to him.

"I am assuming the link is that my signature is on the loan. I was a bank manager in the risk business of lending to mainly black businesses. Some of them performed well and others did not. However, any loan always had another signature of approval on it."

About the bank guarantee failing on his own loan, Mr Theron alleged this had been misrepresented.

"A triple A US bank gave the guarantee on behalf of prospective overseas equity partners. But the existing security never moved and the bank had double cover. When the US bank queried the guarantee's signatures, African Bank was no worse off because it already had ample cover."

Mr Theron said when he took over African Bank it was operating in a "high-risk area" with good and bad loans.

"It was a small bank with R100-million of assets and we grew the business until it had an asset base of some R600-million. To grow it we had to bring in small businesses with all the risks they carried."

Mr Theron emphasised that he was not passing the buck. "If I achieved anything, I have done my best to train staff at the bank so they can become good bankers."

Commenting on the OSEO investigation, Mr Mostert said: "I was amazed to hear that OSEO had launched an investigation into my client's whereabouts at a time when they claim to be so underfunded. Mr Theron speaks to me every day, and if OSEO had cared to telephone me, I could have told them he was enjoying some mild Cape spring weather."

□ John Louw, the bank's curator, said on Friday he had received nine rescue offers for African Bank. An initial valuation of the offers will take place on Tuesday.

COMPANIES

Old Mutual investigates further African expansion

BD 9/10/95

(58)

Amanda Vermeulen

CAPE TOWN — Old Mutual was planning further expansion offshore and in Africa as part of its growth strategy, chief operating officer Gerhard van Niekerk said at the weekend.

He said in an interview that the group already had a large exposure in the local black market, having taken a strategic decision to move into this segment in 1975.

The group, which has operations in some African countries including Kenya, Malawi, Namibia and Zimbabwe, was investigating expansion into other countries on the continent for its life business.

The AIDS epidemic in several African countries and the low investment infrastructure limited investment opportunities.

Van Niekerk said the group's international business was growing fast and it had established branches in Guernsey, Boston and Hong Kong this year. The Far East represented massive growth potential and the incorporation of Hong Kong into China in 1997 would open doors to the Chinese market of 1,3-billion people.

Despite an upbeat attitude towards the future, he said several factors could still have a negative effect on group business. Of major concern was government's management of the economy.

Continued fiscal discipline was essential to decrease the deficit before borrowing faster than the current pace to ensure SA could compete in line with international norms for foreign capital, he said.

The growing crime rate in SA was affecting Old Mutual. In KwaZulu-Natal alone, more than 100 people working for crime syndicates had been arrested for fraudulent claims. The syndicates consisted of doctors, funeral companies and some police employees.

The group's property portfolio was performing well, assisted by a large take-up of office space in the Johannesburg CBD by the Gauteng legislature and US companies setting up operations in SA.

He said Old Mutual, which will shortly report its results for financial 1995, would show strong growth for the year to June on the back of a substantial increase in new business and stringent cost-saving at the operating level.

Anglo associate to open new nickel mine in Botswana

Michael Urquhart

ANGLO American associate Tati Nickel Mining would open the new Phoenix nickel mine near Francistown in Botswana, the first base metals mine to be developed in Botswana since 1989, it announced over the weekend.

The mine had a planned production of 1,2-million tons, with an expected life of 15 years. Over this period it was expected to earn 700-million Pula. Almost 55-million Pula had been spent so far on exploration and establishing the plant and mine.

The financing of the project came mostly from the cash flow of Tati's Selkirk mine, with the balance being made up from local bank loans. Tati is controlled by Anglo, with De Beers and Anglo together holding a 43,35% stake.

...s expected to vindicate optimism

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Mungo Soggot

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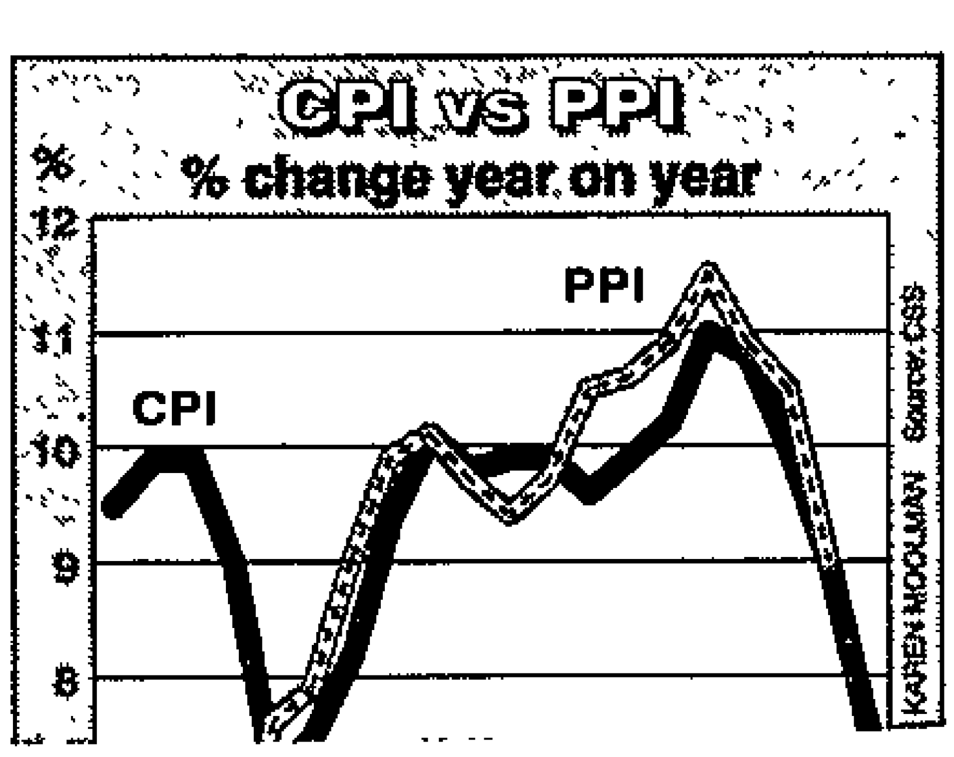

The past few months food price increases had been either very small or there had been actual month on month decreases.

Another economist said that as these low price increases had followed a period in which food prices had propelled both inflation rates well into double digits, analysts would be watching for another sudden turnaround.

Twine said the food index in the August PPI could give a clue on the direction of food prices in September con-

Shoe firms await OK for merger

BD 9/10/95

Yuri Thumbran

THE Competition Board is expected to give a ruling on the proposed merger of footwear companies Conshu and Bolton Footwear today.

Conshu CE Robert Feinblum said talks were held with the Competition Board last week to remove difficulties holding up the deal.

Feinblum said that if given approval, Conshu would purchase the footwear manufacturing division of Bolton, which operated as Watson Shoes, Bagshaw Footwear and Oudtshoorn Footwear. Bolton's other divisions — Stanmar Motors and its footwear retailing business — were not part of the deal.

Bolton Footwear reported a 35,4% increase in earnings to 24,5c for the year to February, while turnover was up 21,3% to R277,1m.

Conshu, an SA Breweries subsidiary, posted a 21,3% hike in earnings to 63,4c on turnover up 20,5% to R709,3m for the year to March.

An industry source said the merger would consolidate Conshu's position and Bolton would be free to concentrate on its other interests.

Both companies are listed in the JSE's clothing, footwear and textile sector. Conshu's ruling price on the JSE on Friday was 630c, just off its August 25 high of 650c, compared with Bolton's 220c, off an August 24 high of 275c.

!Khoisan X in rescue bid for African Bank

(58) Star 9/10/95

■ BY THABO LESHILO

Former PAC chief !Khoisan X is leading a R200 million bid to rescue African Bank, opening a new chapter in the Afbank saga.

!Khoisan X, formerly Benny Alexander, said his company, Trans-South Africa Investment Holdings (Trasaiho), had tabled its rescue bid last week.

The 24-page document, entitled "Acquisition offer and turnaround strategy proposal", now sits alongside rival proposals tabled by groups including New Africa Investments (Nail) and Nafcoc.

!Khoisan X's plans include cutting out Nail as Afbank's controlling stakeholder and boosting Afbank's assets to put it on a par with Investec within one year. He wants to meet Nafcoc to discuss combining their bids.

Speaking exclusively to Business Report, he said Trasaiho had agreed with unnamed Malaysian investors to recapitalise the bank.

"We have more money than any of the black-owned bidders for Afbank that we know of," he said.

"We want the Reserve Bank and the curator to speed up the process of taking the bank out of curatorship. Everyday that the matter remains unresolved undermines confidence in the bank".

Trasaiho would form a holding company with its partners for the bid. The consortium would install Gaby Magomola, fired as Afbank chief executive in 1989, as Afbank's chief executive.

Magomola is a director of a Trasaiho subsidiary.

!Khoisan X would also bring in Siza Khampepe, the general manager of Khayalethu Home Loans, as the chairman of Afbank.

It initially aimed to slash Afbank's operating expenses and boost sales. Long-term plans included a motor finance division, cheque and credit card facilities, and creating an African-Malaysian merchant bank.

"Through these measures African bank will continue its empowerment tradition and have its credibility restored, and have diversified its operations and expanded its liquidity base beyond its all-time levels," the bid said.

On last year's figures, the plans' target would put Afbank above Investec in size, with assets close to R7 billion.

Afbank was rated number 30 in size last year, with assets of R618 million.

Trasaiho would also scrap Afbank's shareholding, effectively 41 percent owned by Nail and introduce a new variable, redeemable preferential share scheme to widen its equity base.

According to his business card, Trasaiho specialises in everything from mining and tourism to unbundling and privatisation.

The company, which was formed last year, occupies offices next door to Sasol's headquarters in Rosebank.

Absa Bank takes R10,6m Cityhold stake after buyout

CT(BR) 9/10/95 (58)

By Llewellyn Jones

Staff Writer

Absa Bank has taken a R10,6 million stake in Cityhold, the Spicer-Mitchell operating subsidiary, which acquired Sheerline Aluminium Systems for R12,95 million early last month.

Absa took up four million new shares, representing eight percent of Cityhold's equity, and 3,6 million debentures, which will raise its stake in Cityhold to 14 percent on conversion.

The Sheerline deal allowed Cityhold to pay in two tranches, the first of which has been paid by the issue of one million Cityhold shares and R8,4 million cash made possible by Absa's investment.

The R3,55 million balance falls due on or before April 1 1996 at Cityhold's election and is payable in cash. The balance will be raised by the placement of 2,4 million debentures at 148c each. The debentures are compulsorily convertible in five years or earlier should dividends paid by the company exceed the after tax interest payable on the debentures

Illustrating the likely effects of the deal on Cityhold's current performance, had it been effective from October 1 1994, the pro forma earnings a share for the six months to March would have risen by some 12 percent to 5,9c. If the conversion of the debentures is taken into accounts, the fully diluted earnings would have been 5,58c a share — an increase of about 4 percent.

Frits Eloff, the Cityhold chief executive, said that the Sheerline deal added significant value to the group's core business, providing downstream integration and expanding market share.

"We are particularly pleased to have funded this important expansion out of capital, thereby maintaining our conservative borrowing level and we are delighted to have Absa as a major partner.

"This all combines to create the potential for substantial contribution to future profitability."

He said Sheerline had a strong management team backed up by a highly skilled workforce which fitted their decentralised structure. This would enhance their policy of allowing the company to operate independently from the group's other aluminium interests.

!Khoisan X in rescue bid for African Bank

(58) CT (BR) 9/10/95

PROPOSAL *!Khoisan X tabled his rescue bid last week*

By Thabo Leshilo

Staff Writer

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Afbank was rated number 30 in size last year, with assets of R618 million.

Trasaiho would also scrap Afbank's shareholding, effectively 41 percent owned by Nail and introduce a new variable, redeemable preferential share scheme to widen its equity base.

According to his business card, Trasaiho specialises in everything from mining and tourism to unbundling and privatisation.

The company, which was formed last year, occupies offices next door to Sasol's headquarters in Rosebank.

Afbank curator, officials to vet competing bids for bank

(58)

Amanda Vermeulen

BD 10/10/95

AFRICAN Bank curator John Louw will today meet representatives from the Reserve Bank and the finance ministry to discuss the merits of the various bids submitted by the bank's suitors.

Louw said any offers or combinations of offers agreed to by Registrar of Banks Christo Wiese and the finance ministry would be forwarded to the Supreme Court, prior to meetings with Afbank members and its creditors.

One of the main considerations of the curator's assessment of proposals submitted would be ability to introduce skilled management, risk management and monitoring procedures. Louw said at issue was each bidder's intentions towards existing shareholders and bank culture. This area might become a flashpoint as various interested parties sought to hold a controlling stake in Afbank.

New Africa Investments Ltd (Nail) director Rob Dow yesterday disputed !Khoisan X's bid for control of Afbank, saying that no party could oust Nail as majority shareholder without its consent. X, whose Trans-SA Investment Holdings is to bid, said yesterday that if it won, the company would issue new shares outweighing Nail's 41% stake, making Nail a minority shareholder.

Motlana welcomes !Khoisan X's rescue effort

CT(BR)10/10/95(56)

By Thabo Leshilo

Staff Writer

Nthato Motlana, the chairman of New Africa Investments Limited (Nail), has welcomed efforts by !Khoisan X's company, Trans Africa Investment Holdings (Trasaiho), to unite all the black parties bidding to save African Bank.

"We share that view. We have no intention of fighting anybody over the bid," Motlana said yesterday.

He said Nail, which had an effective 41 percent shareholding in Afbank, did not regard itself as being in competition with the eight other bidders for control of the collapsed bank.

Meanwhile, an elated !Khoisan X said he had been inundated with calls from both corporate and individual Afbank depositors, assuring him they would continue to support the bank if it was saved. "We call on current and potential depositors to have confidence in our ability to take the bank into a completely new and bigger league," he said.

Trasaiho's ambitious R200 million rescue package for Afbank, which was tabled last week, would see the bank's assets increase from R618 million to R7 billion in a year. Afbank would also provide cheque and ATM facilities for the first time.

!Khoisan X yesterday sent Motlana a letter assuring him that he would not scrap Nail's shareholding in Afbank. He told him his bid with Malaysian investors would substantially increase the bank's authorised share capital, making current stakeholders a minority.

Bank of Transkei cleared before sale

BD 11/10/95 (58)

Amanda Vermeulen

MSELE Bank auditors gave the Bank of Transkei a clean bill of health before Msele bought it, despite accusations last week that the bank had overcharged the Transkei government R122m.

Tom Strickland, vice-president of Msele advisors Firstcorp, said yesterday a due diligence had been conducted by Msele's auditors, Ernst & Young, which had not revealed any evidence of the Transkei government being overcharged on the interest on its R700m overdraft.

Last week the Eastern Cape finance ministry said it had evidence that the Bank of Transkei had charged the former Transkei government more than double the prime interest rate in 1993. The prime rate then was 15,25%, which would have seen monthly interest on R700m of R8,7m.

But, it was claimed, the bank had charged an interest rate of 33%, resulting in a monthly charge of R18,9m and leading to a difference between the two interest totals of R122,4m for the year.

Port Elizabeth's commercial fraud unit was investigating the charges, and independent investigators had also been called in by the Eastern Cape finance ministry. Sources said the Bank of Transkei was not co-operating with investigators and had not supplied them with all the relevant information.

But Strickland said the auditors were satisfied there had been no overcharge in the interest rate, and that the Transkei goverment's account was declared in line with expectations.

Despite this, he said, Msele had a clause written into the agreement to buy the bank, stating that Msele would not be responsible if such liabilities emerged.

Gary Harlow, director of Msele's Citizen Bank — in which the Bank of Transkei will be housed — said the bank was happy that all the calculations were legitimate and Citizen had had no exposure to such claims. He added that the Bank of Transkei had not breached the Usury Act.

Afbank rescuer 'named this week'

(58) Star 11/10/95

■ BY THABO LESHILO

An investor to save African Bank would probably be selected by the end of this week, according to Christo Wiese, the registrar of banks.

He said he and John Louw, Afbank's curator, could not choose from among the nine rescue packages tabled by the bank's suitors yesterday and had asked them to supply additional information.

Among the bank's suitors are the National African Chamber of Commerce and Industry (Nafcoc), New Africa Investments Ltd (Nail), Unibank, SA Commercial Catering and Allied Workers' Union, NBS and !Khoisan X's Trans South Africa Investment Holdings.

Wiese said the successful investor – or combination of investors – would be recommended to the minister of finance.

"We have to make that recommendation because the government is the largest depositor with the bank," said Wiese.

Meanwhile, it seems unlikely that Nafcoc and Nail will co-operate in saving the bank following a recent newspaper report of a fallout between their respective leaders, Joe Hlongwane and Nthato Motlana.

Integration of financial services

(58) Star 11/10/95

■ BY LLEWELLYN JONES

The revolutionary changes in the consumer financial services industry has seen the traditional barriers between different financial service providers dissipating, giving way to an integrated strategy between life assurers and banks based upon varying levels of co-operation.

Arnold Basserabie, the chief executive of the Fedsure Group, said the role of "bancassurance" or "allfinanz" — which he defined as the provision of insurance and bank products or services through a common channel or to a common client base — could assume four levels of integration — marketing agreements, alliances, mergers and acquisitions, or the establishment of life company subsidiaries.

"The levels of integration grow steadily in their complexity and commitment," Basserabie said.

"The first level exists through the establishment of a sales and marketing agreement that provides for cross-selling to customer bases, progressing to a functional level which incorporates the sharing of resources, and to the final stage which merges bank and insurer into a single financial service provider."

IGI sale gets nod

(58) ARG 11/10/95

Business Editor

SAFLIFE shareholders have approved the sale of IGI Life to soon-to-be-listed insurance group AGA.

AGA, formerly listed as GDM Finance in the banking and financial services sector of the Johannesburg Stock Exchange, is to transfer to the insurance board on Monday, October 16.

The acquisition of IGI will be financed by the issue of 21,7 million AGA shares.

The new group, which has also taken over AA Life, will specifically target employers and salaried and wage-earning employees.

■ Household appliance holding company **Gentech** posted a R13,6 million loss in the six months ended August, in spite of a 21,5 percent improvement in turnover.

The group said performance was hit by labour unrest, delays in getting new capital equipment going and warranty claims on Hoover products before the acquisition of Hoover.

Cheap imports were hurting domestic manufacturers, Gentech said.

■ **Anglo American, De Beers** and the Botswana government announced the creation of a new company — Botswana Ash (Botash) — to take over Soda Ash Botswana, following acceptance by Soda Ash Botswana's creditors of proposals to liquidators.

Soda Ash Botswana was placed in provisional liquidation in June this year.

The Botswana government will own 50 percent of the new company, with Anglo, AECI and De Beers holding equal shares of the rest and creditor banks taking an eight percewnt stake from private shareholders.

■ More than 87 percent of **Trencor** shareholders and 90 percent of **Mobile** shareholders chose capitalisation shares in lieu of cash dividends, the two companies said.

(58) CT(BR) 11/10/95

Afbank rescuer will be chosen this week, says Wiese

BY THABO LESHILO

STAFF WRITER

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Wiese said the successful investor — or combination of investors — would be recommended to the minister of finance.

"We have to make the recommendation to the minister because the government is the largest depositor with the bank," said Wiese.

Meanwhile, it seems unlikely that Nafcoc and Nail will co-operate in saving the bank following a recent newspaper report of a fallout between their respective leaders, Joe Hlongwane and Nthato Motlana.

Referring to a Sunday newspaper report that Nafcoc had threatened to block Nail's bid to save Afbank, an irate Hlongwane told Business Report yesterday that Motlana "must first apologise for the damaging and wrong statements made about us before we can talk to him".

Integration of financial services

(58)

BY LLEWELLYN JONES
STAFF WRITER

CT(BR) 11/10/95

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"The levels of integration grow steadily in their complexity and commitment," Basserabie said. "The first level exists through the establishment of a sales and marketing agreement that provides for cross-selling to customer bases, progressing to a functional level which incorporates the sharing of resources, and to the final stage which merges bank and insurer into a single financial service provider."

Basserabie said there were significant benefits for banks and insurers. With the shrinking value in discretionary savings, the banks are able to provide a wider range of investment and savings products, thus retaining their client base while increasing their revenue and profits. The insurers are able to tap into a broad distribution channel via the banks' branch network, gaining access to those clients.

There are already a number of profitable alliances between the major life assurers and retail banks in South Africa — Old Mutual and Nedcor, Sanlam and Absa, Southern and FNB, Liberty and Standard, and Fedsure and Investec.

Absa behind Transkei bank move

(58)

Amanda Vermeulen

BD 13/10/95

ABSA had insisted that subsidiary Bank of Transkei raise the interest rate on the former Transkei government's overdraft to punish the government for its badly managed account, Absa said yesterday.

The bank, whose subsidiary Volkskas held 50% of Bank of Transkei, said Bank of Transkei could not use the normal technique to curb account excesses by "bouncing" cheques, but had instead pushed up the interest rate until the SA government agreed to guarantee the overdraft.

"To discourage this abuse of the client/banker relationship, an interest rate exceeding the prime overdraft rate was charged on this account."

It was alleged last week that Bank of Transkei had overcharged the former government more than R120m on its overdraft, breaching the maximum interest level of 29% laid down by the Usury Act. But Absa said the rate charged was "comfortably within Usury Act limits". The Transkei government had held 24% of Bank of Transkei's shares, and had two directors on its board.

The SA government stepped in only after Bank of Transkei threatened to dishonour all Transkei government cheques, after which the interest rate dropped below prime.

Two in the finals as race to rescue Afbank nears an end

BD 13/10/95 (58)

Amanda Vermeulen

THE fate of African Bank, which went into curatorship just more than a month ago, is expected to be decided today and one of two black companies, African Renaissance and New Africa Investments (Nail), will be the victor.

Sources close to the Afbank saga said last night that Nail had formed a consortium with NBS Bank to put together a rescue bid amounting to R100m plus for the bank.

NBS, the country's fifth largest bank, would be a minority stakeholder in the Nail consortium, but would provide the management to restore the bank's risk profile to health.

African Renaissance is said to have attracted capital from Ghana, but no further details were available.

The two companies are thought to have beaten seven other contenders to the final round in the contest for Afbank, including Nafcoc and !Khoisan X's Trans-SA Investment Holdings.

Other interested parties were said to include the SA Catering and Allied Workers' Union, and several Malaysian investors headed up by the African Development Corporation. Last week it was also reported that Afbank chairman Sam Motsuenyane had drummed up R50m from a Malaysian bank following a trip to that country.

Sources said Deputy President Thabo Mbeki was returning from overseas to attend a meeting today during which a final decision would be made.

Curator John Louw could not be reached, but it is believed that an announcement could be made on Monday about the outcome of the meeting.

Nail has said it would turn Afbank into a diversified financial services group with a merchant banking arm — currently operating under the banner of Nail parent Corporate Africa — and an insurance operation linked to Corporate Africa's stake in Metropolitan Life. Nail is currently the majority shareholder in Afbank.

(58)

Black finance professionals team up

ARG 14/10/95

JOHANNESBURG. — The first trade association of black professionals involved in financial markets, the Association of Black Securities and Investment Professionals (Absip), has been launched.

Absip said it wanted to increase the intellectual and economic wealth of blacks through the enhancement of participation in financial markets.

Such an organisation was critical to the black business community as it sought to enter the economic mainstream, said Absip president Mutle Mogase.

Speaking at the launch in Johannesburg, Centre for Small Business Promotion chief director Alistair Ruiters said to create the means for blacks to take part in the mainstream economy would require the resources of business, government and individuals committed to creating sustainable economic growth.

"Today we mark the founding of a group who will contribute greatly to accelerating this process," Mr Ruiters said.

Mr Mogase said Absip comprised black professionals working at major financial institutions.

It wanted to bring together black professionals in the financial services industry and provide "educational and technical assistance, and scholarships for internships in the brokerage, finance, merchant banking and related fields".

Advisory services would be provided to increase the number of black brokers at major finance firms and to increase the awareness among black business of the value of capital markets, Mr Mogase said. — Sapa

Afbank: Battle for depositors

ARG 14/10/95

(58)

In spite of allegations over why Afbank had to be put under curatorship, there are hopes the bank may open its doors before the end of this month, MAX GEBHARDT of Spectrum reports.

SPECTRUM MAKING A DIFFERENCE

"A DREAM in 1963. A reality in 1975. A celebration in 1995" is how Afbank advertisements in the Press described its 20 years in the banking industry in July. By September this dream had turned into ashes as the bank was placed under curatorship by the Registrar of Banks in a blaze of publicity.

Dr Sam Motsuenyane chairman of Afbank, said during the July celebrations that the bank was setting trends in the banking industry by being the first indigenous bank "to lend to the previously disenchanted majority." But this dream, and the dreams and hopes of 120 000 small investors and others are in jeopardy as John Louw, of KMPG Aiken and Peat Forensic Auditors, was forced to take over control of the bank in September in a bid to rehabilitate it.

This was after Afbank's accounts for the year to March showed its bad debts would swamp its R25 million capital base. According to Mr Louw, Afbank went into curatorship because it had severe liquidity and insolvency problems.

"The bank didn't have any cash to meet its depositor's demands or any capital. The trading losses had wiped out the original capital.

"African Bank grew so rapidly in the last 18 months, this growth put the bank under tremendous strain and they didn't have the skills to control their asset-liability management."

The end result was that investors at Afbank with deposits of less than R10 000 were allowed to withdraw up to R500 each, after the government made R25 million available for savings deposit holders. But, the depositors' account balances at the close of banking on September 9, when the bank was placed under curatorship, will remain frozen and depositors will not be allowed to withdraw funds until further notice. A month down the line no such notice has been given.

Yesterday the curator attempted to allay Afbank employees' fears by announcing that all employees remained on the payroll of the bank and said that Neil Brink, general manager of human resources, and Andrew Bayloi, assistant general manager, would continue to fulfil their responsibilities of governing the day-to-day affairs of the bank. The release also said that the curator would also authorise all transactions, including payments to creditors.

The facts of the Afbank collapse have been largely lost in a muddy pool of allegations and counter-allegations of mismanagement, racism and the disappearance and reappearance of Jack Theron and the alleged R3 million unserviced loan which he granted himself two years ago, and reported links to bad debts worth R14 million.

To top that off, acrimony between two potential rescuers of the Afbank appeared to be brewing. According to Business Report, the National African Federated Chamber of Commerce (Nafcoc) and New African Investments Ltd (Nail) would be unlikely to co-operate in the rescue bid after a recent fallout between their respective leaders, Joe Hlongwane and Nthato Motlana.

Afbank started in 1975 with the opening of its first branch in Garankuwa. By 1995 it had grown into a bank with 30 branches nationwide and an asset base of R626 million before it was placed under curatorship. The past few weeks have revealed that Deloitte and Touche, Afbank's auditors, had first raised concerns about the bank's finances with the board early this year and again in August.

According to Registrar of Banks', Christo Wiese, officials only decided to act after Nail, a shareholder in Afbank, had called them in after it had failed to secure the bank's rescue. This angered many in the black business community. They believed the government, through the Reserve Bank, should have extended a lifeline to Afbank with a cash injection to prevent the bank being placed under curatorship. The government had created a precedent, they argued, when they injected R1 billion into Trust Bank in the 1980s.

Finance Minister Chris Liebenberg's advice to place Afbank under curatorship effectively killed the bank, they argued.

The Reserve Bank said Afbank had non-performing assets and, as a result, had to be placed under curatorship. According to the Registrar of Banks: "The African Bank was in financial difficulties, and after discussions were held with Motsuenyane, the registrar requested the minister of finance to consider appointing a curator to African Bank."

On September 9, Mr Louw was appointed curator of Afbank and the bank closed its doors. Mr Louw believed Afbank failed in the traditional fashion — poor management.

"You have to divorce emotion from reality and African Bank is an emotional subject. The reason the bank failed is because it spread itself too thinly on management skills with 30 branches in very remote areas and had delegated a number of onerous responsibilities to branch managers who didn't have the skills to make competent decisions," Mr Louw said in an interview.

On the controversy surrounding Mr Theron's loan, Mr Louw said the failure couldn't be put done to one loan. "That's immaterial, but there were a number of loans associated to Theron that were non-performing. To some degree they did contribute to the banks liquidity problem. They did put the bank under a lot of stress." Mr Louw wouldn't comment on whether criminal prosecutions would arise as a result of the loans, but said all matters would be investigated.

Mr Louw felt the Theron loan was a symptom of the greater problems at Afbank. "The bank had this philosophy, created by the hardships of the past, that the bank must take money from black clients, to marshal black funds through the intermediary of the bank to lend to the disadvantaged community to fund housing and small businesses. But, that doesn't give the directors carte blanche to recklessly advance funds to people who have little or no chance of repaying those funds.

"The only people that suffer in the end are the people who placed money in the bank in the first place."

Mr Louw said Afbank directors should not have mismanaged funds. He said at the very least it was a breach of the fiduciary duties of the directors, irrespective of allegations of fraud or the misuse of funds.

On the looming fight between Nafcoc and Nail, Mr Louw said people had to remember that the curators, had to protect the rights of the shareholders. Any rescue package will have to have the approval of the shareholders at a general meeting. People like Nafcoc don't own any shares whereas Nail/Metlife own some 40 percent of the shares in Afbank. If Nail/Metlife don't approve of the rescuer, we won't get a 75 percent approval which is needed from the shareholders on the rescue bid. We as curator's have to take in the wishes of the majority of the shareholders."

Mr Louw said he saw it as a problem if the curators recommended a rescuer who didn't have a block of shares like the Nail/Metlife consortium. Otherwise, he said they would have to put the bank into liquidation.

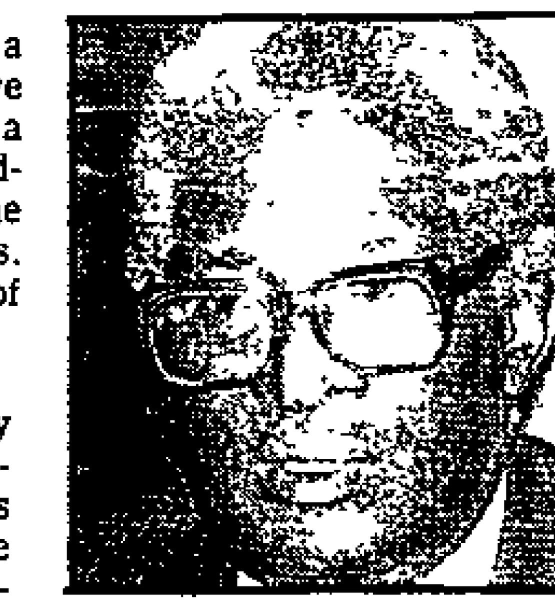
"Provisional liquidation wouldn't be a disaster because the bank could be rescued in a much cleaner manner and we wouldn't have to deal with a myriad of fighting shareholders. Then we can represent the interests of the depositors, which is the ultimate goal of this rescue anyway."

Mr Louw said the primary concern of the minister of finance, the Registrar of Banks and himself was to protect the savings of the depositors, rather than insuring that some shareholder got his money back. The corporate shareholder, he said, came last in their thought process.

As to the fact that the Reserve Bank didn't throw a lifeline to Afbank, Mr Louw said the answer was academic, in that the Reserve Bank would support a bank which could demonstrate solvency but was extremely cautious of giving any financial support to a bank that was clearly insolvent.

Mr Louw believed Afbank would be able to revive itself and become a fairly significant bank and serve a useful purpose in the community. He didn't think placing Afbank under curatorship had harmed the bank in anyway. By next week, Mr Louw said, they would be ready to announce a rescue package.

Mr Louw said he hoped to see the bank open its doors for trading before the end of the month.



Sam Motsuenyane

Chris Liebenberg

Christo Wiese

HOW AFRICAN B
ALL THE CLASS

MANY PEOPLE are asking how a big bank like African Bank could have gone under. DEON BASSON , Assistant-Editor of *F & T Weekly*, explains how the banking system works, and how African Bank fell into the same traps as other failed banks in the past.

THE FAILURE of African Bank followed several failures of small banks in recent years. It would therefore appear that many of the mistakes made by other banks were repeated by African Bank.

Essentially the business of any bank is about risk management. If that function is performed poorly, failure will almost inevitably follow. Banks are also the custodians of their depositors' funds. To protect the latter, banks need sufficient capital.

Banks borrow from the public to lend to the public. The funds borrowed from the public are a liability to the bank, because interest has to be paid to the public for that money.

The funds lent to the public are an asset to the bank, as the public pays the bank interest on their loans. Banks are not allowed to lend all their funds. A portion should be kept in so-called "liquid assets", which is basically cash. That also earns interest. Typically a bank will also have some fixed assets, such as is buildings, computer equipment etc.

Among other things, banks make their money from the difference between the interest earned on loans and cash, and the interest paid to depositors.

Broadly speaking, the capital of a bank is the difference between its assets, which are largely advances made to the public, and its liabilities. Ignoring technical complexities, current legislation requires that the liquid capital of a bank should be equal to at least 8 percent of total assets.

A bank with assets of R100 million will therefore need capital of R8 million. There are only two sources of capital. One is holding back a substantial portion of the profits the bank makes. The other is asking the shareholders to provide new capital.

Banks need the confidence of the public. Once that is no longer evident, the public will withdraw funds from the bank. Bankers refer to that as a "run" on the bank. The only source from which depositors can be repaid, is the cash resources mentioned earlier.

Cash resources can become depleted. That is what bankers refer to as a "liquidity crisis". At that point a bank is most likely to turn to the Reserve Bank for help. It does not mean that such a bank is necessarily insolvent, although liquidity problems could lead to insolvency. Even financially sound banks sometimes need some form of assistance from the Reserve Bank.

If a bank fails to recover debts from clients, it will make a provision for these "bad debt". Such provisions reduce the banks assets and might lead to a situation where either the bank will have a lack of capital, or its liabilities exceed its assets. The latter will mean that the bank is insolvent.

From all reports thus far it would appear that African Bank fits into the latter category. Huge provisions for bad debts, reportedly some R100 million, were made.

As in many other bank failures in South Africa in the past, poor risk management played an important part in the African Bank saga. Risk management runs across the broad spectrum of banking functions, but I would like to point to a few important issues:

■ Firstly, a bank should never allow one or a few depositors to hold a disproportionately high amount of its total deposits. That is exactly what African Bank did. The Transkei Public Debt Commisioner invested some R200 millon at African Bank. That was one-third of all deposits held by African Bank.

The bank was in fact advised not to lend those funds out. The advice was to keep it in cash at other banks, but the advice was not followed. Returns handed in at the Reserve Bank show advances to customers of R560 million. Clearly the R200 million was no longer available in cash, an example of poor risk management.

■ Let's turn to advances. Banks normally maintain confidentiality as far as client matters are concerned. Unless a client is a public company – which has to disclose information about its debt situation or when a bank or a client is liquidated – it is normally not known what large exposures (risky amounts loaned to clients) a bank has.

At this stage little is known about specific large exposures African Bank might have made to certain clients. The only one mentioned was that made to managing director Joe Theron, but Theron has since stated that the bank had sufficient security for an advance of R3 million.

I will, however, not be surprised if some disproportionately high exposures come to light. Some of the bigger banks follow the rule that no one loan may exceed 10 percent of its capital. African Bank had a very small capital base. Theoretically, it had capital of some R33 million at the end of July – which is likely to be written down considerably.

High exposures to one or a few clients were in fact a problem in a number of recent bank failures. For instance, Prima Bank had an exposure of R15,5 million to a scheme involving, among others, the failed life assurer Crusader Life.

Another example was Cape Investment Bank with huge exposures to companies like Quantum Group and Rico Breweries.

Two of the major banks escaped from being labelled as failures because their shareholders bailed them out. In the mid-eighties Nedbank had an exposure to Triomf Fertiliser, a company then controlled by Dr Louis Luyt. At the time the exposure of R248 million was high even for a big bank like Nedbank. Old Mutual came to the rescue.

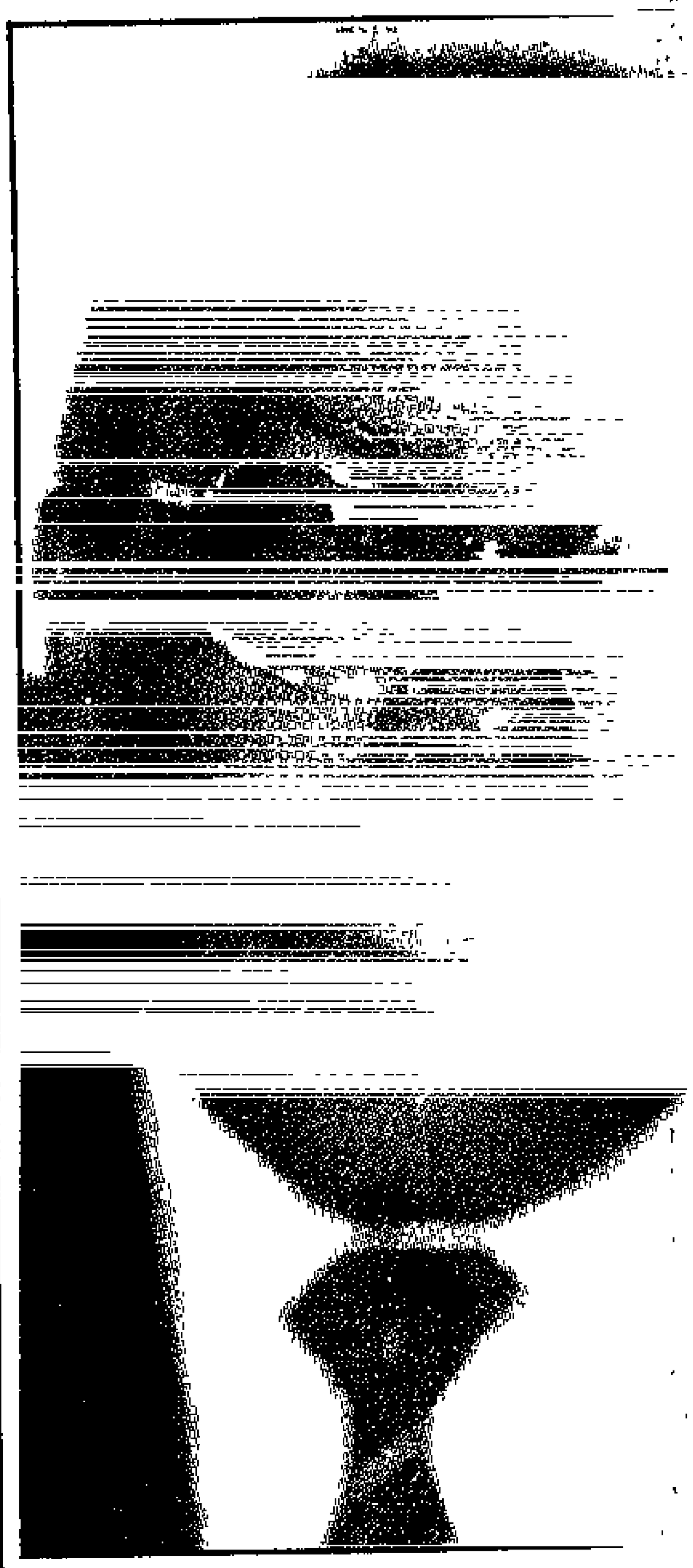
Bankorp also had its fair share of problems with exposures to Tollgate, W & A and Bester. Sanlam stepped in to restore the capital base of the bank. Eventually is was taken over by Absa in 1992.

The theory is not to expose your capital base to undue risks. But time and again it happened. And it will happen again unless all parties play a part in managing the risks of banks.

Who are these parties? Surely one should start at the board of directors of a bank.

They are not only the custodians of shareholders. They should act in the best interest of all stakeholders, including depositors.

Boards should have board committees including the all important audit committee. That committee should ask the right sort of questions and identify weaknesses in the system of risk control. "Why do



FINANCIAL PLAYERS ... C African Bank's audit commi Nkonyeni (above), was ill for periods. In his absence cha Sam Motsuenyane (above fellow board members, did suitable arrangements in the risk management. Former Finance Derek Keys (below disclosed in March 1993 that Reserve Bank had bailed out failed bank to the tune of R They could do the same for A

you have huge exposures?" or "Wh dependant on one or two depositors?".

African Bank did in fact have an tee. But the chairman of that com Nkonyeni, was ill for prolonged pe committee did not function properly. arises why the chairman, Dr Sam and fellow board members did not arrangements in the interest of risk

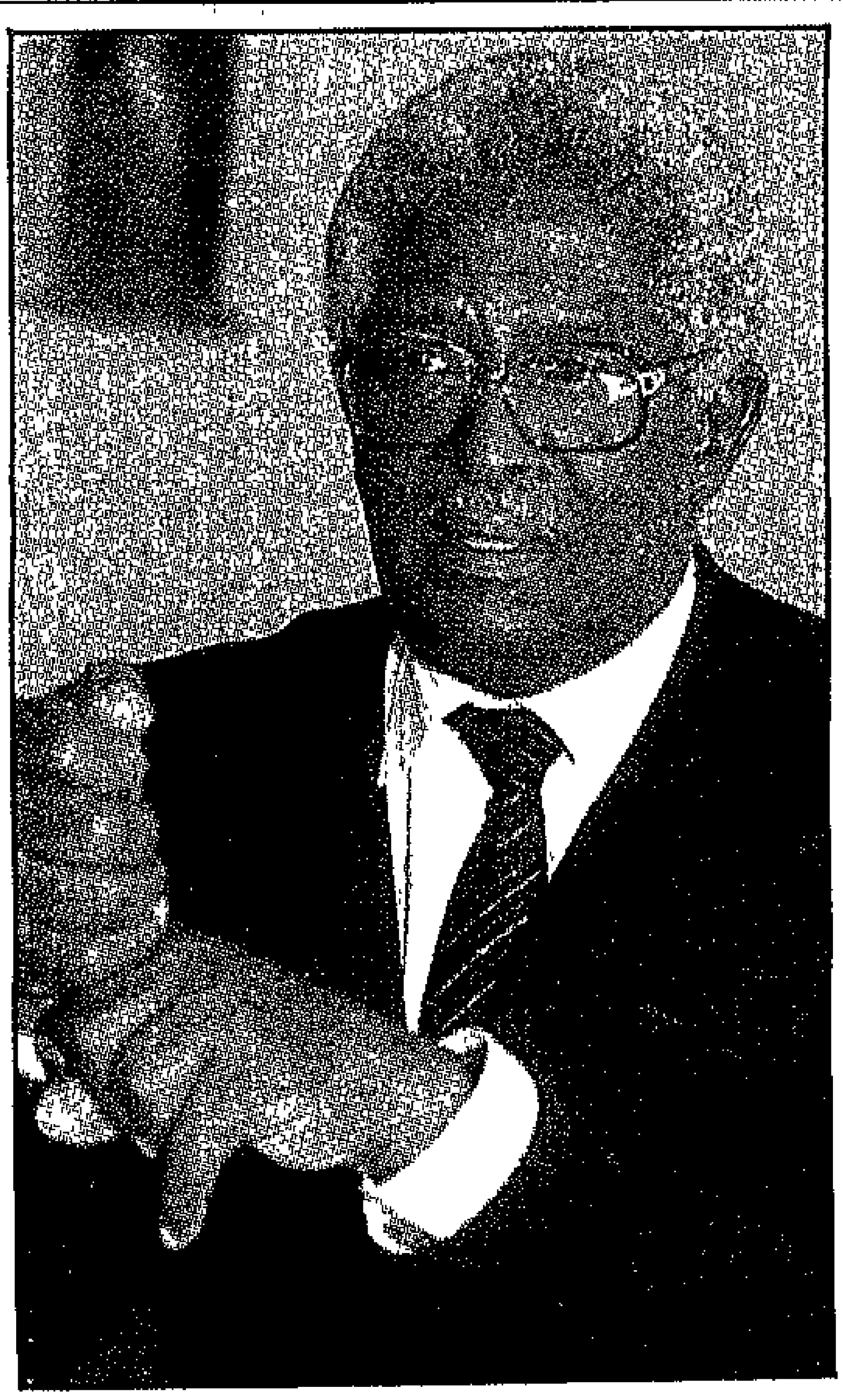
The other party who clearly has a are the auditors. I am told that the rican Bank, Deloitte & Touche, warn Bank a year ago about the imminen African Bank. Auditors sometimes q port, but I have never seen them do in South Africa.

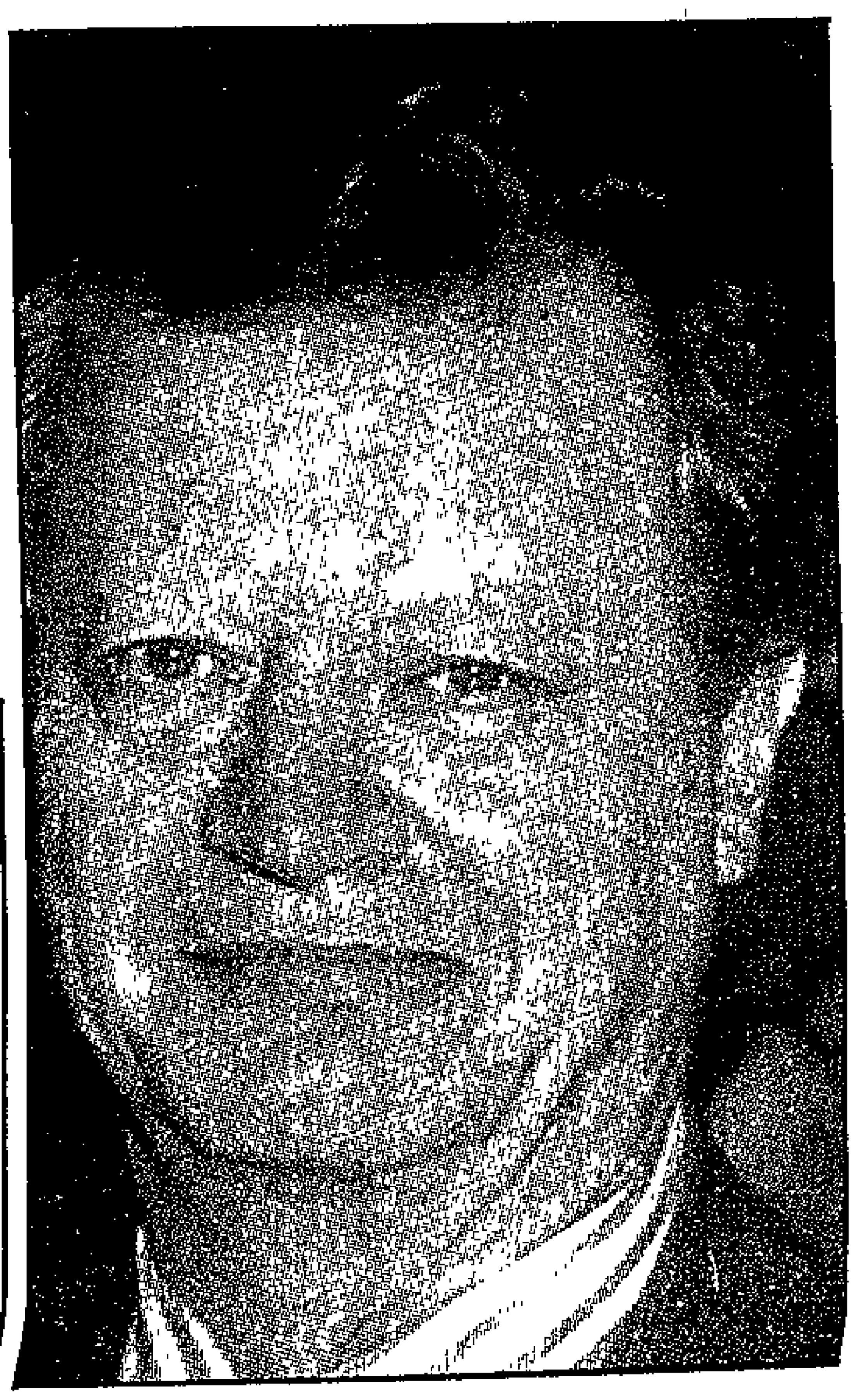
The reason is simple. It will inevi run on a bank. In addition, I under report of African Bank for the financ March 1994 was not qualified becau statements reflected a fair picture a

So over to the big black buildi Street, Pretoria. The Reserve Bank

ANK MADE C MISTAKES

(58) CP 15/10/95





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...lead to a ... that the ...er ending ... financial ... stage. ... Church ...ovide fi-nancial assistance to banks when they deem it necessary. They can ensure proper disclosure to stakeholders and scrutinise all the numbers provided by banks on a regular basis. Inevitably they will know in advance if a bank runs into problems.

But I believe it is impossible for the Reserve Bank to rectify mistakes made by the Board and the management of a bank. They can facilitate to find perhaps a new controlling shareholder, or to beef up top management. But as regulater there is a limit to how deeply they can get involved.

Providing a so-called lifeboat to banks has been one of the more controversial features of the Reserve Bank's involvement with banks. In essence the aid should be given on a secret basis. If it becomes known that aid is given, it will also lead to a run on the bank.

In recent years it was alleged that Bankorp received a loan of R1 billion at an interest rate of 1 percent from the Reserve Bank. This was never confirmed or denied.

Derek Keys, former Minister of Finance, disclosed in Parliament during March 1993 that the Reserve Bank had previously lent R300 million for a period of 116 days at an interest rate of 1 percent to Cape Investment Bank (CIB). He said at the time that the transaction was neither sinister or underhand.

When CIB was liquadated in April 1991, the Reserve Bank undertook a limited assistance measure in terms of which all depositors at CIB were compensated for their deposits up to R5 million per depositor in order to preserve market stability and depositors' confidence in the banking system.

Assistance given to other banks, such Alpha bank and Prima Bank, were revealed in court papers at a later stage.

It is clear that the Reserve Bank has in certain instances bailed out depositors to maintain confidence in the banking system. The question is now, should this happen in the case of African Bank? If historic precedence is anything to go by, I believe the Reserve Bank might have a moral obligation to do so.

There is one exception. Depositors are also part of the risk control system. Big depositors have all the means at their disposal to take informed decisions about where to invest there money.

Unfortunately, bad risk control by some of them has become a sub-culture. It started gaining momentum in the seventies when certain municipalities and the old Bantu Administration Boards poured money into Rondalia Bank.

It carried on when the state owned Rail Commuter Corporation disregarded risk management by investing a disproportionally big amount of R239 million in the Cape Investment Bank. More municipalities made the same mistake with investments in Pretoria Bank, Alpha Bank and Prima Bank.

And now the same mistake was made by the Transkei Debt Commissioner with its investment in African Bank. I do believe these institutions should pay the price for their lack of risk management, as was the case with the Rail Commuter Corporation. Investment managers, having had the benefit of others previous experience, should also be held accountable for there poor investment decisions.

But it is inconceivable that small depositors should be treated the same. There are indeed many of them in remote parts of South Africa who were caught unawares. Perhaps they banked with African Bank out of a sense of loyalty. They should be assisted with the same sort of package that CIB depositors received from the Reserve Bank.

But the new shareholders should start afresh and employ proper risk management . . .

Motlana, NBS to get their slice of African Bank

(58) ST(BT) 15/10/95

By SVEN LUNSCHE

FINANCE Minister Chris Liebenberg is expected to announce tomorrow that NBS Bank and New Africa Investment Ltd have won control of African Bank.

Mr Liebenberg will be briefed in this regard by the bank's curator, John Louw of auditors KPMG.

The joint bid by NBS, the country's fifth largest bank, and Nthato Motlana's Nail involves a significant revamp of African Bank's structure and includes a R100-million recapitalisation.

The NBS-Nail bid is believed to be one of three being given serious consideration by the Reserve Bank, the Department of Finance and Mr Louw.

The other two are rescue packages from Unibank and an unnamed Malaysian investor but a number of factors have swung the bidding into NBS and Nail's favour, most crucially the management expertise that NBS can offer to African Bank branches.

Mr Louw has also pointed out that, in terms of the rules of curatorship, 75% of shareholders have to approve any deal that affects the bank. Nail and its subsidiaries own 41% of African Bank and could veto any counter-proposal.

Mr Louw says the bank will stay under his control for about eight weeks until all the technicalities, including Supreme Court approval for the scheme of arrangement, have been finalised.

The future owners will have to decide when to re-open the bank, Mr Louw says.

The NBS-Nail proposal is based on the proposal that African Bank will be split into two separate divisions:

- A major stake in Pleiade Investment, a merchant bank jointly controlled by Nail and Wall Street bankers Donaldson, Lufkin & Jenrette.
- The existing retail operation of African Bank, which will be strengthened by a management injection from NBS and a joint R100-million refinancing package to cover African Bank's doubtful loans.

When it went into curatorship, African Bank held deposits of over R600-million, including R140-million for about 125 000 individual depositors. The government is the largest depositor of the bank, having invested almost R240-million.

Dr Motlana has already assured depositors of "full backing for their capital".

The NBS-Nail proposal will provide for the continued black ownership of African Bank. A third of the bank's capital is held by about 6 500 individual black shareholders.

Rob Dow, Pleiade's managing director, would not confirm details of the rescue package but said the consortium was trying to secure a third partner, Southern Bank of Malaysia.

He also said Sam Motsuenyane, African Bank's founder, would continue to play a prominent role at the bank.

Half a dozen black companies handed in rescue packages, but sources indicated that none of these "backed elaborate promises with hard financial assets".

Afbank decision still to be made

(58) Star 16/10/95

■ BY PETER GALLI

No decision will be made on who will take control of African Bank until Finance Minister Chris Liebenberg is briefed today by the bank's curator John Louw and members of the finance department and Reserve Bank, Louw said yesterday.

Responding to an article in the Business Times yesterday that Liebenberg was expected to announce today that NBS Bank and New Africa Investment (Nail) had won control of African Bank, Louw said this implied that a preselection had taken place behind the back of the finance minister – who has been attending the IMF meeting in Washington.

"This is most definitely not the case. We received nine rescue applications from a variety of parties. Representatives from the Reserve Bank, department of finance and myself have gone through them all and have drawn up a report on each detailing its merits and pitfalls, but there has been no selection of any one as yet," he said.

A spokesman for Liebenberg confirmed that a meeting was scheduled for today, but was unable to say whether an announcement would be made on the Afbank takeover.

"The longer this matter is drawn out the worse it is for the image of the bank. I'm sure a statement will be made in the near future, but I cannot predict when this will be ahead of today's meeting," she said.

Louw said it was unlikely that an announcement would be made today as the matter was subject to a number of procedures and processes before it could be finalised. The final decision would be taken by Liebenberg, in consultation with the Reserve Bank – as the bidder had to meet Bank criteria – and members of the finance department.

Louw said that, in terms of the Companies Act, 75% of Afbank shareholders would have to approve any deal. The bank would stay under his control until all the technicalities, including approval by the Supreme Court for the scheme of arrangement, had been approved.

AfBank decision still to be made

(58) CT(BR) 16/10/95

BY PETER GALLI

FEATURES EDITOR

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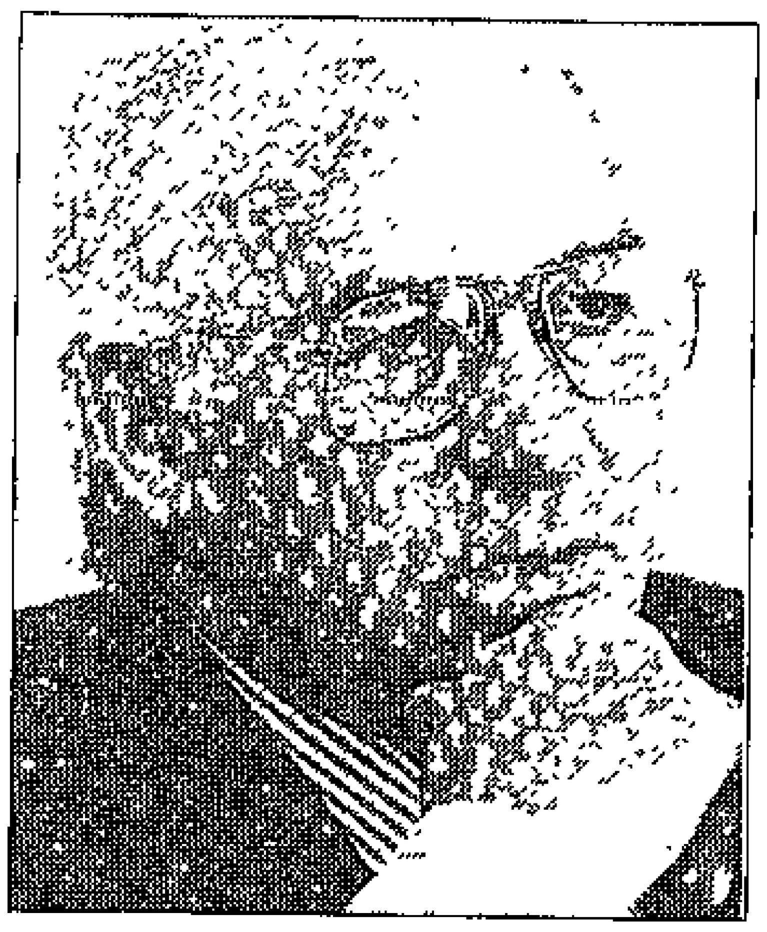
Rob Dow, the managing director of Pleiade Investment, a merchant bank jointly controlled by Nail and Wall Street bankers Donaldson, Lufkin & Jenrette, yesterday confirmed that Nail and NBS had submitted a joint bid for Afbank, but said he had as yet not been informed as to whether its bid had been successful or not.

Split

The Business Times report said the NBS-Nail proposal was based on the proposal that African Bank would be split into two separate divisions: a major stake in Pleiade Investment and the existing retail operation of Afbank, which will be strengthened by a management injection from NBS and a R100 million refinancing package to cover Afbank's doubtful loans.

Dow declined to give details of its bid for Afbank, bar to say that discussions were under way with a Malaysian bank, believed to be Southern Bank of Malaysia, to join the consortium as a third partner.

It is believed that of the nine bids for Aflife, six came from black companies or companies that had black links or partners.



ADHESION *Finance Minister Chris Liebenberg*

SA 're-enters' world finance

(58)

By Bruce Cameron

Political Editor

CT(BR) 16/10/95

More than 240 American businesses have either reinvested in South Africa or invested in the country for the first time since the elections in April last year, Finance Minister Chris Liebenberg said at the opening of Standard Bank's New York office at the weekend.

Liebenberg said the global expansion of the bank formed part of the glue which held countries together. This glue was not language, religion or culture, but trade and capital flows.

"The opening of any bank or business from South Africa in another country tells me we are reintegrating with the world economy."

Standard Bank New York provides a full range of securities services on an international basis and promotes investment and trade between Africa and north America.

It is also a market maker in New York in South African equities, bonds and foreign exchange.

Other services provided by the bank in New York include activity in the sovereign debt of emerging markets and in corporate debt trading on an international basis; a wide range of corporate and project finance advisory services to corporations with investments and interests in sub-Saharan Africa; and it is extensively involved in trade finance through its network of branches in Africa, western Europe, eastern Europe and Asia.

!Khoisan X in R6bn Telkom tender

(58)

CT(BR) 16/10/95

!Khoisan X

By Thabo Leshilo

Staff Writer

!Khoisan X, who sent shock waves through the business community with his bid for the African Bank last week, was also involved in the R6 billion Telkom tender to lay a million telephone lines in rural areas, sources said.

The participation of !Khoisan's company, Trans Africa Investment Holdings (Trasaiho), in the Telkom bid was through AT&T, the telecommunications giant.

Trasaiho and AT&T were said to have agreed to form a separate company to handle the lucrative contract if they won.

Frank Coleman, the president of AT&T South Africa, could not be reached for comment. !Khoisan X declined to comment.

A total of 20 proposals had been received and were being evaluated, a Telkom spokesman said.

Registrar might act on Afbank media leak

(58) BD 17/10/95

Amanda Vermeulen

THE registrar of banks has warned he may take disciplinary action over the leak of confidential information surrounding the curatorship and bidding for African Bank.

Registrar Christo Wiese said yesterday he was concerned that information had been leaked to the media, despite all parties involved in the bidding signing confidentiality clauses as a precondition to joining the bidding.

The warning follows yesterday's meeting between Finance Minister Chris Liebenberg and Afbank curator John Louw.

Liebenberg is expected to announce today that a partnership consisting of Afbank's major shareholder New Africa Investments (Nail) and NBS will win control of Afbank. But it is understood Louw also complained that the bidding process had been plagued by information leaks to the media, particularly relating to Nail's bid.

Louw has apparently interpreted such leaks as a possible attempt to influence the bidding in Nail's favour.

Wiese said such claims were "being viewed in a very serious light ... steps will be taken".

Wiese said the successful bid had met several requirements set by the curator, including accommodating the minorities and taking the main shareholders into account. But as Afbank's majority shareholder, Nail could have vetoed any rival rescue plan. This could have resulted in a stalemate leading to the bank's liquidation.

Wiese said liquidation had been highly undesirable because it would have further penalised the thousands of depositors whose money had been frozen for more than a month.

Liebenberg is expected to meet all nine parties who submitted bids for Afbank before making his announcement today. A spokesman for the finance department said a number of legal processes had to be set in motion.

Wiese said Afbank's doors should be opened in days.

Smart cards signal a revolution in SA's banking

CT (BR) 17/10/95 (58)

By Ross Herbert
Staff Writer

The nationwide launch of electronic-purse smart cards on Friday by First National Bank is a sign of the revolution under way as technology reshapes banking — one of South Africa's most advanced industries.

Technology driven change has been buffeting American and European banks, begging the question: just what is in store for South Africa's banks and how will technology change the business?

"The banking industry is going through enormous change, not just in South Africa. We are actually in the midst of a banking revolution worldwide," said Cedric Edwards, First National Bank's senior manager for debit cards.

Already, one in four bank transactions in the United States is conducted by telephone, according to the Bank Administration Institute. Fewer than 40 percent of transactions occur at bank branches and a study released in August by Deloitte & Touche, the international accounting and consulting firm, concluded that 50 percent of American bank branches and banking employees would be gone within five to 10 years as a result of mergers and new technology

"Clearly, the old order of retail banking will be swept away," said Frank Woosley, the director of Financial Services Consulting for Deloitte & Touche. "There is an impetus for change in retail banking like never before. Several major banking institutions in the United States will probably disappear as they fail to implement the alternative strategies needed to survive."

Similar conclusions have been drawn about European banks. Automatic-teller technology has been used worldwide to meet banking needs without the expensive overhead of bank branches. They have helped banks cut costs to such an extent that there is a recurring experiment in American banking circles to charge fees for transactions at traditional teller windows.

Smart cards in South Africa are part of a broader drive to bring banks to the people. Automatic-teller machines were the first step, followed by personal computer-based banking.

A prime reason for the South African smart-card programme is to cut processing costs; instead of counting hoards of cash deposited by retailers, banks would receive a stream of digital cash from stores, which could be counted by computer. A version of the cards that function as an electronic cheque book would also eliminate the clerical labour needed to verify cheque signatures and amounts.

All of South Africa's banks are hesitant to talk about the job losses the new technology might bring and claim smart cards will not cut overall employment.

A key difference between South Africa and the First World is that most South Africans do not use the formal banking sector and 80 percent of transactions are still conducted in hard currency.

Convenience

By offering protection against mugging and greater convenience, First National Bank and its peers hope smart cards will lure new customers to the bank, boosting rather than cutting employment. So far, automatic-teller machines have had a similar effect, unlike the experience at banks in the rest of the West.

The number of processors will decline but persuading the non-banking sector to adopt smart cards will result in job growth among trainers, sales staffs and equipment maintenance. In the medium term, it appears South Africa will not follow the path of the more mature Western markets.

The employment prospects seem firm for now, but the longer-term logic will be hard to deny. The Deloitte & Touche study predicted that in five years the number of branch-based transactions would fall to 23 percent from 40 percent. Once South Africans become more comfortable with automatic-teller machines and smart cards, convenience will probably cause us to follow the American path.

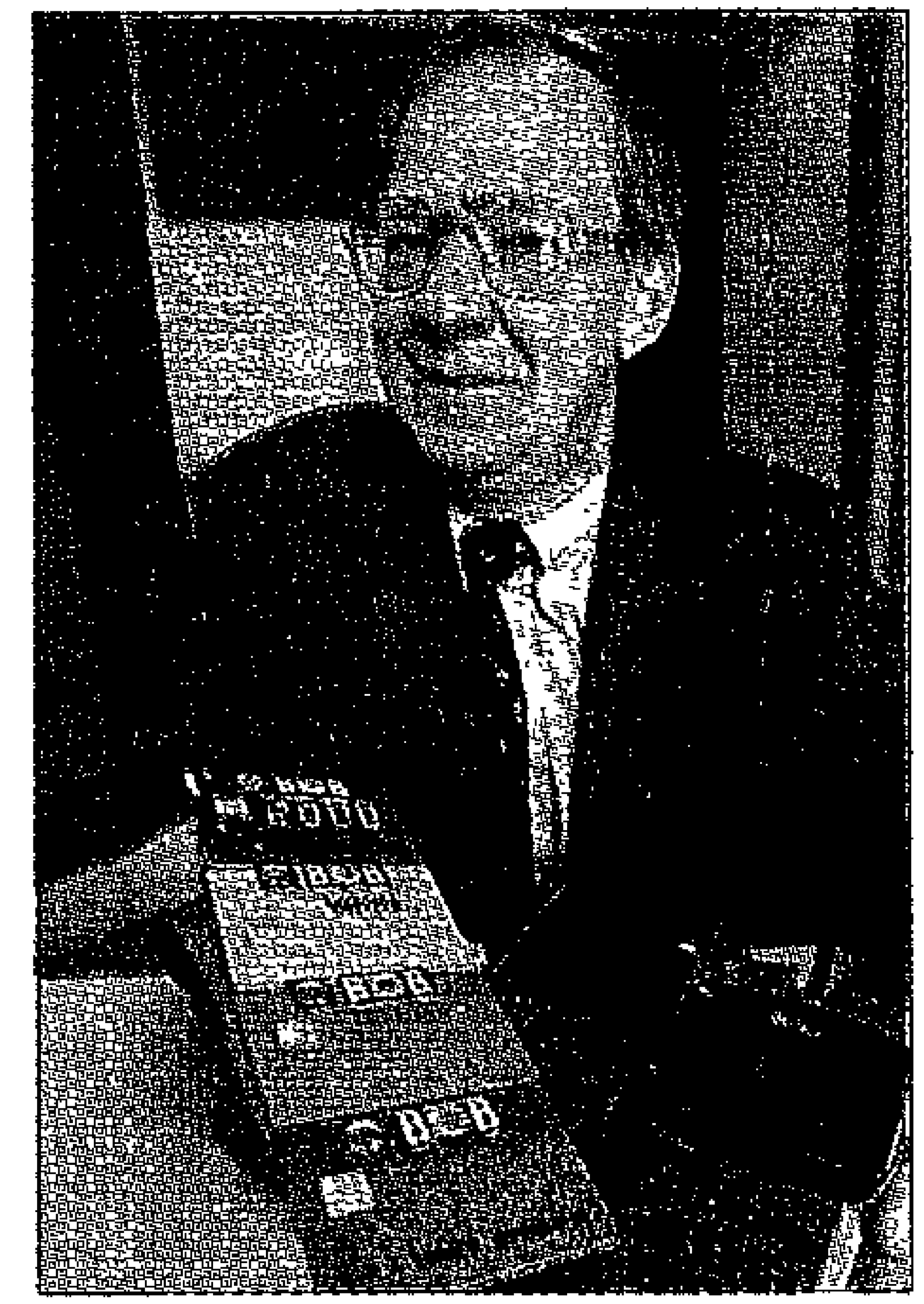
A key question is what price will South Africa pay for leading the smart-card race? Mastercard and Visa recently announced their standard for smart cards with an electronic-purse function. The South African standards for smart cards are similar but not compatible with the Visa-Mastercard standard, which is sure to become the global standard.

That puts South African banks in the position of creating an island of technology in South Africa or waiting several years for the Visa standard to be translated into actual hardware.

First National Bank's decision to go ahead with smart cards puts it further out on the so-called "bleeding edge" of technology where companies pay a high development premium to be ahead of the market.

Standard Bank and Absa have opted to wait and see, while Nedbank has gone ahead with a private label smart-card programme.

Smart cards are, however, just one part of a drive to improve the delivery and marketing of banking services. All four banks offer personal computer-based home and corporate banking systems. Experiments are under way to deploy shipping-containers or mobile banks in townships and rural areas.



DIGITAL PURSE *Edgar Blomeyer, the assistant general manager of bank marketing at First National Bank, displays smart cards and readers which are part of the first wave of electronic cash management in South Africa*

South African banks are investing in computer-based cross-marketing systems that allow tellers as well as sales staff to know the details of the accounts held by a customer.

If a customer does not have a card for an automatic-teller machine the system will prompt the teller to ask if he would like one.

Banks continue to invest in computer technology in the hope that it will give them an advantage over their competitors. Ironically technology is increasingly homogenising the sector.

Less and less banking software is created by banks themselves — a dwindling number of computer firms make the automatic-teller machines and home-banking and cross-selling systems that will inevitably appear at competing banks.

As a result, commodity-banking technology is making branding, marketing and personal service more important. Who, after all, chooses a bank based on the quality of graphics on their automatic-teller machines?

The success of First National Bank's smart card will depend on the creativity of its promotions and educational efforts in the non-banked sector. South African banks have generally opted to keep their brand identities intact, which may represent an opportunity for new competitors.

Once the primary interface with a bank becomes a card and an automatic-teller machine — instead of imposing brick and mortar structures — the market is ripe for new forms of competition.

AT&T launched a traditional bank credit card and, based on the strength of its brand in the telephone sector, rocketed to the number-two issuer of bank cards in the United States. Major retailers, car companies, even political parties followed suite and began issuing credit cards. They found that the brand identities associated with various groups and consumer products had a more powerful identity with consumers than bank brands.

The same could prove true in South Africa. Would not an ANC debit card have more resonance in the former Transkei than one from Standard Bank or Nedbank?

D-Day for Afbank bidders

(58)

By Thabo Leshilo

Staff Writer

CT(BR) 17/10/95

Chris Liebenberg, the minister of finance, will announce a new owner for African Bank today, ending more than five weeks of anxiety for the bank's depositors, staff and shareholders.

A spokesman said that Liebenberg chose a buyer for Afbank from among the bank's nine suitors after meeting John Louw, the curator, and Christo Wiese, the registrar of banks, yesterday.

The name of the rescuer has been withheld and will be announced at a meeting today with the nine parties who submitted rescue packages. Liebenberg will reveal the criteria for his choice at the gathering.

So far, all indications are that the bid has been won by Nthato Motlana's New Africa Investment and NBS, the country's fifth-largest bank. Nail controls 41 percent of Afbank's shares.

Afbank's other suitors include Nafcoc, Unibank, SA Catering, Commercial and Allied Workers Union, !Khoisan X's Trans Africa Investment Holdings, Africa Renaissance and Dato' Samsudin, the executive chairman of Malasian group, Landmarks Berhad.

Meanwhile, Afbank's 430 employees have expressed relief that the uncertainty about their future is finally coming to an end.

Minutes of a recent meeting with the bank's management and the curator show that staff has been unsure of its role since the bank was placed under curatorship.

Nevertheless, only a few of the bank's employees have resigned. Davin Chown, the bank's senior human resources manager, said: "Our staff turnover has been minimal — even lower than normal."

Liebenberg placed the bank under curatorship on September 9 after it was afflicted by bad management and bad debts amounting to R28 million.

Nail consortium wins Afbank bid

BD 18/10/95 (58)

Amanda Vermeulen

THE waiting ended for thousands of African Bank depositors yesterday after Finance Minister Chris Liebenberg named the consortium of New Africa Investments, NBS and Metropolitan Life as Afbank's rescuer.

The bank will reopen next Wednesday.

Liebenberg said Nail's bid, which included a R100m recapitalisation and major restructuring, had ranked highly against guidelines outlined by curator John Louw during the bidding.

"Of particular importance was the combination of a credible SA bank with its ability to assume immediate management, and Nail which represents existing majority shareholders."

Minorities were also catered for in the Nail-Metlife-NBS bid, ensuring they would not lose any money.

Liebenberg said consideration had also been given to an investment from Wall Street firm Donaldson, Lufkin & Jenrette in a proposed merchant banking operation within the new group.

Banking operations would resume under Louw's direction, with day-to-day management support from NBS.

"Irregularities identified during the curatorship have been handed over to the Office for Serious Economic Offences and will continue to be probed," a finance department statement said.

Continued on Page 2

Old Mutual

(58) BD 18/10/95

Continued from Page 1

the exclusion of R330m received in capitalisation shares. The growth in business was accompanied by an increase in operating expenses of 22% to R2,9bn, which, he said, was a result of the society's efficient operations in a tough and competitive environment.

The net result of higher premium income and contained expenses was a 41% increase in transfer to policyholders' funds which stood at R129bn for the period under review from R114,7bn the previous year.

Members and beneficiaries were paid out R14bn during the year, a 14% increase over last year's payouts.

Old Mutual also strengthened its financial position during the year, indicated in the actuarial balance sheet by an excess of assets over liabilities of R18,1bn (R17,5bn).

Levett said Old Mutual had shown substantial growth over the past ten years. "Society assets under management grew at an average annual rate of 25%. After adjusting for inflation this translates into a real growth rate of 12% a year."

Of the total industry increase in net premium income during calendar 1994, Old Mutual claimed 40,5%.

Old Mutual rides high as income soars

(58) BD 18/10/95

Amanda Vermeulen

LIFE assurer Old Mutual's total premium income jumped 27% to R21bn in the year to June, while total assets under management breached the R150bn mark for the first time in the group's 150-year history.

Unveiling consolidated figures for the first time yesterday, Old Mutual said premium income from the group business side soared 59% to R9,5bn after a surge in lump sum contributions.

Single premiums increased 43% to R11bn and recurring premiums grew 13% to R10bn.

Total income, including premium, investment and other income, was lifted 23% to R28bn.

Chairman Mike Levett said the increase in premium income had pushed Old Mutual's share of the life assurance market up to 34,3% by the end of last year. Old Mutual had prepared the figures on a consolidated basis in line with new accounting procedures.

Group figures included the society results and those of local and foreign subsidiaries under direct management. Old Mutual has operations in SA, Guernsey, Hong Kong, Malawi, Namibia and Zimbabwe.

Total assets pushed through the R150bn barrier, to increase 12% by the year-end to R154,8bn. About 10% of the total assets were invested offshore, Levett said.

Total group investment income increased 11% to R7bn, slowed down by

Continued on Page 2

Afbank

(58) BD 18/10/95

Continued from Page 1

"Prosecutions could follow."

Nail and Metlife, which previously had held 41%, will lift their stake to 53%, with NBS holding the balance.

Nail chairman Nthato Motlana said no limits would be placed on withdrawals, and existing depositors' money was safe. But lending procedures would be reviewed immediately.

He said Afbank's restructuring had to be commercially viable and together with international partners, the shareholders would develop profitable activities such as merchant banking, niche retail banking, government, parastatal and corporate business.

NBS would provide management expertise in all areas of Afbank's current operation, including corporate lending and treasury. It would also offer an internal audit function, and staff training and development, said NBS CE Tony Norton.

The proposals for Afbank included taking a stake in Nail's merchant banking operation, Pleiade Investment Corporation. Donaldson, Lufkin & Jenrette would also take a stake in the merchant bank.

NBS, Nail win Afbank rescue bid

(58) Star 18|10|95

■ BY THABO LESHILO

New Africa Investments (Nail) and NBS Bank won the bid to save African Bank, trouncing eight other competitors, Finance Minister Chris Liebenberg announced yesterday.

NBS is South Africa's fifth-largest bank holding company.

Nafcoc, whose joint bid with the South African Commercial, Catering and Allied Workers Union lost, reacted angrily to the decision, calling the bidding process a farce.

Mashudu Ramano, the Gauteng president of Nafcoc, said: "We totally reject the reasons advanced by the minister of finance.

"We cannot understand why public bids were called for by the curator when it was already known that Nail would have the right to veto other bids."

Liebenberg said he had accepted the bid by Nail and NBS after due consideration of all proposals and in the interests of the depositors, creditors and shareholders of Afbank.

"The bank is to be recapitalised to the extent of R100-million which, in the opinion of the regulators, will be more than sufficient to meet statutory requirements and should also restore confidence in the bank."

Liebenberg said the combination of NBS, with its ability to assume immediate management control, and Nail, which represented existing shareholders, was of particular importance.

Other considerations were the estimated time to consummate the deal and to introduce capital and management, and protection of minority shareholders and the culture of the bank.

The amount of capital to be introduced, the method of capitalisation, demands for financial assistance from the government and the ability to secure the approval of existing shareholders, were also taken into account.

Liebenberg said minority shareholders were catered for in the proposed bid, which would ensure that they suffered no losses.

Afbank will resume banking operations on October 25 under the direction of the curator, with NBS providing day-to-day management while legal matters pertaining to a scheme of arrangement in terms of the Companies Act are decided.

Nthato Motlana, the chairman of Nail, said there would be no limits placed on withdrawals and assured existing depositors that their money was safe.

Tony Norton, the chief executive of NBS, emphasised that NBS's participation in Afbank was subject to a due-diligence investigation and final approval by the NBS board.

"(However) the group is enthusiastic about the opportunity for NBS staff, customers and shareholders to be part of nation-building," Norton said.

Liebenberg said the bank would remain under curatorship until all legal requirements had been fulfilled.

He said irregularities identified during the curatorship period had been handed over to the Office for Serious Economic Offences.

These would continue to be probed and where necessary prosecutions would follow.

The government's deposit of about R240-million would be retained in the bank.

Income soars at Old Mutual

□ Managed assets top R154 billion

(68) ARG 18/10/95

Business Editor

OLD Mutual collected nearly R114 million in income every working day of the year and paid out R55 million in benefits, according to results for the year ended June.

Assets under management topped R154 billion — including overseas operations — coinciding with the society's 150th year.

Group premium income surged 27 percent to R21 billion for the year, with income from investments up 12 percent to R7,4 billion.

Benefits paid rose 13,5 percent.

Assistant general manager Dave Hudson told a briefing at the group's head office in Pinelands that the group's actuarial balance sheet showed an excess of assets over liabilities of R18 billion — compared to a statutory minimum of R5 billion.

This showed Old Mutual had not sacrificed financial soundness for growth.

The society's share of total premium income in rands had risen from 33,7 percent to 34,3 percent during the year — beating Old Mutual's own forecasts.

But, Mr Hudson cautioned, this momentum would not necessarily be maintained.

■ Soon to be listed **Norwich Holdings** is expecting group profits of R61 million for 1995, up 38 percent on the adjusted 1994 figure of R44,9 million, Norwich Holdings Chief Executive Officer Charles Davies told investment analysts in Johannesburg. Norwich Life would contribute the lion's share — 74,6 percent - of the group's forecast earnings for the year ended December, 1995, with D & B expected to contribute 11,4 percent, NBS 7,8 percent, Spire five percent and the Unit Trust company 1,2 percent.

■ After-tax profits at Anglovaal's **Loraine Gold Mine** dropped from R4 million to R1,2 million in the September quarter as costs shot up.

Profits from gold mining, which was affected by a fire in a high grade stope, slumped from R2,9 million to R976 000. But sales of pyrite and income from other operations cushioned the drop in profits.

Anglovaal's other gold mines fared little better; after-tax profit at **Hartebeestfontein** was down from R33,9 million to R25,8 million and at **Eastern Transvaal Consolidated** from R4,4 million to R3,1 million. Only the surface treatment operation at **Village Main Reef**, which turned a R340 000 loss into a profit of R403 000 — with profits from mining contributing R288 000 — had some glitter.

■ Sales of new vehicles by **McCarthy Motor Holdings** were up 38 percent in the September quarter — the first in the 1995-96 financial year — compared with year-ago figures, according to chairman Brand Pretorius.

He said the group was well on the way to targeted sales of 44 500 vehicles in 1995/96.

McCarthy was to spend R100 million to increase its national franchise network from 113 to 122 dealerships.

■ **African Bank** is to re-open its doors within a week following the announcment of a R100 million rescue operation by New Africa Investment (Nail), Metropolitan Life (Metlife) and NBS Bank.

The bank's restructuring will increase Nail and Metlife's stake in the bank to 53 percent and that of NBS to 47 percent.

■ The Johannesburg Stock Exchange said the listing of furniture group **Decovo Investments**, which was suspended on August 28, was ended yesterday. The JSE said Decovo had not submitted documents about capitalisation proposals.

■ **Anglo American Platinum Corporation** and **Potgietersrus Platinums** have given a 10-year earthmoving contract worth R1,52 billion to Moolman Mining Projects, a division of LTA Construction. The agreement is an extension to a five-year contract awarded in 1991 for work on the PP Rust open pit platinum mine at Sandsloot near Potgietersrus.

INTERNATIONAL BIOSPHERE PLANNED

Rocket test site may become reserve

CT 18/10/95 (58)

A CONTROVERSIAL rocket test site has been rehabilitated. **DAN SIMON** reports.

A SMALL piece of land in the Kogelberg Mountains — which until 1993 was a secret test facility for Denel-Somchem's space rocket motor programme — could become the core of a unique international biosphere reserve.

Stellenbosch University ecologist Dr Charles Boucher announced this yesterday during a handing over ceremony of a bunker-style control centre that was used to oversee six static tests of rocket motors in the early 1990s.

The bunker will now be used for environmental education.

In June 1993 the rocket development project was ended for commercial reasons and the remaining part of the Denel group's space venture, including a low-orbit satellite programme, was closed last year.

The site formed part of about 80 hectares of land leased from the Overberg Regional Services Council. The activities of an adjacent "dynamic test" facility for artillery ammunition is will continue until 2003.

Dr Boucher, chairman of an environmental working group overseeing the rehabilitation of the former Klein Hangklip rocket motor test site, said Denel's decision to become part of the "missile technology control regime" had to be welcomed.

He said the group — consisting of members from the World Wildlife Fund in SA, Stellenbosch University, the Council for Scientific and Industrial Research and the Rooi Els Water Monitoring Committee — had monitored the quality of water and found no contamination.

Unique

He also said the total rehabilitation of the former test site — expected to take three years — could see it become the core of a unique biosphere nature reserve.

"This valley is the core to the Kogelberg biosphere reserve. The greater Kogelberg is important to botanists and is known as the Kruger Park of plants."

He said negotiations were under way between the Cape Nature Conservation and the Overberg Regional Services Council to turn the site into a biosphere reserve.

Denel-Somchem managing director Mr Johan Alberts said the rehabilitation of Klein Hangklip was a "win/win situation".

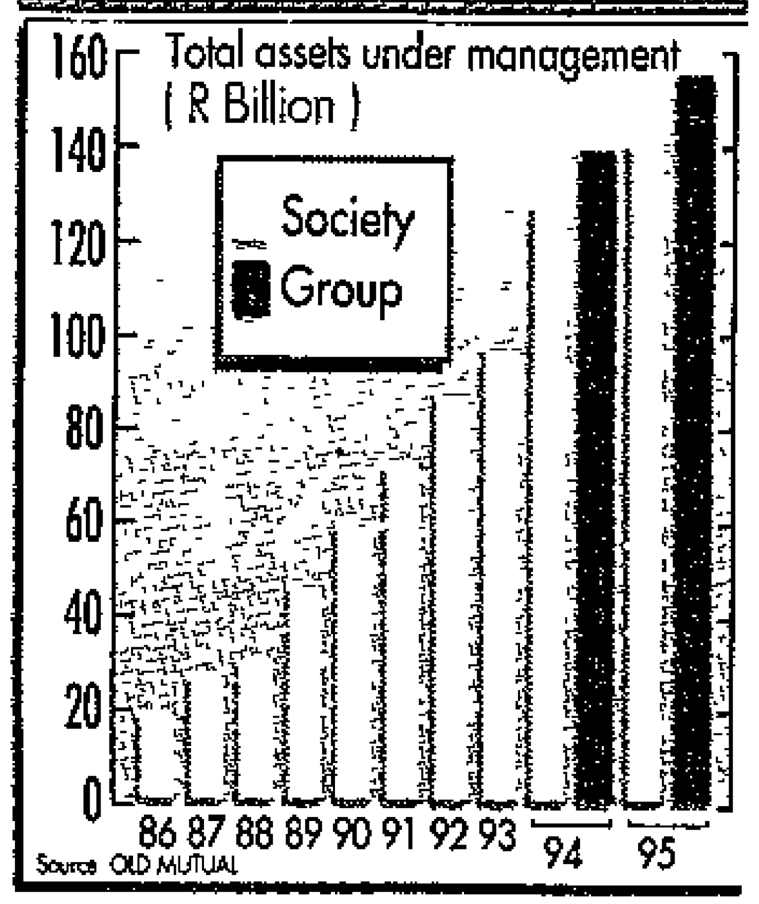
ENVIRONMENT BENEFITS: Denel-Somchem managing director Mr Johan Alberts (left) and Overberg Regional Services Council chairman Dr Pierre Rabie at the ceremony yesterday. A bunker-style control centre that was used to oversee Somchem's rocket motor tests until 1993 was handed over to the council for environmental education use.

PICTURE: DAN SIMON

Old Mutual's total assets breach R150 billion mark

(58) CT(BR) 18/10/95

Ten-year review of Old Mutual's financial results



By Llewellyn Jones
Staff Writer

Total assets managed on behalf of Old Mutual, South Africa's largest life assurer, and its clients breached the R150 billion mark at R154,8 billion in the year to end in June, coinciding with the group's 150th anniversary, Mike Levett, the chairman, said yesterday.

This, more than anything else, illustrated Old Mutual's ability to mobilise savings to provide for the long-term financial security of its members, he said. Old Mutual's financial statements have been prepared on a consolidated basis for the first time this year in line with new accounting guidelines.

Group figures include the results of the society and local and foreign subsidiary companies under the society's management.

The society conducts business in South Africa, Guernsey, Hong Kong, Malawi, Namibia and Zimbabwe, with the activities of certain subsidiary companies further extending the scope of international operations.

In the second year of presentation, the actuarial balance sheet saw the excess of assets over liabilities rise 34,8 percent to R18,1 billion. Growth in premium income helped boost Old Mutual's total income 23 percent to R28,4 billion compared with last year's restated R23,1 billion.

The group's business side delivered a particularly strong performance with premium income climbing 59 percent to R9,5 billion, as lump-sum contributions more than doubled to R6,3 billion.

On the individual business side, premium income growth was a more pedestrian 9,3 percent, rising to R11,5 billion compared with last year's R10,6 billion. Total group investment income increased 11 percent to R7 billion, excluding dividend income of about R330 million received in the form of capitalisation shares.

"Shares issued at favourable prices made it attractive to opt for capitalisation issues instead of cash dividends," Levett said.

He said despite the significant growth in business, operating expenses increased only 22 percent, indicating that the society continued to operate efficiently in a tough and competitive environment.

The net result of significantly higher premium income and contained expenses was a 41 percent increase in transfer to policyholders' funds which stood at R129 billion compared with last year's R114,7 billion.

Gerhard van Niekerk, the chief operating officer, said the group's international operations maintained their outstanding track record.

Besides establishing a presence in new growth markets, the ability to attract foreign investment to South Africa allowed the group to capitalise on opportunities flowing from South Africa's inclusion in the IFC index and World Emerging Market index.

NBS and Nail win Afbank rescue bid

(58) CT(PR) 18/10/95

By Thabo Leshilo

New Africa Investments (Nail) and NBS Bank won the bid to save African Bank, trouncing eight other competitors, Finance Minister Chris Liebenberg announced yesterday.

NBS is South Africa's fifth-largest bank holding company.

Nafcoc, whose joint bid with the South African Commercial, Catering and Allied Workers Union lost, reacted angrily to the decision, calling the bidding process a farce.

Mashudu Ramano, the Gauteng president of Nafcoc, said: "We totally reject the reasons advanced by the minister of finance.

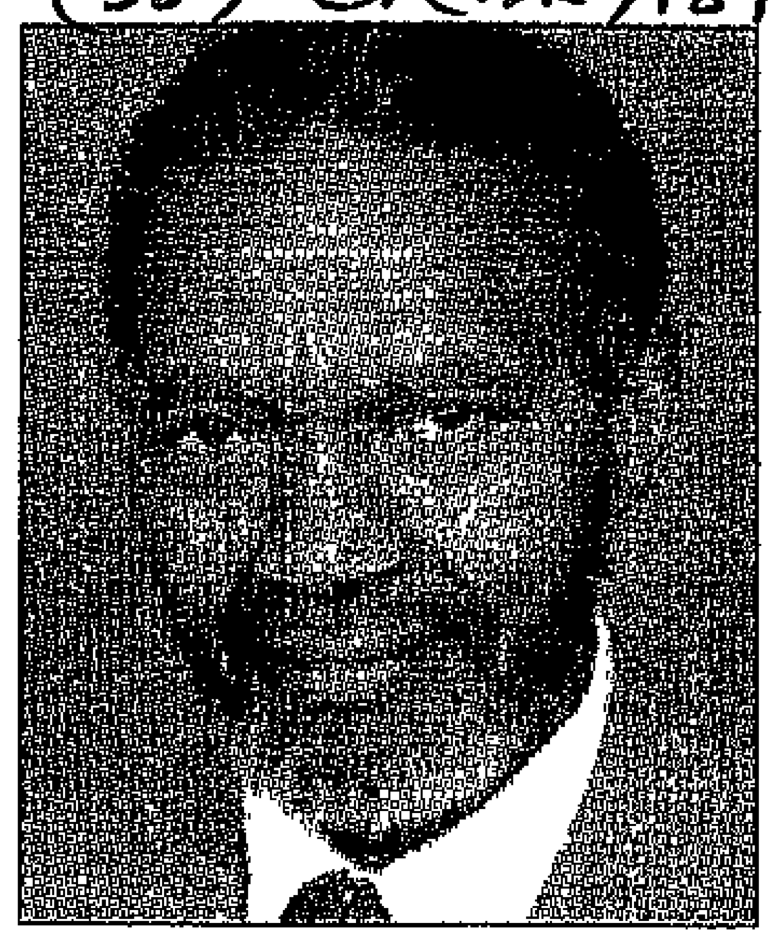
"We cannot understand why public bids were called for by the curator when it was already known that Nail would have the right to veto other bids."

Liebenberg said he had accepted the bid by Nail and NBS after due consideration of all proposals and in the interests of the depositors, creditors and shareholders of Afbank.

"The bank is to be recapitalised to the extent of R100 million which, in the opinion of the regulators, will be more than sufficient to meet statutory requirements and should also restore confidence in the bank."

Liebenberg said the combination of NBS, with its ability to assume immediate management control, and Nail, which represented existing shareholders, was of particular importance.

Other considerations were the estimated time to consummate the deal and to introduce capital and management, and protection of minority shareholders and the culture of the bank.



Nthato Motlana

Tony Norton

The amount of capital to be introduced, the method of capitalisation, demands for financial assistance from the government and the ability to secure the approval of existing shareholders, were also taken into account.

Liebenberg said minority shareholders were catered for in the proposed bid, which would ensure that they suffered no losses.

Afbank will resume banking operations on October 25 under the direction of the curator, with NBS providing day-to-day management while legal matters pertaining to a scheme of arrangement in terms of the Companies Act are decided.

Nthato Motlana, the chairman of Nail, said there would be no limits placed on withdrawals and assured existing depositors that their money was safe.

Tony Norton, the chief executive of NBS, emphasised that NBS's participation in Afbank was subject to a due-diligence investigation and final approval by the NBS board.

"(However) the group is enthusiastic about the opportunity for NBS staff, customers and shareholders to be part of nation-building," Norton said.

Liebenberg said the bank would remain under curatorship until all legal requirements had been fulfilled. He said irregularities identified during the curatorship period had been handed over to the Office for Serious Economic Offences. These would continue to be probed and where necessary prosecutions would follow.

The government's deposit of about R240 million would be retained in the bank.

"Apart from certain interest subsidisation on government-controlled deposits, all previous government support will now be assumed by the new shareholders."

Afbank also plans to acquire a stake in a new merchant banking arm alongside American investment bank Donaldson, Lufkin and Jenrette.

Nail, NBS yet to decide on Motsuenyane's future

(58) BD 19/10/95

Adrienne Giliomee

NEW Africa Investments (Nail) and NBS, the new owners of African Bank, have still to decide whether AfBank former chairman Sam Motsuenyane and its director, Metropolitan Life MD Marius Smith, will have a place in the bank's new management.

NBS CEO Tony Norton said yesterday that the consortium was still finalising its plans for Afbank's management.

However, he would seek to retain every competent member of the organisation.

Nail — which refused to comment yesterday — previously made it clear publicly that it was not pleased with Smith's failure to flag up Afbank's problems before the bank went into curatorship.

Nail steered well clear, however, of making similar public comments about Motsuenyane, Afbank's founder.

NBS has assumed management control of Afbank, following the announcement on Tuesday that its consortium was the victorious bidder.

Norton said that the group would sign a formal management contract which would give it accountability and the authority to run the bank in any way which it deemed proper.

The takeover — which includes a R100m recapitalisation and major restructure — has enraged the National African Federated Chamber of Commerce and Industry (Nafcoc).

Nafcoc, which founded the bank with Motsuenyane, had claimed it represented a large chunk of Afbank's policyholders and shareholders.

Nafcoc claims the deal merely entrenched the interests of those who had played a part in the bank's downfall.

Although Norton rejected Nafcoc's claims, the organisation said it would not give up its opposition.

Nafcoc Gauteng president Mashudu Ramano said handing Afbank to Nail's consortium was one of the biggest mistakes government had ever made.

"The move shows the government does not have black economic empowerment as its primary objective," he said.

"We are again facing the situation where economic power is in the hands of one of the few conglomerates that dominates the SA economic scene."

He questioned the ability of NBS to manage the bank, which primarily had customers with small accounts and small businesses.

But Ramano would not say whether Nafcoc would withdraw its support from the bank.

New markets 'threaten life industry'

(58)

Amanda Vermeulen

BD 19/10/95

THE life industry's drive into the uninsured market could lead to a decline in investment performance, the sector's analysts said yesterday.

Although the market was deemed to be a key growth area, widened mortality risk cover, particularly for AIDS-related deaths, would limit cash available for investment returns.

If investment performance declined — particularly in a lower inflation environment — earnings would slow down, reducing policyholders' bonuses.

Analysts also cautioned that premiums for the uninsured market would need to be jacked up to cover AIDS-related deaths.

Many of the assurers targeting this market had reserves specifically for the AIDS factor — Metropolitan Life has a R380m special reserve.

However, the industry's efforts were to a great degree hamstrung by the lack of accurate data on AIDS-related deaths.

The industry also faced the prospect of previous high growth rates in its current market tapering off, if the move overseas toward greater product disclosure was emulated in SA.

"The life industry is experiencing some soul-searching as it witnesses the regulatory changes regarding (product) disclosure and transparency elsewhere in the world," one broker said.

"SA companies may have to follow suit, and the increased disclosure may make it harder to sell policies."

Moves toward greater disclosure had already been made, analysts said, but many life companies had acknowledged greater progress still had to be made.

Analysts said also that there was still potential growth in the unsophisticated market, which demanded basic risk products, such as funeral policies.

New plan to recapitalise Crusader Life

(58)

Adrienne Giliomee

BD 19/10/95

CRUSADER Life has moved another step closer to paying out its policyholders' benefits, after the judicial managers unveiled plans yesterday to revive the company.

The company, under judicial management since March last year, is seeking a R42m cash injection from Anglovaal and UAL which could push it back into solvency.

The recapitalisation plans were contained in the latest report by the judicial managers submitted to the Pretoria Supreme Court.

The report also showed that the actuarial valuation of the actuarial deficit was now only R28,5m, against R71,8m in June last year and R48,4m

Continued on Page 2

Crusader Life

(58)

Continued from Page 1

BD 19/10/95

at end-December.

Judicial manager Willem Pretorius said yesterday negotiations with Anglovaal and UAL were under way but nothing had been finalised.

Anglovaal's cash injection hinged on the judicial management of the life fund being cancelled and replaced with curatorship. UAL wanted Crulife's equity-linked annuity business transferred to an approved assurer as part of its deal. The court still has to sanction the proposals, and Crulife also faces attempts by minority shareholders to liquidate the company.

The judicial managers, however, said this would not be in the policyholders' interests and the company was close to solvency.

Pretorius said the potential obligation to National Sorghum Breweries — which invested R10m in preference shares in the company in 1992 — was still being discussed. "The matter can only be decided by the court," he said.

NAILED!

(58) MG(BM) 20-26/10/95

A greater role for the revitalised African Bank has arisen, reports **Meshack Mabogoane**

THE African Bank, Afbank, has emerged intact after a salvage operation. This ends Afbank's most traumatic phase in its two decades of existence and brings to an end the controversy that caused political ripples and emotional heat.

This also marks a turning point in Afbank's prospects and reinforces the realignments in black economic empowerment drives within financial circles.

Finance Minister Chris Liebenberg recently announced that two of the 13 bidders which submitted proposals to rescue Afbank from insolvency, have been chosen to take over the oldest black big business venture in the country. The choice was evidently influenced by the need to keep Afbank in black hands and hoist it out of its mismanagement mire.

It was inevitable that New Africa Investment Limited (Nail) and its subsidiary, Metropolitan Life, Metlife, would be major contenders as their combined equity in Afbank was 41 percent. The duo represented the most-substantial investors and could have blocked any other bid. Moreover, Nail is a major and well-diversified black group with interests in financial services, publishing and telecommunications.

The choice of NBS Holdings was both a surprise and yet indicates that Liebenberg, on the advice of curator John Louw, was keen on injecting elements whose lack contributed to the problems of Afbank.

NBS Holdings is one of the big five in banking. It will bring in management expertise, including the provision of training and development for Afbank's staff, extensive information technology as well as a huge financial muscle of R4-billion capital.

Afbank will be recapitalised with R100-million. Nail/Metrolife and NBS are to have a stake of 53 percent and 47 percent respectively, while existing minority interests will be protected. Both the National African Federated Chamber of Commerce (Nafcoc), whose president Sam Motsuenyane, acting on its behalf, played a major role in the founding of Afbank, and the South African Commercial and Catering Workers Union (Saccawu), which has monitored developments on behalf of its Afbank's members, have cried foul at the new arrangements.

The finance department stated that "irregularities identified during the curatorship have been handed over to the Office for Serious Economic Offences and will be probed."

Liebenberg is satisfied that "the recapitalisation would be more than sufficient to meet statutory requirements and should restore confidence in the bank." He also stated that R240-million deposited by the government will remain in Afbank's books.

Besides giving existing depositors the assurance that there would no longer be limits to their withdrawals, Nthato Motlana, executive chairman of Nail, announced that Afbank is set on further developments far beyond its financing of mainly small business and housing.

Motlana has said that besides the need to make Afbank "commercially viable" the new shareholders would join with international partners to "develop profitable activities such as merchant banking, niche retail banking, government/parastatal and corporate business." Already Pleiade Merchant bank is part of Nail and a United States investment bank Donaldson, Lufkin and Jenrette is expected to join in.

The revamp and potential broadening of Afbank will not only get the bank out of insolvency and the margins of banking, but will place it in line with developments in the other major black economic empowerment venture.

Thebe Investment Corporation has formed joint ventures with Amalgamated Banks of South Africa (Absa) (in Msele Bank Holdings, engaged in both

Nthato Motlana: Afbank will develop profitable activities

corporate and commercial banking activities), Investec (in African Alliance Investment Management) First Corporation (in Msele First Corp for capital markets), Nedcor (in Msele Nedventures for the development of emerging enterprises) as well as insurance companies Safricain and Hosken.

The alliances are intended to bring in expertise and capital for Thebe.

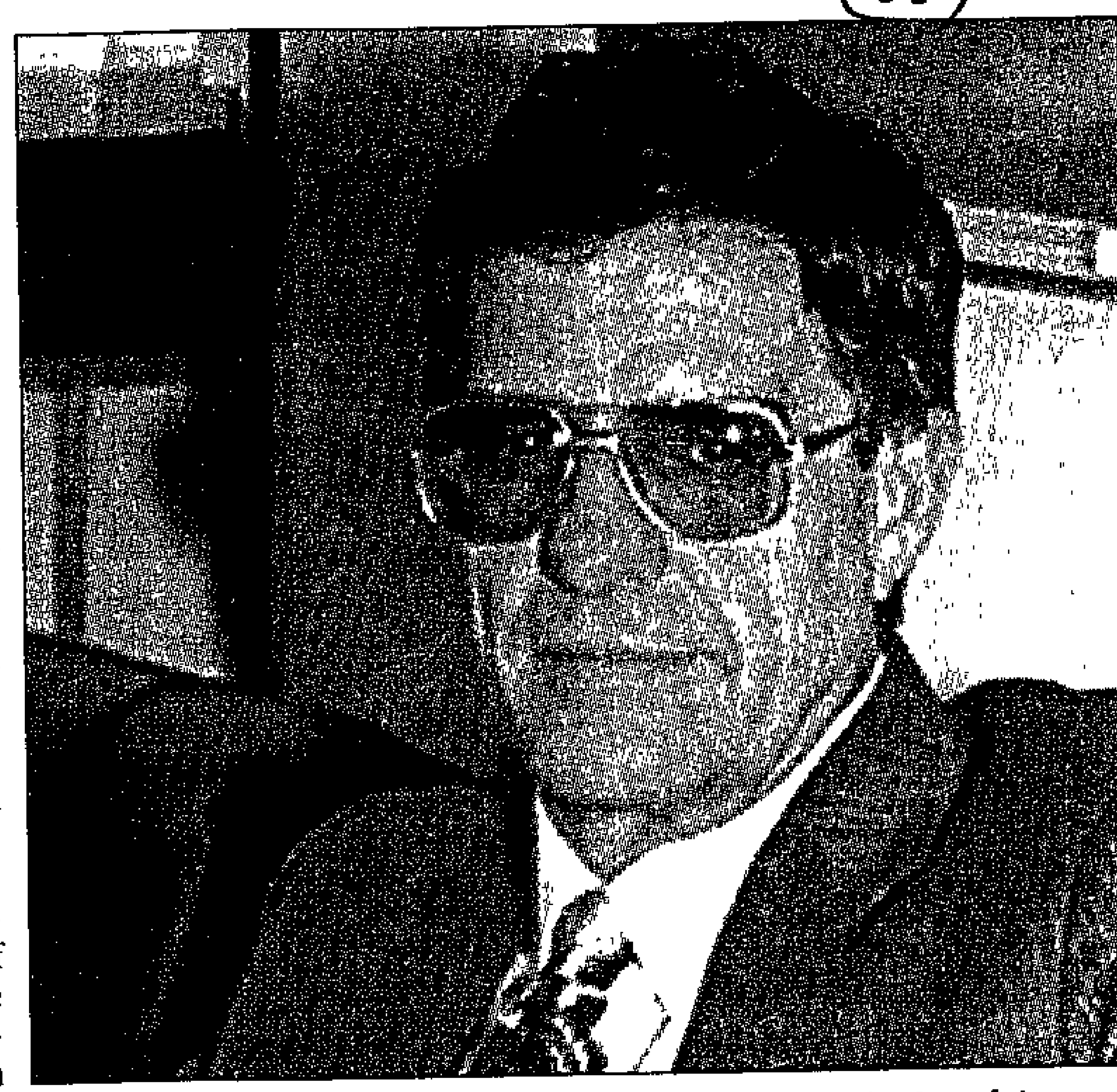
Motlana's Nail marks the further development of synergy between largely white, and foreign companies and the black economic empowerment giants. The 'greying' of South African business is in the making, and the pioneering spirit of the African Bank has not been insignificant in this evolution.

MAIL & GUARDIAN
October 20 to 26 1995

Insurance against local insurers

MG(BM) 20-26/10/95
(58)

It's time that the insured stood up for their insurance, reports **Karen Harverson**



Giel Reinecke: Insurance has a social function to protect society
PHOTOGRAPH: KAREN HARVERSON

INSURANCE law in South Africa, unlike some European countries, is far more favourable to the insurer than the insured. The onus rests on the insured at the time of taking out a policy to disclose all material facts to the insurer of which he is aware or should be aware or run the risk of having the contract cancelled — even after 20 years of paying premiums.

A fact is deemed material if, in the judgment of a reasonable man, it would have been thought to be necessary for the insurer to know.

Rand Afrikaans University law professor Giel Reinecke believes areas of South Africa's insurance law must be changed to protect the insured better. "Insurance has a social function to protect the public. It sells safety."

A typical example of the insurer having more rights than the insured in South African law concerns the case of the insured who answered no to the question of whether he had cancer and unbeknown to him, he did — the insurer in this case is legally entitled to cancel the policy.

"We should follow German and Dutch law where once an insurer has asked questions, the policy can only be cancelled if the insured fraudulently misled the insurer," comments Reinecke.

"If it's possible for an insurer to cancel on the grounds of an immaterial breach of contract then I'm against it and legislation should be changed," he adds.

In South African law, even if the insured answered all the questions on a policy form honestly — there is still a duty on him to disclose any information not asked for which would, in the opinion of a reasonable man, affect the risk.

In the case of a promissory warranty which relates to a future fact such as if the insured guarantees that he will perform certain duties - even if it is immaterial to the claim, the insurer is entitled to cancel if these duties are not fulfilled.

For example, in one promissory warranty case, the insured agreed to keep the car keys locked in a safe overnight. When the car was stolen, it was discovered that the keys had been kept locked in a cupboard. On this basis — as it was in breach of the agreement — the insurer was entitled to cancel the policy even though the location of the keys in no way contributed to the car being stolen.

However, in the case of an affirmative warranty which relates to a present or past fact which was undisclosed but is not relevant to the policy, the insurer is prevented from cancelling. "This protection should be extended to promissory warranties," says Reinecke.

In one particular case in South Africa, the insured mistakenly gave his age as 22 rather than 23 years old at the time of taking out motor insurance. The insurer attempted to cancel the policy when a claim was made but the court found that disclosure of the correct age at the time would have had no effect on the insurer's decision to issue a policy or the terms of that policy.

South African law is based on the English law which Reinecke says is stricter. "In English law, an insurer can cancel on grounds of affirmative warranty even if immaterial."

In Holland, the rights of the insured are far stronger. The insurer cannot cancel either an affirmative or promissory warranty if the insured committed a non-fraudulent misrepresentation which has no bearing on the case.

Most Dutch cases are controlled by the principle of proportionality so that if an undisclosed fact would have resulted in a higher premium, the insured's claim will be reduced in proportion.

Even if the insured deliberately made a misrepresentation in the case of life assurance — the policy holder is not deprived from his right to the surrender value, built up from the inception of the policy.

South Africa, in contrast, allows the insurer to cancel a life policy even if the undisclosed fact would have merely resulted in a higher premium had the insurer known about it. The insured will, of course, be entitled to get his premiums back if the claim is cancelled.

However, if the undisclosed fact was fraudulently made — then the insured also loses out on his premiums — even if they've been paid for a number of years.

(55)

AFRICAN BANK

Questions still

FM 20/10/95

On the surface, all seems hunky-dory at African Bank. A rescue consortium — subject to a due diligence test — has been put together by New Africa Investments, its Metlife associate and NBS, who will inject R100m into the bank. Depositors won't lose out, nor will minority shareholders; and NBS's expertise should help iron out problems and restore depositor confidence.

But in every disaster someone carries the can. In this case, that's New Africa itself (its share of the extra cash put in) and, effectively, the taxpayer; because R240m in government-controlled deposits will stay with the bank, of which a portion, says NBS executive director Paul Leaf-Wright, will be subsidised by the State.

Effectively the State deposits funds with the bank at a low rate, which are then lent on at market rates — so shareholders benefit at taxpayers' expense. While shareholders are not normally so well looked after in a bank rescue, it was presumably felt that African Bank's many indirect small black investors should not be exposed to the realities of risk equity quite so soon.

A question also arises out of the way bidding was conducted. Since ownership is subject to a scheme of arrangement between existing shareholders and the curator, why did government bother to ask for bids, if Metlife and New Africa, with 41% of the equity, could veto it?

Leaf-Wright says government wanted to open up bidding to all interested parties, given the sensitivity of the bank being black-owned "And I seriously doubt that the veto would have been exercised, since it would have led to liquidation."

But other questions remain unanswered. Why was New Africa, as majority shareholder, not required to put up capital earlier, before the bank was put into curatorship?

And to what extent will existing directors, including New Africa's Sam Motsuenyane and Metlife's Marius Smith, be called to answer for the bank's obvious mismanagement in the past? While Finance Minister Chris Liebenberg states that irregularities identified during the curatorship have been referred to the Office for Serious Economic Offences and that prosecutions may follow, it's unlikely this includes senior figures in the consortium. ■

FM 20/10/95 (58)

OLD MUTUAL

R18bn in the kitty

Having consolidated some of its investments for the first time — those of an insurance nature and where management control is exerted — Old Mutual discloses total assets of R154,8bn for the year to June.

More important to management was a 27% increase in total premium income. The actuarial report shows that after making every conceivable provision to meet policyholder commitments, there's a surplus of R18,1bn. That is equivalent to free reserves and, in a nonmutual life office, to shareholders' funds.

It leaves Old Mutual with considerable scope for further development. Chief operating officer Gerhard van Niekerk is always cautious about overseas planning. Though he agrees OM International operations are becoming increasingly important and the opening of a Boston office is a lead into the US institutional markets, he insists the main thrust of Old Mutual's operations remains inside Africa.

The success of OM International, given prominent coverage in the European offshore media, may have been out of proportion to the company's influence on international insurance and investment operations.

While leaving no doubt that there are ambitious plans for the international operations, he says that in terms of current SA legislation those plans cannot be achieved with SA policyholders' funds.

The feature of Old Mutual's 150th year was not so much asset growth but the 27% increase in premium income to R21bn. Single premiums rose by 43% to R11bn. Expenses increased by 22% but, given the large volume of new business written, it can be assumed much of the increased costs went against sales.

In the life business, sales are taken as an upfront expense. Benefits come through in later years. So, in a period of rapid sales, the expense ratio has not suffered.

Also, much of the new business is in the lump-sum investment category, where there's virtually no lapsing of policies.

Old Mutual now sets most store on premium growth since that is secured by performance in other areas, says Van Niekerk. By the end of 1994, Old Mutual's share of the total industry rise in net premium income was 40,5%.

Chairman Mike Levett says Old Mutual's assets under management have grown at an average rate of 25% over the past 10 years. "After adjusting for inflation, this translates into a real growth rate of 12% a year."

Last year, total group investment income increased 11% to R7bn. But dividend income excludes a further R330m received in capitalisation shares, taken in lieu of dividends.

Bryan Deans

REGIONAL TRADE

What do the recent geopolitical changes in sub-Saharan Africa mean to investors and traders in the region?

Zimbabwe's *Financial Gazette* and stockmarket analysts Dataworld are cosponsoring a two-day conference entitled *Southern Africa Towards 2000* that will analyse these questions.

Speakers include experts from Britain, the US, Australia, Zimbabwe and Zambia. *Financial Mail* Editor Nigel Bruce is also on the programme.

The conference starts in Harare on November 6. For more information telephone Harare 738-722 or fax 752-831.

FOX

Two banks summonsed for 'illegal fees'

CT 20/10/95 (58)

OWN CORRESPONDENT

DURBAN: Banks Saambou and Wesbank here have been summonsed for allegedly charging illegal administration fees on personal loan accounts.

The Department of Trade and Industry is also investigating other financial institutions in a clampdown on contraventions of the Usury Act.

Although the summonses against Saambou and Wesbank specify only 94 cases, a spokesman for the department said yesterday these were only "samples", and that most clients were being charged the administration fee. "Many hundreds of thousands of rands could be involved."

He said banks advertised lower interest rates and then charged separately for administration fees, which the act does not allow.

"All clients must check their statements. If they are being charged separate administration fees, they must demand a repayment and a recalculation of their accounts," he said.

If found guilty, the banks could face a flood of civil claims from angry clients.

The department initiated the investigations into branches of Saambou and Wesbank countrywide last year, and referred more than 700 cases to attorneys-general.

The spokesman said it was likely that prosecutions would be made in Durban, Bloemfontein, Pretoria and Johannesburg.

Durban's commercial crime unit head Colonel Les van Sittert said it was alleged Wesbank had levied a monthly R9,69 charge on each client and Saambou a R175 annual fee.

Both banks have been given the option of a R50 admission of guilt fine for each count.

Wesbank declined to comment but Saambou spokesman Mr Johan Geertsma said his bank had approached the Council of SA Banks.

"This is an uncomfortable law. We want to take it up at the highest level to have it changed. At present, we believe it is open to interpretation."

A council spokesman said the Usury Act was "very complex" and was under review by the Law Commission.

NBS boss dampens rumour of Motsuenyane's departure

(58) CT(BR) 20/10/95

By Llewellyn Jones

Staff Writer

NBS managing director Tony Norton yesterday dampened speculation that Afbank founder Sam Motsuenyane and Metropolitan Life managing director Marius Smith were to be dumped from the board of African Bank.

"We have been focusing on the nuts and bolts of reopening African Bank next Wednesday and have not become embroiled in a tussle as to who will, or will not, be on the board," Norton said.

Motsuenyane said he could not comment on the speculation as he had not discussed the issue with the bank's management.

Norton said Motsuenyane was a patron of the bank as its founder, and it would be wrong not to take that into account when the issue of board representation arose.

"The centre of focus is opening the bank's doors, giving the depositors their money to alleviate their very real hardship, and running a proper bank."

Norton said it was very important that people understood that whoever went into African Bank now was an NBS person, adding: "We are looking to their own team to get this one right."

Mashudu Ramano, the Gauteng president of the National African Federated Chamber of Commerce, has questioned the ability of NBS to manage the bank, which primarily has customers with small accounts and small businesses.

"NBS can make a significant contribution to our society through African Bank," Norton said.

Black business 'must participate'

STAFF WRITER

Mutle Mogase, the newly elected president of the Association of Black Securities and Investment Professionals, aims to increase the participation of the black business community in financial markets.

"Our ability to compete in the international market place depends upon the full participation of all the members our society," he said.

Mogase includes in the definition of black professionals those businessmen and women who helped expand the country's economy through innovation, hard work and by taking advantage of opportunities under difficult conditions.

He said the association was dedicated to: 58 [redacted]

- Sustaining and strengthening the economic structures of the black South African business community;
- Promoting the highest level of professional standards among its members;
- Developing business skills; and
- Increasing the social awareness of its members.

ET (BR) 20/10/95

African Life acquires 10% stake in Lesotho National Insurance

(58) BD 23/10/95

Amanda Vermeulen

REAL Africa Holdings' life company African Life has taken its first step beyond SA's borders, buying 10% of the Lesotho National Insurance Company (LNIC) for an undisclosed sum.

Aflife CE Bill Jack said at the weekend that LNIC would be restructured as a holding company for its life and short-term subsidiaries, the Lesotho National Life Assurance Company and the Lesotho National General Insurance Company. Aflife would also take a 40% stake in the life arm.

The other shareholders are the Lesotho government and US-based group St Paul.

Aflife chairman Don Ncube said LNIC's life company had a recurring premium income of R10m a year, and was well-positioned to expand.

"It is an attractive partner in a relatively buoyant economy and once the Lesotho Highlands Water project is complete, the long-term growth potential is considerable," Ncube said.

He said the transaction was one of the benefits flowing from the R41m capital injection into Real Africa Holdings by the World Bank's private sector arm, the International Finance Corporation, earlier this year.

The move into Lesotho is the third expansion deal announced by Aflife this year. It bought 70% of RMS Syfrets Property Development, and recently concluded talks with stockbrokers G O'Flaherty & Co to launch an asset management company.

(58) ARG 24/10/95

African Bank's doors to re-open

☐ *Run to withdraw 'not expected'*

Business Staff

AFRICAN Bank is set to resume normal business tomorrow and will trade under the direction of curator John Louw until all legal requirements are satisfied.

The investment consortium of New African Investment Limited (Nail), Metropolitan Life (Metlife) and NBS Holdings (NBS), said in a statement it did not expect "excessive withdrawals" from the bank's retail business when doors re-opened.

Following the conclusion of the due dilligence investigation, the final board decision of the acceptance of the rescue bid is expected today.

The scheme of arrangement will require the approval of shareholders at a special meeting.

In terms of the proposed agreement, Nail, Metlife and NBS will recapitalise African Bank to the extent of R100 million to restore both solvency and acceptable capital adequacy.

This would also secure the safety of depositors' funds and future growth prospects and rebuild public confidence in the organisation, the consortium said.

Black majority ownership will be maintained, with NBS providing management support, banking expertise, staff training and development, information technology and internal control systems.

The interests of the individual minority shareholders would be protected as well as the image and corporate culture of African Bank as the "people's bank" established in 1975, the consortium said.

Nail, Metlife and NBS described their intervention as the first successful rescue of a South African bank under curatorship.

More than R17 million in deposits had been invested in the bank since it was placed under curatorship on September 8. This indicated ongoing optimism among bank customers, the consortium said.

No limits would be placed on withdrawals when the bank reopens and depositors would have normal access to their money, plus interest, within the terms of their deposits.

All frozen loan balances would be released and were subject once again to existing bank rules.

In addition, a limited range of financial services and products would be offered when African Bank's national network comprising 30 branches, resumed business and new deposit business would be "enthusiastically pursued", the consortium said.

Limited advances would be made to customers with the intention of honouring existing loan commitments, provided they did not place African Bank at unacceptable levels of risk.

The investment consortium said it was catering for a brisk level of withdrawals in the wholesale business, currently worth R40 million. However, sufficient standby facilities had been arranged to prevent any liquidity problems.

To indicate the government's commitment to African Bank's future, all government-controlled deposits, totalling R240 million, had been retained in the bank.

African Bank would now be repositioned to encourage and promote international partnerships and new business opportunities, the consortium said.

"African Bank is now in a position to assume all its obligations in the normal course of business and will work with the investment consortium to reconstruct the bank to become the foremost financial institution committed to black development," the joint statement by Nail, Metlife and NBS said.

■ The Standard Bank said yesterday it had established a presence on Internet.

The bank's home site features a three-dimensional, full-column representation of a bank foyer.

Hypertext links from signage within the foyer take Internet browsers to pages of information on retail and commercial banking products.

The pages also link to those of Standard Bank Offshore — the group's subsidiaries in Jersey and the Isle of Man, which has been on the Internet for two months.

Internet users who visit the bank's site are invited to comment on its pages by way of an electronic mail system.

The bank's Internet address is www.sbic.co.za

Southern starts new company

(58) CT (BR) 24/10/95

By Charlotte Mathews

Investment Editor

Southern Life has launched an independent investment company, Southern Investment Management, which will develop and market investment and retirement products, managing director Eugene Yazbek said.

The portfolio of the company consists of 46 unit trust funds, including Southern Life's own stable of unit trusts as well as those of Guardbank, Board of Executors, Investec, Metboard, Norwich, Rand Merchant Bank, Sage Unit Trusts, Syfrets and UAL.

The new company is offering five main products and will offer a number of other schemes early next year. These include pension, provident and preservation fund schemes as well as a retirement annuity fund. All will allow the investor to choose from a range of unit trusts and to switch between them at a cost of 0,25 percent.

CHEAP LABOUR *An employee in one of the foreign companies attracted by Lesotho's low labour costs*

Aflife buys stake in insurance firm

(58) CT(BR) 24/10/95

By Thabo Leshilo

Staff Writer

African Life (Aflife) has bought a 10 percent shareholding in Lesotho National Insurance Company (LNIC) and a 40 percent stake in the company's subsidiary, Lesotho National Life Assurance Company.

Don Ncube, chairman of Aflife, said his company wanted a partner with similar products, markets and high business potential for its strategic development into southern Africa.

He said LNIC, with a premium income of about R10 million, met Aflife's requirements and was well-positioned to expand. The acquisition underlined Aflife's philosophy of buying into established business. LNIC's other shareholders are the Lesotho government and the American St Paul Group.

The transaction was made possible by the recent capital injection of R41 million from the International Finance Corporation into Aflife.

Mabaeti Molelekoa, the chief executive officer of LNIC, said her company's expansion plans required Aflife's technical ability and capacity to process high volumes of business at relatively low unit costs.

'Education bank' mooted for students

(58) CT 24/10/95

EDUCATION REPORTER

A GOVERNMENT-funded education bank that would enable students to borrow money and repay it through extra taxes once they earned above a certain level was one way of resolving the education funding crisis, vice-chancellor of the University of Cape Town Dr Stuart Saunders said last night.

In his address to pupils at the annual prize-giving of the SA College High School, Dr Saunders said the bank would need funding of R1-1,5 billion by the government and that equal amounts could be sought from foreign governments to build up its capital to R5-R6bn.

Dr Saunders expressed concern that there was still no firm commitment from the government to a national bursary and loan scheme for 1996.

UCT raised a considerable amount of money from donors and poured substantial amounts of its own money into its Student Financial Aid scheme.

"One cannot expect donors to do this indefinitely", he said.

Afbank set to open for business tomorrow

(58) CT(BR) 24/10/95

By Jon Beverley

Special Writer

African Bank is on track to open its doors for business tomorrow. The rescue consortium of NBS Holdings, Metropolitan Life and New Africa Investments (Nail) have completed the due-diligence examination and expect to obtain board approval today.

NBS said yesterday it would be able to announce its board decision at midday today. The consortium will pump R100 million into Afbank, which collapsed under the weight of its debts last month. It will present a scheme of arrangement to Afbank shareholders for their approval and in the meantime the curator will continue in office.

More than R17 million has been deposited with Afbank since its collapse on September 8.

It is believed to be the first successful rescue of a South African bank under curatorship.

Once the bank opens its doors no limits will be placed on withdrawals and depositors will have normal access to their funds and interest. All frozen loan balances would be released and subject to existing bank rules, the consortium said.

The consortium is catering for a brisk level of withdrawals in the wholesale business which is worth R40 million. Standby facilities have been arranged to prevent liquidity problems.

The government's R240 million deposited with Afbank will be retained and the bank will reposition to encourage and promote international partnerships and new business opportunities.

NBS will provide management support, banking expertise, staff training and development, information technology and internal control systems.

Low interest rate deal for Afbank

(58)

BD 25/10/95

Amanda Vermeulen

GOVERNMENT has offered to cover as much as R50m of African Bank's assessed losses in the wake of the rescue package finalised for the bank last week.

NBS — which took control of the bank in partnership with New Africa Investments and Metropolitan Life — said yesterday that the finance department was organising a deal under which Afbank would pay a low interest rate on the R240m government departments had on deposit with the bank.

Registrar of banks Christo Wiese declined to comment yesterday on the level of support, pending the findings of NBS's four-day due diligence probe.

However, NBS executive director Paul Leaf-Wright said the probe showed Afbank was burdened with assessed losses of R70m-R100m. Every avenue would be pursued to minimise the final loss, keeping the finance department's role to a minimum. NBS's board ratified the decision to go ahead with the takeover, which would lead to a R100m recapitalisation of Afbank.

Leaf-Wright said the probe uncovered chronic management problems despite fundamentally sound information and other systems. Arrears had not been chased for at least six months prior to Afbank's slide into curatorship, while several key management members — including the financial manager who resigned in mid-1994 — had not been replaced. Many staff were unable to operate the bank's systems.

Leaf-Wright said the board had been concerned about the degree of effort needed to restore Afbank to financial health. About 10% of Afbank's 30 branches would have to close. Some had less than R1m on deposit, rendering them unprofitable.

NBS would continue to investigate events leading up to the curatorship. But it seemed that most problems had been concealed in suspense accounts.

It was possible information had been suppressed or not fully disclosed. The full extent of the loss had not been finalised as the due diligence team had had only four days to investigate.

Colin Franks, from NBS's corporate division, had been appointed CEO of Afbank. Four other senior NBS executives would join Franks at Afbank.

African Bank to reopen today

BY JON BEVERLEY

African Bank opens for business at 8.30am today with a new chief executive officer at the helm.

He is Colin Franks of the NBS corporate division.

The bank will continue to trade under the direction of the curator, John Louw, until all legal requirements are met.

While the other rescue partners – Metropolitan Life and New African Investments – have given their approval, the bank will have to put the issue before their minority shareholders as well.

African Bank's rescuers are set to pump R100-million into the organisation which collapsed September 8.

Franks joined the NBS in 1989 and is currently manager, new business in the corporate division in Durban. He will remain in Durban for the time being but will move to Johannesburg as soon as possible. He will assume the position of chief executive officer immediately.

Franks was educated at Jeppe High School in Johannesburg. He studied for his bachelor of arts degree and a post graduate higher diploma in tax at the University of Natal. He graduated with an LLB at the University of the Witwatersrand and did his B Proc through Unisa.

Prior to joining the NBS, Franks worked for Volkskas Industrial Bank, Standard Bank and Barclays Western Bank.

(58)

Franks was part of the team from NBS which undertook the due diligence examination of African Bank.

NBS has said that while it will take management control of African Bank, the bank will still retain black majority ownership.

Star 25/10/95

Stokvel scheme to aid small business

(58)

ARG 25/10/95

Staff Reporter

LENDING money to the poorest of the poor is regarded too risky by most financial institutions and as a result, hundreds of thousands of South Africans find it difficult to improve the quality of their lives.

But a local non-governmental organisation, the Get Ahead Foundation, has set itself the task of assisting the disadvantaged with several projects, the largest being a *stokvel* lending scheme.

Spokeswoman Jenny Williams said while numerous NGOs had their backs to the wall, her organisation was providing essential funding to small entrepreneurs across the country.

Ms Williams said a recent Independent Development Trust survey on NGOs showed a dire shortfall in the funds necessary for the operations of many of the country's estimated 1 500 organisations.

"Funding from local and international sponsors has meant an improvement in the lives of many, and the foundation is pursuing the tried and tested method of *stokvel* lending.

"We are eternally grateful to international sponsors for their contributions that have helped us assist numerous entrepreneurs."

The *stokvel* scheme provides loans, ranging from R100 to R5 000, to people right at the bottom end of the economic ladder. The loans work as part of a group-lending system in which peer pressure contributes to the remarkably high repayment rate.

In the past nine years the foundation lent a total of R12 million to 25 000 clients, and statistics for the second quarter of this year show that a total of 12 041 loans were granted, more than half of which were to first-time borrowers.

Ms Williams said an average sized loan was R700 and research by the foundation had shown that for each R450 lent, a job was created.

Afbank opens today with NBS manager at the helm

58

CT(BR) 25/10/95

BY JON BEVERLEY

SPECIAL WRITER

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Old Mutual starts fund in Europe

(58)

By Bruce Cameron

Political Editor

CT (PAR) 25/10/95

London — Old Mutual International has launched a new South African investment fund in Europe, through which they hope to raise between R35 million and R70 million for investment in "emerging" companies on the JSE by the year end. The South African Equity Fund was launched in London this week.

The fund will form part of Old Mutual International's successful Galileo portfolio of unit trust funds listed in Ireland. The Galileo Fund now has eight subfunds.

This is the second fund Old Mutual has launched to invest in South African equities. The first was a closed-end vehicle, whose shares have been trading at a discount almost since its launch. The discount now stands at about 20 percent to the listing price.

Kevin Boscher, director of the investment division of Old Mutual International, said the discount reflected ongoing concern about the future of South Africa.

He was, however, confident that the new open-end fund would be more popular.

Among other things, the new fund will trade at net asset value, unlike the closed-end fund, which, in simple terms, trades as a share.

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Banker

issues stern

NBS bolstered by tax rate change, insurance payout

(58)

Nicola Jenvey

DURBAN — NBS Holdings lifted attributable earnings 67% to R125m for the six months to September, bolstered by a hefty insurance payout and a lower effective tax rate.

The bank — which emerged last week as partner in the consortium taking over African Bank — pushed net interest income to R287,4m from a previous R242,2m, while other operating income rose to R101,6m from a previous R90,7m.

However, the bottom line ballooned with the inclusion of a R50m insurance recovery from Lloyd's of London after losses due to fraud last year.

Share earnings rose 65% to 140,5c after adjusting for an increase in shares in circulation, while the interim dividend rose to 33c from 25c.

CEO Tony Norton said yesterday that good interest margins and a "satisfactory" performance from associates had contributed to healthy underlying growth.

The group would continue to sustain the performance, he said, and full year earnings would be at least 300c a share against 229,3c previously.

Advances had jumped 21% during the previous year, but the level was expected to taper off, given the effects of three interest rate hikes.

The group increased total provision for bad and doubtful debt to R296m (R240m) or 2,1% (2%) of advances at September 30.

"These provisions strengthen the balance sheet and significantly reduce the likelihood of future losses. Arrears are still high and the progress made on resolving cases of repossession is slow," Norton said.

Profit accrued in NBS Life had been retained in the life fund, putting it in a strong financial position.

The listing of Norwich Group, in which NBS retained a 25% stake, would place a realistic value on the investment, while RMB Holdings was well placed to build on its strengths.

The Afbank rescue — in partnership with New Africa Investments and Metropolitan Life — would have no material effect on earnings during the current year.

NBS would hold 47% of African Bank's equity and would provide management expertise.

"NBS will play a meaningful role in empowering black SA," Norton said. "African Bank must participate in SA's financial mainstream and seek international partnerships."

BD 26/10/95

Afbank deal won't affect NBS' second-half earnings

(58) Star 26/10/95

■ BY JON BEVERLEY

NBS Holdings does not expect its recent acquisition of 47 percent of African Bank to have any material effect on earnings in the second half.

Meanwhile, for the first half to September 30 it reported a 67 percent increase in attributable earnings to reach R125 million (R74,8 million).

The group made a forecast of at least 300c in earnings for the full year.

An increased dividend of 33c was declared (25c) and, after adjustment for additional shares, earnings a share of 140,5c were declared (85,1c).

The results were influenced by the R50 million paid out by their insurers following the fraudulent losses in the corporate division last year.

Provision for bad and doubtful debts was a more modest R21,17 million (R74,74 million). The total now stands at R296 million, equal to 2,1 percent of advancers.

Restructuring

Developments in the investments held by NBS are the restructuring of Norwich Life, which is going for a JSE listing and where NBS will hold 25 percent; RMB Holdings, where a 212 percent increase in earnings was announced, is said to be well-placed to build on its strengths, while Aegis Insurance is restructuring and is expected to yield tangible benefits next year.

NBS has sold its 49 percent holding in French Bank to Banque Indosuez. The bank intends to turn French Bank into a full branch of Banque Indosuez.

Tony Norton, the chief executive officer, said the group's underlying earnings growth remained healthy.

NBS Bank continued to perform well with a significant increase in earnings. The increase in margin income at 19 percent was in line with growth in advances, while banking margins were better than expected.

NBS reports 67% rise in earnings

(58) CT (Bus) 26/10/95

By Jon Beverley

Special Writer

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NBS Bank continued to perform well with a significant increase in earnings. The increase in margin income at 19 percent was in line with growth in advances, while banking margins were better than expected. This was expected to continue for the rest of the year.

While advances grew at 21 percent over the year the effect of three rises in bank rate was likely to dampen the trend.

Arrears

Norton said that arrears were still quite high and that the progress made on resolving cases of repossession was slow.

NBS Developments reported a small loss for the period but other group companies performed well.

Profit in NBS Life arising from the launch of new products was retained in the life fund.

Norton said the African Bank deal, where they have won management control, is subject to a section 311 compromise.

He said the bank must be allowed to participate in South Africa's financial mainstream and must also seek international partnerships. He said NBS Holdings aimed to re-establish the bank as a force in the local financial sector.

Fidelity Bank reaps fruit of EP merger

CT (BR) 26/10/95 (58)

By Llewellyn Jones

Staff Writer

Fidelity Bank's net income soared 54 percent to R30,9 million (R20,2 million) for the year to September, as the effects of its merger with EP Building Society in February last year bore fruit.

In the first full year since the merger, shareholders funds romped up 72 percent to R174,8 million (R101,7 million) and total assets grew 10,7 percent from last year's R1,921 billion to breach R2 billion.

Robust interest income growth helped lift net interest income 34 percent to R87,8 million and non-interest income grew 68,5 percent to R21,9 million.

After operating expenses of R44,7 million (R33,7 million) and a tax bill that more than doubled to R17,1 million (R7,7 million), net income stood at R30,9 million.

This translated into a 34 percent increase in fully converted earnings a share to 152,5c. A final dividend of 54c (43c) a share was declared.

Jules Langenberg, the executive chairman, said the first full year after the merger had been planned as time to refocus operations. "Fidelity bank's traditional level of asset growth will only be re-established in the next financial year."

INSURANCE SCAMS

Waving the premium stick

(58) FM 27/10/95

Insurance brokers have been threatened with the ultimate sanction — the removal of their right to handle premiums. And if ever given effect, the profits of all brokers would be trimmed by an estimated R275m — and hundreds of small operations would close.

A premium flow of R17bn is a new figure produced by the insurance industry last week. Most industry commentators (and the Financial Services Board) have worked on an assumption of R10bn. If 90% of the industry's gross premium flow is routed through brokers and the daily cash flow is invested in the money market it should produce additional income of R275m.


Maitland


Badenhorst


Nilsson

The threat was left "on the table," after Monday's round table discussion called by the board to consider how to deal with insurance premium scams.

The brokers, led by Rod Maitland, of the SA Insurance Brokers' Association, had gone armed with a legal opinion designed to show the board could use its present legal powers to deal with abuses to premium collections. They were also ready to counter an expected threat to make it illegal for them to collect premiums on personal lines of business. They found board executive officer Piet Badenhorst unimpressed by their legal opinion and prepared to insist *all* premiums go directly to underwriters.

As an attempt to solve the problems of mythical insurance binders and disappearing premiums (*Economy* September 22, 29 and October 6) it seems to have been futile. The board was looking to the insurance industry for alternatives to the imposition of new regulations. The SA Insurance Brokers' Association and the SA Insurance Association, led by its president, Keith Nilsson, argued it was not their problem — only to find Badenhorst in a flinty mood.

The two associations had privately agreed before the meeting to thwart any suggestion that all personal lines premiums should go directly to the underwriting companies. Existing systems, it was to be understood, did not make this a simple solution.

Implicit, also, was that the disappearance of a mere R10m-R12m a month (*Economy* September 22) in an industry handling annual premiums of R17bn did not call for a Draconian response.

But Badenhorst insisted all assets of insurers — meaning premiums and the investment income derived from them — belonged with the insurers, not the brokers.

What emerges is that the underwriting industry is so much in thrall to the brokers that the latter expected to speak for the industry as a whole. Now they have to wait for a meeting on November 10 between the SA Insurance Association and the board to find out what Badenhorst has in mind. And, also, to speculate on a briefing document in front of Badenhorst which he refused to share but which seems to have contributed to his inclination to stand the industry on its head by rewriting S21(bis) of the Insurance Act, which controls the flow of premiums.

The SA Insurance Brokers' Association tabled a suggestion that: "The Minister (of Finance) could do more in the short term by invoking Section 23B (of the Insurance Act) to prohibit specific irregular or undesirable practices and by publishing further regulations relating to the receipt of monies in respect of premiums to the prejudice of the public."

It detailed steps the board could take under the Insurance Act, the Financial Services Board Act and the Companies Act, to pursue and punish operators of illegal insurance schemes. It also drew conclusions from the case the board brought against Willie Smit and J A Maree in 1993.

In that case, the board sought to prevent Smit and his partner, who had been associated with broking operations in Florida, West Rand, and later acquired control of President Insurance, "from engaging (in their personal capacities) in any insurance business whatsoever in future."

After the judgment went against the board, its pursuit of operators in their individual capacities diminished in tempo. But the SA Insurance Brokers' Association notes: "The judgment is of limited application. There was ... no evidence against the individuals personally. There was substantial evidence of unlawful and unconscionable conduct on the part of various companies run by Smit and Maree.

"The judgment goes no further than to find that in these circumstances, the Registrar (Badenhorst) cannot call for a blanket prohibition on the activities of an individual. The judgment is not authority for the proposition that underwriting managers or other brokers, intermediaries, agents or other persons contravening the Insurance Act of 1943 are beyond any control whatsoever."

That judgment, which left the board somewhat bloodied and bowed, did propose urgent changes to control norms and activities of the broking community. Nothing much has happened since, mainly because both board and the industry associations are reluctant to see all-encompassing regulations curtail, not only dubious operations, but also those of strictly legitimate brokers.

The discussions do not appear to have made progress on the definition or control of "insurance underwriting managers."

Most of the identified insurance premium scams have been cloaked by "managers" claiming to be agencies or underwriting managers, taking premiums from brokers — many of them unaware the process was illegal or unauthorised by a legitimate underwriter. To confuse the issue, there are dozens of underwriting managers who do have a legitimate role, usually because they write business too specialised for their underwriting principals to assess.

The confusion has led to further debate: whether regulators should distinguish between managers (working for insurers) and brokers (working for clients). And whether broking firms which perform both functions must now create a Chinese Wall between the two sides of their operations.

Though the board's reluctance to introduce more regulation is understandable, definition and registration of all types of intermediary may be the only solution. Operators who defy the spirit of the Insurance Act have shown more ingenuity than industry associations and regulators. *Bryan Deans*

REVENUE COLLECTION

Action at last

Cabinet's endorsement of a new administrative charter for the collapsing departments of Inland Revenue and Customs & Excise opens the door to a modernised system of effective tax collection.

Commissioner of Inland Revenue Trevor van Heerden says legislation will be needed to give effect to the new arrangements. He expects the Act, now being drafted, to become effective on March 31.

A single revenue board will govern both departments and may be nominally controlled by the public service. Among advanced industrialised nations, only Canada has amalgamated the two revenue collecting branches in this way.

Representatives of all stakeholders in revenue collection and people with business skills will be on the board, which will set salaries and conditions of service for revenue officials. It will also authorise expenditure on premises and equipment. This will make it possible to acquire state-of-the-art computing facilities — the lack of which has been partly responsible for the poor state of revenue collection.

It has not been decided whether the positions of Commissioner of Inland Revenue and Commissioner of Customs will be retained or whether one executive head will run both departments under the control of the new board.

It is intended that the board be entitled to retain a stipulated percentage of gross revenue collected to pay for administrative costs — in line with international norms. This could be 1,5% or more. Van Heerden notes the retention of gross revenue in the UK is as high as 2,1% — and Britain has a most effective revenue collection service.

He denies reform is intended to frustrate affirmative action. Revenue has already absorbed about 700 officials from former TBVC states. The enabling Act will provide for the training of officials drawn from all population groups. However, the immediate need is to appoint officials with tax-related qualifications — law and accountancy.

The use, in Revenue offices, of young accountants doing their military service made a remarkable difference to detection of tax fraud. Billions of rand of annual revenue are out there waiting to be collected — given an invigorated tax administration. ■

AFTER GUY FAWKES

The bang on SA's financial markets, in November, is likely to be bigger than originally anticipated, says J D Anderson MD Wayne Lawson-Turnbull.

Following the acquisition of the stockbroking firm by London-based, Swiss-owned SBC Warburg, he will be chief operating officer of the bank's integrated investment operation in Johannesburg.

The transaction, along with similar arrangements by other banks and stockbrokers, is the start of a transformation of equity trading activities.

Says Lawson-Turnbull: "When legislation to allow banks to buy into stockbroking firms was being drafted, late last year, expectations were they would be allowed to acquire only a partial stake. It was also thought related changes, such as dual trading — which allows stockbrokers to take their own positions as well as act for clients — and negotiated commissions, would be phased in over a period."

However, the announcement, in February, that banks would be allowed to become 100% owners set the scene for a swifter transition. "Once you move to dual capacity," says SBC Warburg's Oliver Baring, "you need a lot of capital, a balance sheet and a single entity where you have uniformity of interests among all the partners."

This perception prompted SBC Warburg to pull out of a projected acquisition of a share of stockbroker Ivor Jones Roy, arranged before S G Warburg was acquired by the Swiss Bank Corporation. "When we first talked with J D Anderson we made it clear we were only interested in a 100% acquisition," says SBC Warburg MD David Burnett.

Baring suggests the transformation of the financial markets will effectively take place on a single day — November 8, when banks will be allowed on to the JSE. This means merchant banks will finally become US-style investment banks, as happened in the UK in 1986, when traditional merchant banks took on securities activities through the acquisition of brokers and jobbers.

An important element of the new financial environment will be the switch to screen-based trading of equities. "This will happen when the JSE's automated trading system starts," says Lawson-Turnbull. That is due in March. Derivatives trading is on-screen already and the bond market is a dual one on the floor and the screen.

Burnett says the bank "has been very active for SA companies, having led three out of four offshore convertible issues, led the first three international equity issues for local companies, joint-led the first RSA US$750m global bond issue and arranged Standard Bank's $250m Euro commercial paper programme. It has also advised on the five largest international transactions by SA companies."

FINANCIAL MARKETS

Fault lines

Political tremors in Italy and France set off a chain reaction this week in the currency and stock markets far beyond Milan and Paris. The imminent fall of the technocrat coalition government of Italian Prime Minister Lamberto Dini — on a no confidence vote — saw a run out of the lira and into the safe havens of the D-mark and Swiss franc, with both rising 2,5%.

In Paris, abiding scepticism about the ability of France to reduce its budget deficit and the seeming impotence of the security forces to stop the Algerian Islamic terrorist bombers was compounded by news that President Jacques Chirac could face court proceedings over his flat. Prime Minister Alain Juppe faced similar allegations of "illegally" awarding himself a city-owned flat but escaped prosecution by moving out.

Added to that, the Chirac government's popularity rating in opinion polls has slumped to below 30% and rumours that Juppe will be forced to resign, after six months in office, continue to rattle the markets. Hence the franc slipped further, losing 3% — to FFr3,54 — against the D-mark.

As the D-mark and Swiss franc climbed, with little sign of central bank intervention, the weakness of the softer European currencies rippled into the dollar.

The dollar hit a three-month low against the D-mark at DM1,38 — losing 3% in three trading days — but Bank of Japan buying held it at ¥99,4. As the *FM* went to press, the dollar had rallied to ¥100, with similar improvements in D-marks and Swiss francs.

But markets were described as "edgy" ahead of the US Federal budget proposals, with forecasts of a drift back to ¥85 and DM1,30 over the coming year. It is being pointed out that the proposed US Federal Reserve plan to bail out illiquid Japanese banks — against collateral of Bank of Japan's US$100bn portfolio of US Treasury bonds — would add dollars to the market.

The currency malaise blighted bond and

Afbank will chase arrears — Franks

(58)

Amanda Vermeulen

BD 27/10/95

AFRICAN Bank's new CEO Colin Franks, appointed this week by Afbank shareholder NBS, would concentrate on chasing arrears and developing niches in the corporate market, he said yesterday.

It would take about three months to identify the full extent of Afbank's losses, which would be followed by a three-month arrears collection programme, he said.

Once the arrears were up to date and management strengthened, Afbank would focus on developing its business in the corporate niche market, while growing existing business — retail banking and the home loan book.

Franks said the bank's asset financing book was solid and had good growth potential.

The new board would be in place in six to eight weeks. Each partner in the NBS, Metropolitan Life and New Africa Investments consortium could put three or four representatives on the board.

Boost in new business gives African Life a lift

BD 27/10/95 (58)

Amanda Vermeulen

AFRICAN Life lifted its attributable surplus 39% to R12,9m for the six months to September, propelled by a sharp boost in new business.

The life company — which has Real Africa Investments as a main shareholder — pushed single premium income to R181,3m from a previous R21,8m, while recurring premium income rose 47% to R136,8m.

Assets grew 77% to R820m, which led to an 86% rise in investment income to R28,1m. Total income was boosted 166% to R346m — exceeding the figure for the 1994 financial year.

Share earnings rose 24% to 16,8c and the interim dividend was set at 11,2c, from a previous 9c.

Executive director Jeremy Rowse said yesterday that September had been a record month with more than 10 000 new policies written. The increase in single premium income was largely due to market support for the Guaranteed Portfolio of products, launched two years ago. But he said it was unlikely this volume of business would be repeated in the second half.

Corporate financial affairs director Hugh Roberts said regarding AIDS the group's products had been designed to afford adequate life cover for policyholders without exposing the group to undue risks.

"With the mix of our actuarial liabilities tending towards guaranteed-type products, we have been matching these liabilities, as can be seen in the investment portfolio mix."

Selling expenses were in line with new business, and the increase in marketing and administration overheads of 25% was below the income increase.

During the review period Aflife bought a majority stake in stockbrokers G O'Flaherty, with whom it will establish an asset management firm.

It also took a controlling interest in African Life Properties — previously RMS Syfrets Property Development.

The group had begun its expansion into Africa, starting with taking a stake in the Lesotho National Insurance group.

Bank face new fees scrutiny

(58) Star 27/10/95

BY NIALL AITCHESON
CRIME REPORTER

Banks across the country are likely to come under close scrutiny after a leading bank admitted guilt to illegally charging administration fees on personal loans.

The Department of Trade and Industry is expected to look closely at other banks after Saambou paid a R2 000 admission of guilt fine for charging illegal administration fees on clients' personal loan accounts in KwaZulu Natal.

Wesbank, another institution charged with contravening the Usury Act, has requested a meeting with KwaZulu Natal Attorney-General Tim McNally to discuss the 54 summonses issued to it.

Saambou spokesman Johan Geertsma said Saambou and Wesbank were collectively charged with 94 counts of contravening the Usury Act by recovering administration fees exceeding the principle debt of the borrower, after an investigation by the DTI last year.

Saambou and Wesbank were both given the option of paying a R50 admission of guilt charge on each count.

Geertsma said the company had paid the fines and clients' accounts had been recalculated.

"Any amounts raised, which were not according to the Usury Act, have been written back. We have forthwith stopped debiting administration fees on personal loan accounts and have taken steps to ensure that it does not re-occur.

"We want to abide by the law," Geertsma said, adding that the recalculation applied to all personal loan accounts, not only the 40 for which summonses had been issued.

Saambou and Wesbank said no charges relating to the Usury Act had been brought against their branches in Gauteng.

Growth in premium income lifts Aflife

BY LLEWELLYN JONES (58) CT (BR) 27/10/95

Johannesburg — Significant growth in single premium income at Real Africa Investments subsidiary, African Life, helped boost total income 166 percent to R346 million for the six months to September — more than the company's total income for the whole of last year.

Along with its results, the company announced that Jeremy Rowse, the marketing and sales general manager, had been appointed as an executive director and would be responsible for the Individual Life division.

Another announcement was the appointment of Hugh Roberts, the general manager for actuarial and investments, as an executive director. He will be responsible for actuarial investments and finance.

Single premiums grew more than eightfold to R181 million from last year's R21,8 million.

Rowse said that this growth was a reflection of the market's acceptance of its Guaranteed Portfolio of products.

"This is very encouraging considering the product was launched only two years ago," he said.

Rowse said because the flow of single premium income business was inclined to be rather volatile he did not expect this volume of business to continue in the second half of the year.

However, Rowse said the 47 percent increase in recurring premium income to R136,8 million was far more indicative of the company's continuing success. "African Life is perfectly positioned in the fastest-growing market segment in the life assurance industry; low- to middle-income earners with rising discretionary incomes," Rowse said.

"This is a direct result of the quality of our new business and the marked improvement in business persistency over the last year."

Roberts highlighted the growth in assets of 77 percent to R820 million in comparison with the same period last year and the R554 million at the end of March.

"This asset growth has resulted in the increase in our investment income of 86 percent to R28,1 million," he said.

Selling expenses were in line with the new business and the increase in the life assurer's marketing and administration overheads of 25 percent was comfortably below the increase in its income.

It includes start-up costs in respect of the new employee benefits division and moves into southern Africa.

An interim capitalisation will be announced on November 6. The cash dividend alternative is 11,2c (9c) a share.

Regarding Aids, Roberts said Aflife's products had been designed to afford adequate life cover for its policy holders without exposing the company to undue risk.

Now bank is accused of milking profits on overdrafts

(58)

By CHRIS STEYN

SPECTRUM Star 28/10/95

Volkskas Bank overcharged interest on overdrafts to the order of millions of rands, the bank's former chief, Hennie Diedericks, has claimed in documentation obtained by Independent Newspapers.

In a further development, two companies involved in helping clients retrieve overcharged interest from banks have disclosed that they succeeded in recovering R28-million from the Absa Group, primarily Volkskas and TrustBank, as well as other banks over the past two-and-a-half years.

A third company revealed that overcharged interest on 1 000 accounts investigated by them over the past year amounted to R25-million.

Spectrum, the investigative unit of Independent Newspapers, this week obtained a copy of a document entitled "Additional Notes to the Affidavit of H D Diedericks. Overcharging of Interest on Overdraft – Customers of Volkskas Bank Limited Period 1989 to 1991".

Diedericks claimed that when he rejoined the Volkskas Group in June 1990 as Cape regional manager, he became aware that a policy and procedure had been implemented by the management team whereby the profitability of Volkskas had been "actively managed" by increasing the rates applicable.

TO PAGE 2

FROM PAGE 1

♦ Profits on overdrafts

(58) Star 28/10/95

This applied especially on overdraft borrowings, over the spectrum of the bank's client base.

Diedericks said: "I found it very interesting and appalling that computer programs were being designed whereby the interest rate patterns applicable to overdraft customers had been projected, per branch and per region and for the bank as a whole, with the sole intention to increase interest rates …

"Branch managers were being encouraged to actively investigate their interest rate profile and to increase interest rates … This in itself was not wrong, but the practice itself meant customers would not be aware that an increase was being slapped on them … Furthermore, the increases of the overdraft rate were not formally communicated to the client."

Diedericks alleged that substantial claims had been lodged against Volkskas Bank and TrustBank, as well as First National Bank. "I have first-hand knowledge that an organisation, International Computing Systems, recalculated some Volkskas and TrustBank customers' accounts and, to my knowledge some six months ago, they have successfully negotiated R9-million of excess interest that has been repaid by Volkskas and TrustBank to their customers."

Usury Act

Spectrum was told yesterday by the managing director of Interest Verification Systems, Polla Whelpton, that his Pretoria-based company had recovered about R15-million over the past 18 months.

Absa executive director Nallie Bosman explains: "The issue of interest rate claims has its root in the promulgation of the new Usury Act on June 14 1989 when … for the first time, cheque accounts were included under the ambit of the Act. This meant that from this date, according to the law, banks needed to inform clients every time there was a change in the interest rate. Every time the prime overdraft rate rose, even though such an event was usually headlines in papers and on TV, every client had to be individually informed.

"The banks' systems were not able to overnight begin printing the interest rate charged on each client's statement (as is the case today). This fact was appreciated by the Department of Trade and Industry which agreed to grant banks an exemption during the period when their systems were being adjusted.

"Certain individuals saw the opportunity to encourage clients to sue banks for interest which had been 'overcharged' in this way – ie, the normal incremental increases in their rates following movements in prime, but which had not been individually communicated to them as the letter of the law now required.

"Absa addressed the situation in a number of ways. All clients were offered the opportunity of having their statements checked, free of charge, by the bank itself. In addition, an agreement was reached with a leading auditing firm whereby they would handle all Absa clients' queries of interest rate claims for a nominal fee. Over three years, the Absa Group has paid certain clients money relating to such claims. However, such

Revealed: How top bank made millions on interest

(58) ARG 28/10/95

CHRIS STEYN

VOLKSKAS Bank over-charged interest on overdrafts to the tune of millions of rands, the bank's former chief, Hennie Diedericks, has claimed in documentation obtained by Independent Newspapers.

In a further development, two companies involved in helping clients retrieve over-charged interest from banks have disclosed that they succeeded in recovering R28 million from the Absa Group, primarily Volkskas and TrustBank, as well as other banks over the past 2½ years.

A third company revealed that overcharged interest on 1 000 accounts, which it had investigated over the past year, amounted to R25 million.

Spectrum, the investigative unit of Independent Newspapers, this week obtained a copy of a document entitled "Additional Notes to the Affidavit of H D Mr Diedericks. Overcharging of Interest on Overdraft — Customers of Volkskas Bank Limited. Period 1989 to 1991."

In the document, Mr Diedericks claimed that when he rejoined the Volkskas Group in June 1990 as Cape regional manager, he became aware of a policy under which profitability of Volkskas had been "actively managed" by increasing the rates applicable over the broad spectrum of the bank's client base.

"The various Branch Managers were being encouraged to actively investigate their interest rate profile and to increase interest rates wherever possible to improve the profitability of the Bank."

He added: "This in itself was not wrong, but the practice itself meant that the customers would not be aware that an increase was being slapped on them, because at first Volkskas Bank did not print on its statements (as it should have done in accordance with the Usury Act) the applicable overdraft rates. Furthermore, the increases of the overdraft rate was not formally communicated to the client."

"The net result, of course, was that Volkskas succeeded in improving its profitability. It can be concluded that the improved profitability was essential for Volkskas to hold its own as a bank in South Africa but also very important for its build-up to its merger in October 1990 with United Building Society to form ABSA."

Mr Diedericks further claimed that when he was transferred back to Volkskas head office in April 1991, as deputy managing director, he found there were under-provisions for doubtful debts within Volkskas and that for the first six months of the 1991/1992 financial year, Volkskas was running at a substantial loss.

Mr Diedericks said the overcharged interest on the overdraft accounts in later years created "enormous problems".

He went on: "Various disputes and threatening legal actions were at stake. Various small private organisations provided computer programmes to assist customers to recalculate their interest on their overdrafts."

A SPECIAL INVESTIGATION

SPECTRUM MAKING A DIFFERENCE

Mr Diedericks alleged that substantial claims had been lodged against Volkskas Bank and Trust Bank, as well as First National Bank. "I have first-hand knowledge that an organisation by the name of International Computing Systems recalculated some Volkskas and Trust Bank customers' accounts and to my knowledge, some six months ago, they have successfully negotiated R9 million of excess interest which has been repaid by Volkskas and Trust Bank to their customers."

Spectrum was told yesterday by the managing director of Interest Verification Systems, Polla Whelpton, that his Pretoria-based company had recovered about R15 million over the past 18 months in over-charged interest.

He said the biggest percentage of the money was recovered from the ABSA Group, primarily from Volkskas and TrustBank, while the rest was retrieved from First National and Standard Banks. He estimated the banks had paid out close to R100 million.

And Jaap Spelt Financial Services in Pretoria told Spectrum that it had recovered about R13 million in overcharged interest over the past two-and-a-half years in overcharged interest from ABSA as well as First National Bank.

Johan Muller, managing director of another company, International Interest Corporation in Cape Town, said his firm had investigated about 1 000 accounts over the past year found that about 91 percent of the customers had been overcharged on interest, mainly on overdrafts and loans. He said the average "error" per account amounted to between R35 000 and R50 000 and totalled more than R25 million.

"With errors ranging as high as R930 000 in a particular case, we are convinced that not even 10 percent of overcharged interest has been recovered," Mr Muller said.

The company had found rates as high as 740 percent above the prime rate had been charged.

Mr Diedericks said when he rejoined head office he immediately realised "the delicate and unacceptable situation".

Steps were taken at Volkskas, and later at TrustBank, to rectify the situation. "I further personally got Volkskas Bank to print for the first time from the beginning of 1992 all interest rates applicable on the monthly statements of the various customers."

Commenting on the interest rate claims, ...llie Bosman, ABSA executive director said: "The issue of interest rate claims has its root in the promulgation of the new Usury Act on June 14, 1989 when, in Article 10,6, for the first time cheque accounts were included under the ambit of the Act.

"This meant from this date, according to the law, banks needed to inform clients every time there was a change in the interest rate. In other words, every time the prime overdraft rate rose, even though such an event was usually headlines in newspapers and on TV, every client had to be individually informed of the rise.

"The banks' systems were not able overnight to begin printing the interest rate charged on each client's statement (as is the case today). This fact was appreciated by the Department of Trade and Industry which agreed to grant banks an exemption during the period when their systems were being adjusted.

"Certain individuals saw the opportunity to encourage clients to sue banks for interest which had been 'overcharged' in this way . . . .

"ABSA addressed the situation in a number of ways. All clients were offered the opportunity of having their statements checked, free of charge, by the bank itself.

"Over the past three years, the ABSA Group has paid certain clients money relating to such claims. However, such claims are by definition limited, and payouts have now slowed to a trickle."

Mortgage fund to cover previously deferred areas

(58)(1223) CT (BR) 30/10/95

STAFF WRITER

Johannesburg — The Mortgage Indemnity Fund has approved cover in two areas in the Free State and Northwest Province where cover was previously deferred.

Nkululeko Sowazi, the managing director of the fund, said at the weekend that cover for the areas had been deferred earlier this year, but that decisive action by the local authorities and communities had led to this week's favourable decision for Khutsong (Carltonville) and Kutlwanong (Odendaalsrus).

"These developments show that the (fund) wishes to extend its cover as widely as possible, though always within the constraints laid down by the minister of housing when the (fund) was set up," Sowazi said. "If those requirements are satisfied, we will take account of changing social realities."

Sowazi said owners of mortgaged houses located in areas not yet covered by the fund were being effectively denied the right to sell their houses.

"This, according to estate agents and potential sellers, is because some accredited banks will not provide mortgage finance for purchasers of such houses, ostensibly on the grounds that they are not covered by the (fund).

"Those banks appear to be unaware of a specific ruling of the (fund) to extend cover in instances where mortgages were registered before May 31 this year — a ruling which was made in response to a request from the banks themselves.

"Apart from hardship caused to these individuals, such practice does not promote the purpose for which the (fund) was established."

New-look Boland Bank increases profit 44 percent

(58)

Star 31/10/95

31/10/95

■ BY MAGGIE ROWLEY

Restructured Boland Bank Group put in a strong performance for the six months to the end of September, lifting attributable profit by 44 percent to R20,8 million.

Earnings at the share level were diluted due to the rights issue held earlier this year as part of the restructuring and recapitalisation of the the Paarl-based bank, but still showed a 24 percent improvement at 92,7c a share.

The interim dividend has been lifted 18 percent to 33c a share.

Managing director Michiel le Roux said margins had come under pressure due to rising interest rates and increase cash reserve requirements which were imposed by the Reserve Bank.

However, advances were up 28 percent with strong demand for credit being seen across the spectrum. This, together with the proceeds of the R383,3 million rights issue concluded during July, increased the bank's assets by 32 percent to R5,5 billion and saw interest income up 46,5 percent at R392 million.

While the bad debt situation had improved, allowing for a 9,3 percent decrease to R24 million in the provision for risks during the six month period, operating costs were up by more than 26 percent.

This was due to increased expenditure on infrastructure to enable growth in niche markets as well as the costs brought about by the large number of staff retiring in line with changes in income tax for pension and provident fund payouts as of September 1.

The restructuring of the group, whose controlling shareholder is group chairman Christo Wiese, included the acquisition of a 26 percent stake by Malaysian company, Landmarks Berhad.

During the period under review, Boland Bank formed a joint venture with Seeff Home Loans of Seeff Holdings, which was performing strongly, said Le Roux.

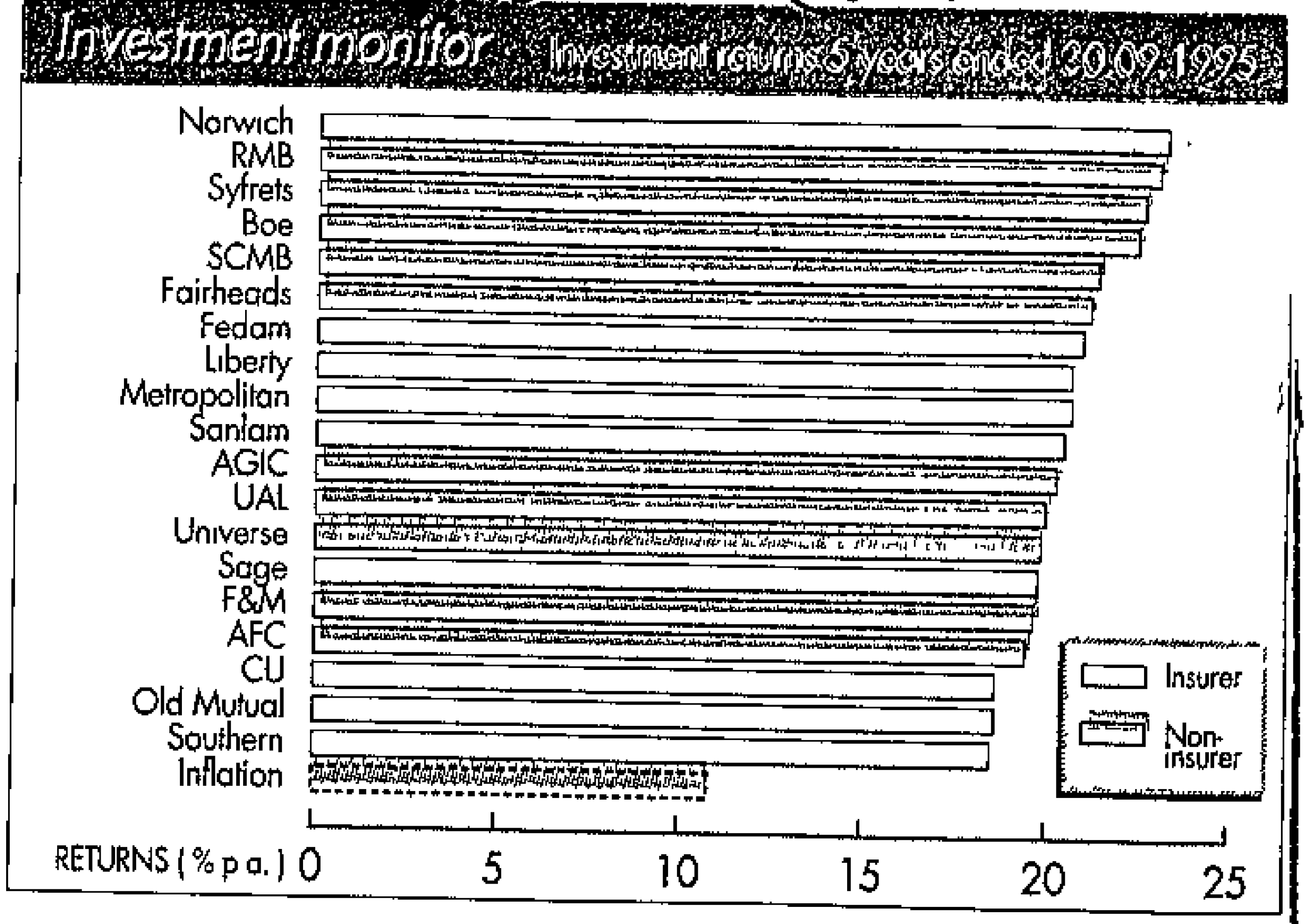
He said benefits from Boland Financial Services, set up as a precursor to a merchant banking operation, were expected to do well in the second half of the year as was Boland's acquisition of a 50 percent stake in broking firm Senekal Mouton & Kitshoff, which will come into effect once changes in JSE regulations are implemented early next month.

He said that while margins were expected to remain under pressure, continued real growth in earnings was expected in the second half of the year "as benefits of the rights issue on itself will ensure that".

Norwich Life retirement fund leads the field for short-term performance

CT (PR) 31/10/95 (58)

By Bruce Cameron



Cape Town — Norwich Life continues to be the best performer over three and five years, according to the quarterly survey of retirement fund management conducted by the independent consultants and actuaries Ginsburg Malan & Carsons.

Over the past 12 months, Rand Merchant Bank Asset Management is ahead of the pack, while over 10 years Syfrets Managed Assets has hedged into a front position.

Taken collectively as a universe with a weighted average return, all managers participating in the Ginsburg Malan & Carsons Investment monitor reported a 20,4 percent a year average over three years to September 30.

The universe includes funds with a total value of R116 billion. This was more than double the inflation rate of 8,5 percent over the same period.

The difference between the top performer and the bottom performer was a high of 12,3 percent (or 35,1 percent annualised) over three years.

Norwich was 3 percent better than its closest competitor at 28,8 percent over three years and slipped into the lead with a 0,2 percent advantage over former frontrunner Rand Merchant Bank over five years.

Philip Croeser, a director of Ginsburg Malan & Carsons, said the last 12 months saw a strong recovery in bonds after poor performance in the first three quarters of last year.

The all bond index return over 12 months to September 30 was 25,8 percent while the all share index produced a return of only 2,1 percent.

The strong performance of bonds contributed to the increase in the universe, which has returned to healthy 10,9 percent from 7,7 percent over 12 months for the quarter ended June 30.

Restructured Boland Bank lifts profit 44%

CT(BR) 31/10 1995 (58)

By Maggie Rowley

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Earnings at the share level were diluted due to the rights issue held earlier this year as part of the restructuring and recapitalisation of the the Paarl-based bank, but still showed a 24 percent improvement at 92,7c a share.

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However, advances were up 28 percent with strong demand for credit being seen across the spectrum. This, together with the proceeds of the R383,3 million rights issue concluded during July, increased the bank's assets by 32 percent to R5,5 billion and saw interest income up 46,5 percent at R392 million.

While the bad debt situation had improved, allowing for a 9,3 percent decrease to R24 million in the provision for risks during the six month period, operating costs were up by more than 26 percent.

Growth

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FINANCE – GENERAL

1995

NOV. — DEC.

Deal may be bridge for Aflife

CT(BR) 1/11/95 (58)

By John Spira

Johannesburg — African Life's acquisition of a controlling interest in stockbroking firm G O'Flaherty & Company could prove to be a springboard for the group to become involved in other areas of the financial services industry.

So hinted Don Ncube, the chairman of Real Africa Investments, African Life's holding company, at a function yesterday to celebrate the deal. G O'Flaherty & Company has become the first black-owned stockbroking firm on the JSE.

The firm's senior partner, Godfrey O'Flaherty, said the structure of the new arrangement was unique because it represented meaningful black empowerment.

The partnership could lead to joint ventures with other suitable market players around black empowerment issues.

"Real Africa is the only vehicle of its kind and the obvious choice as a partner in RDP-linked and other projects. It is able to span the gap between previously white-controlled and black-inspired development needs."

Roy Anderson, the president of the JSE, said 13 black-controlled companies were now listed on Diagonal Street. "These companies have a combined market capitalisation of R4,3 billion, which is small relative to the JSE's total market capitalisation of R900 billion. However, ... the figure of R4,3 billion exceeds the combined market capitalisations of the Nigerian and Kenyan stock exchanges."

COMPANIES

Nedcor, FNB prosper on back of drop in bad debts

(56) BD 2/11/95

Adrienne Giliomee

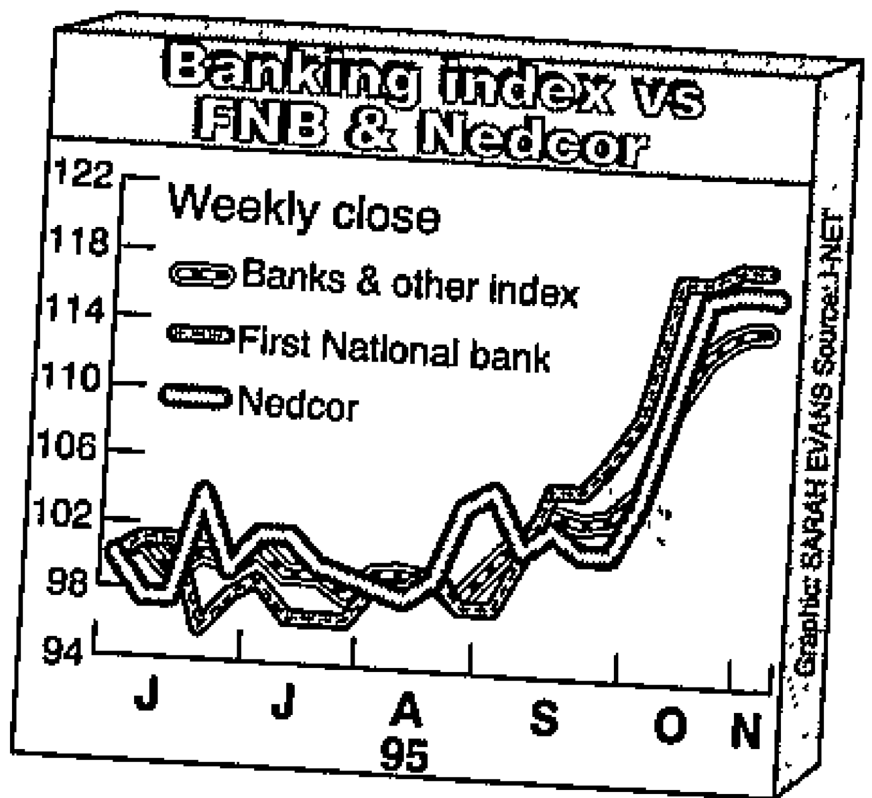
BOTH Nedcor and First National Bank (FNB) were likely to post earnings growth of more than 20% when they reported their annual results next week, helped by a decrease in bad debts following conservative provisions last year, banking analysts said yesterday.

Good volume growth at both banks — and improved margins in the case of Nedcor — would also help drive up earnings a share, the analysts said.

Earnings for Nedcor, which posted net income of R603m in financial 1994, were expected to amount to 382c-386c a share for the year to September, representing growth of about 24%.

The introduction of Nedcredit, a facility allowing customers to obtain financing before approaching a dealer as a cash buyer, was not expected to have a significant impact on the group's results as it was launched only in August. But the facility would help Nedcor make inroads into the instalment credit market next year.

Sharply improved performances were expected from subsidiary Cape of Good Hope, and Syfrets in particular, with analysts putting earnings growth



there at "far more than 60%".

Merchant banking arm UAL, on the other hand, might emerge as a disappointment.

"One must remember it has been performing exceptionally well over the past couple of years. It would be difficult to sustain the same growth," one analyst said.

Nedcor recently split subsidiary Perm into The Permanent Bank, which offers the full spectrum of banking services, and The People's Bank, which provides primary banking services aimed at the emerging mass market.

Analysts said the introduction of The People's Bank was likely to significantly strengthen Nedcor's exposure to the black market.

A reduction of the effective tax rate would benefit both groups' income statements.

The 5% transitional levy had been a once-off charge, while a lower company tax rate would result in a reduced deferred tax charge, which would improve earnings.

FNB, which reported net income of R771,5m in financial 1994, was expected to turn in earnings of between 205c and 215c a share for the year to September, representing year-on-year growth in the region of 22%.

During the year, the bank was appointed sole banker to three provinces and primary banker to the Western Cape, which would increase transaction volumes.

The bank's advances and loan growth had been strong, with latest Reserve Bank figures indicating a 29,5% growth to R16,7bn on a yearly basis to July.

In its interim results, the group had already shown a bias towards wholesale funding and this was likely to continue, a trend which would depress margins, analysts said.

Growth from vehicle financing arm Wesbank would continue at a high rate, but one analyst said FNB was likely to introduce a similar product to Nedcredit.

INSURANCE (58)

Covering directors

FM 3/11/95

Lloyd's of London expects to expand its market in SA for directors' and officers' insurance cover, largely as a result of the King report on corporate governance.

Russell Kilpatrick of Encon Underwriting London has identified at least 15 exposures, mentioned by King, which may threaten careless company directors.

And Roddy Duff, a director of Price Forbes' UK associate insurance broker Nelson Hurst, says SA is now considered a world leader in white collar crime, making appropriate cover essential. "I doubt if a British or American executive would accept a seat on a South African board without the cover being in place." UK experience has seen the premium flow rise from £35m in 1989 to £80m this year. Kilpatrick's agency is offering R25m capacity in the SA market.

Both men emphasise the cover does not protect any director or officer against his own criminal acts. Says Kilpatrick: "We will pay the legal costs where a client has pleaded not guilty. We do not pay any further costs if there is a conviction." The King report has recommended the premiums may be paid by the company.

Kilpatrick notes costs in the case, following the alleged Maxwell pension fund frauds in the UK, already exceed £5m.

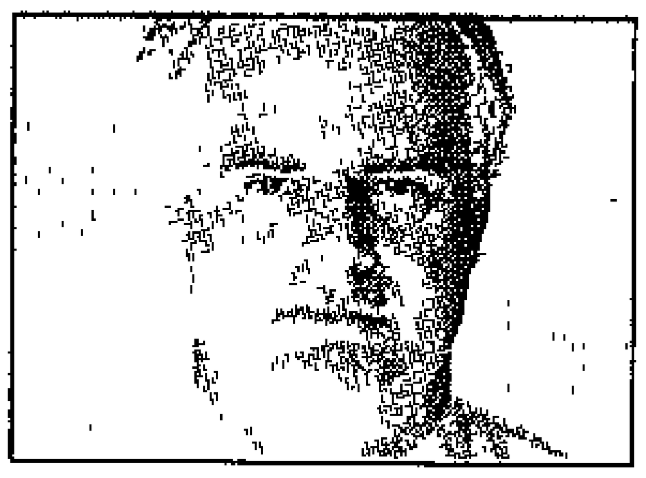
Price Forbes director of group broking services Kevin Paarman says SA experience mirrors the increase in numbers and size of

claims brought against directors elsewhere. "In one case, liquidators sued a shareholder and director for payment of all the company debts even though the director was not involved in its day-to-day administration. The other director responsible for running the company had conducted business fraudulently and fled the country." ■

Life assurance market in UK strangled by tough regulation

CT (BR) 3/11/95 (58)

LIFE WITH CAMERON



BY BRUCE CAMERON

The number of salesmen in Britain has fallen by over 230 000 in five years

London — Five years ago there were 280 000 people in the United Kingdom selling life assurance.

Today there are less than 50 000. Last year four British life companies pulled out of doing new business, and this year 12 pulled out in the first six months.

The reason, according to Bastiaan van der Westhuizen, managing director of Old Mutual's United Kingdom operations, is the tough regulation that has been applied to the British life assurance market.

Van der Westhuizen said the consequence was that there would soon be an uninsured class in Britain because it would be too expensive for life companies to reach them.

This would have serious consequences for the economy, particularly at a time when the general trend in modern economies was moving away from social security.

Van der Westhuizen, who used to be in charge of Old Mutual's extensive sales force in South Africa, was concerned that over-zealous regulation in South Africa would take matters the same way.

Life business in the United Kingdom, for most companies including Old Mutual, was running at a loss, while there was a significant move to selling easier to manage unit trusts.

But, said van der Westhuizen, regulators in Britain were starting to see the folly of their ways and he predicted brighter prospects for life offices sometime within the next five years as regulations became more realistic.

Regulators in South Africa hoped that regulation would be driven by resolving complaints rather than by compliance. "In Britain it is rather like being told that the speed limit between London and Edinburgh is 70 miles an hour and having to prove on arrival in Edinburgh that you did not exceed the speed limit."

Responsible

He said, however, that life assurers in Britain were partly responsible for the situation, having developed a bad image, mainly from low persistency ratios with inappropriate policies being sold to the public.

His colleague Alan Parsonson, managing director of Old Mutual Fund managers (the unit trust company) in Britain, said the answer to regulation lay in the type of controls applied in Singapore.

The regulations there cover only a few A4 pages and state in essence that "if you run a life office and the persistency rate is below 90 percent then you cannot employ more staff and if you are an individual sales person and you have a persistency rate of less than 90 percent you cannot work for anyone else."

The only exceptions to the persistency rule were maturity of a policy or death of the policyholder.

This would come as a rude shock for many of South Africa's life offices and for the industry itself which continued to hedge around the issue and not investigate the high rate of lapses and surrenders of policies locally.

Parsonson said another issue which dented the image of the life offices was the advice given to individuals to pull out of defined benefit pension funds and opt for defined contribution (advice which in effect amounted to "go and do your own thing").

The results had not favoured individuals. Something that had be taken into account with the pressure applied by many companies on their employees to pull out of pension funds.

□ □ □

Old Mutual's United Kingdom operation proves the cliché that dynamite comes in little packages.

Compared with the local operation with its enormous bureaucracy at Mutual Park in Cape Town, the British operation is more like an agency in a small town.

Small in market share, Old Mutual UK (formerly Providence Capitol) is making its mark from its small three-storey office block in the quiet town of Hook nestled in the English countryside 50 miles southwest of London.

People from all over the world seek out the offices as its reputation of being among the best in the highly competitive fund management industry grows.

Secrecy

Old Mutual UK came out the closet, so to speak, earlier this year when it changed the name of its British operation from Providence Capitol after years of secrecy about the overseas operations of the mother company in South Africa.

Van der Westhuizen said that the change of name was a bonus, as the links between South Africa and Britain made Old Mutual a more well-known name.

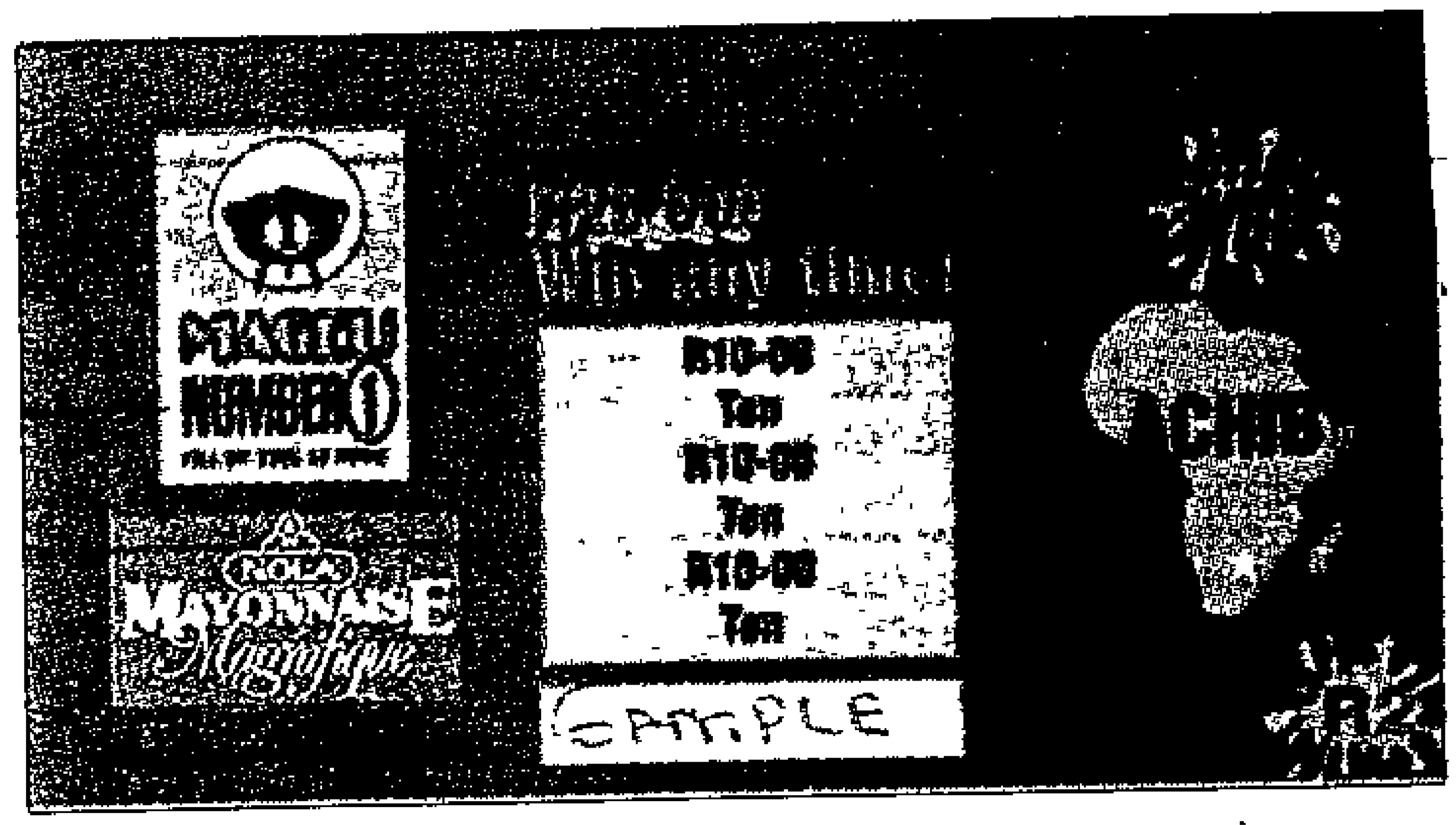
The reputation of the skills of Old Mutual as a fund manager in Britain is, however, stretching further.

On the train trip back from Hook to London last week was Murty Nuni, senior vice-president of a capital management company from Bahrain who manages petroleum wealth.

He had been down to Hook to find out about this company owned by South Africans.

He did not seem to be able to fathom how a South African company could be so far ahead of the pack.

He said the success of the company had become a significant discussion point in the international investment community.



Hawkers launch scratch card

By Thabo Leshilo

Johannesburg — The African Council of Hawkers and Informal Businesses (Achib) and the South African Vocational Endowment (Save) have launched a new scratch-card game to raise funds for the council.

Lawrence Mavundla, the president of the council, said the move had been initiated because of a lack of funding for non-government organisations.

"We are, therefore, happy that Achib and its members are to benefit from the scratch-card initiative," he said. The council has established a separate company, Impilo Trading, to market, distribute and sell the scratch cards.

Kabelo Mooki, the sales and marketing director of Impilo, said the cards were being sold through hawkers registered with the council.

The cards are selling for R2 each, from which the council receives 50c, the vendor 20c, Save 20c, Impilo 30c and 80c is used to cover prizes, which range from R2 to R25 000.

(58) CT (BR) 3/11/95

Heritage launches insurance package for minibus taxi passengers

CT (BR) 3/11/95 (58)

By Françoise Botha

Cape Town — Heritage Insurance Brokers has launched an insurance package for taxi and minibus passengers.

The package has been underwritten by a leading British-based insurance firm.

Attorney Bernard O'Sullivan said the cover would be introduced in the Cape first. Gauteng, KwaZulu Natal and the Free State would follow shortly.

Figures released by the Western Cape Provincial Administration showed that minibus accidents on the N1 between Cape Town and Beaufort West had increased substantially over the past year.

According to O'Sullivan, the move was spurred by the number of his clients, whose breadwinners had been killed or seriously injured or disabled in such accidents.

"As the law stands at the moment, these people have only very limited protection in terms of the Motor Vehicle Accidents Fund," he said.

"They are only entitled to R25 000 in the case of death or permanent disability and of course receive no compensation if they were travelling in the vehicle which caused the accident," he said.

Other schemes exist which provide insurance for taxi passengers, but these are taken out by the taxi owner and passengers do not know whether they are covered or not.

The new insurance package offers a choice of coverage in R10 000 units that can be bought for R15 a person a month, with an upper limit of R75 000 coverage.

Housing corporation's listing mooted

Robyn Chalmers

(58)

BD 6/11/95

THE possibility of listing the National Housing Finance Corporation has been raised in discussions between government and financial institutions on setting up the institution — a key component of government's housing policy.

The launch of the corporation, originally scheduled for September, has been delayed a number of times as government, banks and contractual savings institutions discuss a way forward. Institutions will have an equity stake in the corporation, but the extent of ownership has not yet been settled.

The corporation will attempt to mobilise housing finance for the lower end of the market.

Consultant Johan de Ridder, who is heading the team investigating its establishment, said yesterday that no official response had yet been formulated by financial institutions, but he was optimistic. "We do not expect that the corporation will be launched before the beginning of next year, and it will then take between six months and a year for it to be properly effective."

De Ridder said that one of the biggest obstacles in the current housing environment were the real and perceived risks, particularly as financial institutions still had significant amounts invested in repossessed houses and non-performing loans.

A financial institution source said that the proposal which had been put to the private sector had a few flaws, but discussions were taking place on ways in which these could be overcome.

A confidential document on the corporation said it should be established as a conventional, if possible listed, public company in terms of the Companies Act. It would be a national intermediary institution and perform certain normal functions of a bank.

Govt nod to bank streamlining report

BD 6/11/95 (58)

Robyn Chalmers

GOVERNMENT has broadly accepted the transformation team's report on the Development Bank of Southern Africa, which will see the bank streamlined to focus on the financing of infrastructure.

Deputy Finance Minister Alec Erwin said at the weekend that government had, however, decided to shelve the proposed creation of a giant holding company with assets of R16bn by merging the bank with the Industrial Development Corporation.

"The rest of the restructuring of the bank is going well, and we are now working on its future mandate, with enabling legislation expected to be in place by next year.

"We are hoping to have a final package on the restructuring of the bank before Cabinet by the end of the year as we would like to have it up and running by the beginning of the bank's new financial year," he said.

Erwin said the restructured role of the bank would slot into the various strategies to be implemented by the reconstruction and development programme office on urban and rural infrastructure. He said the restructuring of the bank also fitted into the overall streamlining of development finance institutions, including the Industrial Development Corporation, the Small Business Development Corporation, the Land and Agriculture Bank, as well as the yet-to-be-formed National Housing Finance Corporation.

Government was also working with the provinces in assessing their own development finance institutions and detailing their viability, sustainability and the future role they would play.

Louise Cook reports that a major revamp of the Land and Agricultural Bank was likely to start early next year, after a probe by the Rural Financial Services Commission appointed this year by President Nelson Mandela.

Bank sources confirmed at the weekend that the bank was expecting to have to restructure in lieu of the commission's report — due to be released in mid-January.

But they said it was still impossible to say if the bank's operations would broaden to fields outside agricultural financing.

Meanwhile, commission secretary Gerhard Coetzee said it had probed all aspects of financing the rural poor, including demand for services, institutions' organisational structure and legal aspects.

He declined to say what the commission report proposed to resolve the problems. It would, however, he said , call for proper coordination of the different financial institutions — including the various development corporations, the Development Bank, the Land Bank, business and housing financing institutions.

The Land Bank Act was likely to change, and the bank's legal team had already looked at certain facets of the bank for possible restructuring, sources said.

COMPANIES

Liberty Life plans to invest R750m

Robyn Chalmers (58)

BD 7/11/95

LIBERTY Life Properties planned to invest more than R750m in new developments and refurbishments during the year, including projects in Johannesburg, Durban and Port Elizabeth, chairman Wolf Cesman said yesterday.

Opening an exhibition of 14 developments, Cesman said Liberty had invested R33m in the acquisition of Port Elizabeth's old Elizabeth Hotel which had been converted into a new 235-room Holiday Inn Garden Court.

Other projects included the Edgars flagship and Gloucester House conversion in the Johannesburg central business district, the refurbishment of Eastgate shopping complex and a R60m expansion and refurbishment of the BP Centre in Durban.

Cesman said Liberty had leased 200 000m² more space in the nine-month period to end-September than was leased in the 12 months of last year, including 25 000m² in the Bank of Lisbon to Gauteng provincial government departments.

"The resulting gross inflow of R1,3bn over the nine-month period is indicative of improved property conditions which is attributable in part to a growing confidence in the business community and to the return of international companies to SA.

"An additional factor is the progress being made in remodelling old space on prime sites in SA's central business districts, sometimes for entirely different purposes," he said.

Projects completed during the nine-month period included the construction of the North Town of the Holiday Inn Garden Court Sandton City and the positioning of a pyramidal cap on top of the 21-storey Sandton City Office Tower.

--- to publication on our agenda.

Employees up in arms

By Abdul Milazi
Labour Reporter

THE South African Commercial Catering and Allied Workers Union and Metropolitan Life are locked in a dispute over the company's refusal to allow workers to use its facilities for organisational purposes.

Trouble started when Metropolitan Life labour relations manager Mr Gregory Beck discovered that workers at the company's head office in Cape Town were using the internal newsletter to announce their union meetings.

In a letter addressed to senior public relations manager, a Ms Burger, Beck explained that Saccawu had no organisational rights within the company and therefore was not allowed to use the facility.

"The company has, however, as a gesture of goodwill allowed Saccawu once-off access and prior permission to use notice boards to afford them an opportunity to attain the agreed representivity," says the letter.

Saccawu national negotiations coordinator Mr Stanley Mngomezulu said the action by Metropolitan Life smacked of racism and was a total disregard of the aspirations of black workers.

Mngomezulu said the newsletter was used by workers to communicate matters of mutual interest.

"Senior management has also used this publication to announce their birthday parties and no one objected. We therefore call upon Mr Beck to retract the letter sent to Ms Burger, which outlaws publication of Saccawu notices and use of notice boards," said Mngomezulu.

He said employers were still living in the past and refused to accept that basic organisational rights were no longer a privilege, but a right.

Metropolitan Life insists that Saccawu needs 50 percent representation in the company to qualify for the use of its facilities.

Beck refused to comment explaining that he had to follow protocol.

(58) Sowetan 7/11/95

Report tackles banking inefficiency

Star (BR) 7/11/95

(58)

By Llewellyn Jones

Retail banks are currently inefficient because of the size and range of their activities, according to Deloitte & Touche's World Banking and Securities review.

The report said that while economies of scale could and did exist within them at a micro level, the complexity of running large banks in their present form more than outweighed these benefits.

Particularly important are the complexities introduced by:

☐ Average operating costs rising as the number of products offered by a bank increased;

☐ Management costs rising as the number of branches increased beyond a certain point;

☐ Difficulties in co-ordinating management along the three separate axes of products, customers and channels.

Deregulation, coupled with fast-moving technological innovation, was unleashing pressure for the industry to evolve toward more efficient structures.

The tensions existing in a vertically integrated bank could only increase in the future, because technological advances were changing most activities' sensitivity to scale.

There was increasing evidence that, through narrow focus and more disciplined project management, large-scale automation could lead to quantum leaps in performance within financial institutions.

This was applicable to any process being progressively automated and would accentuate the potential for scale economies in any given activity within a bank. Deregulation would, by increasing levels of competition, unleash forces that would drive retail banks to outsource non-core activities and reorganise the remainder.

Retail banks would increasingly be torn between conflicting investment demands for different activities as they faced greater direct competition from outside. The monolithic bank would evolve into a cluster of interrelated businesses, each with distinct but linked customers and competitors.

Absa survey rates Sanlam portfolio tops

(58) Star (BR) 7/11/95

BY BRUCE CAMERON

Johannesburg — Absa Bank's consultants and actuaries retirement fund survey has placed the Sanlam 200 plus portfolio as the top performing portfolio in the category which has more than 75 percent of assets in inflation-linked investments.

In the category of less than 65 percent inflation-linked assets equities, Metropolitan Life came out on top.

The Absa survey is based on three elements, namely: model yield — the yield that would have been achieved if funds were invested in the the JSE all share index, the Dunlop Heywood direct property index, the JSE all bond index and the Ginsburg Malan & Carsons money market index; strategic yield — the relative success an investment manager achieves by deviating from long-term policy to capitalise on opportunities; and selection yield — the physical selection of investment and the time of buying and selling.

The Metropolitan Life portfolio achieved a total return of 17,6 percent a year for the five years ended June 1995, from a model yield of 16,8 percent; strategic yield of 1 percent, and a negative selection yield of 0,2 percent.

Sanlam's 200 plus portfolio achieved a model yield of 17,4 percent with a 1,2 percent selection yield a year to achieve a return of 18,6 percent a year over the five years.

Coenraad de Jager of Absa consultants and actuaries said the survey highlighted five key aspects that needed to be examined when appointing or reviewing performance on an investment fund manager.

These were: historic investment performance to the extent that it can be an indication of future performance; the underlying risk of the portfolio; the long-term policy on asset composition; investment philosophy; and investment contracts.

DBSA gets legal rating of two

☐ *Financing role scrutinised by IBCA*

(58) ARGT 7/11/95

Business Staff

IBCA South Africa, the international rating agency's local arm, has re-affirmed its A1+ domestic short and AAA long term ratings of the Development Bank of Southern Africa (DBSA) and for the first time accorded the bank a legal rating of two.

DBSA's role as the financier of wholesale development programmes had been under scrutiny, an IBCA spokesman said today. The bank's focus had been re-aligned in accordance with the government's priorities, although its final structure had not been finalised owing to the huge tasking facing the organisation.

An estimated R60 billion needed to be spent on infrastructural development over the next seven years, and the bank was was in a position to adequately service this amount, the spokesman said.

DBSA was now seen as the facilitator of income generating infrastructural development with local authorities being the major borrowers of the future.

The bank was very well capitalised having been well supplemented by strong revenues over the past few years, enabling it to forego government grants.

Equity in terms of assets was at almost 75 percent and the bank had capital on call amounting to R1,8 billion. Loan quality had remained high, with minimal arrears and the level of provisioning was above four percent of total loans.

Over 50 percent of the loan book was government guaranteed.

In spite of strong growth in disbursements, liquidity was sound with the large permanent capital base and access to short-term credit lines. Foreign funding was fully covered forward and guaranteed by the South African government.

"Operationally the bank functions efficiently with a firm control over costs," IBCA senior banking analyst Mark Young said.

Anglovaal opting out of financial services industry

(58)

Adrienne Giliomee

BD 8/11/95

ANGLOVAAL is set to sever its ties with the financial services industry, with the imminent sale of its 12,5% stake in BoE Corporation to insurance and financial group Fedsure.

Anglovaal GM David Barber confirmed yesterday Anglovaal was the seller of the shares, after market rumours involved the group in the deal.

Barber would not disclose the selling price but said it was based on the value of the underlying BoE shares, which works out at about R63m.

Part of the sale proceeds would be used to supplement the group's rescue package for Crusader Life, while the rest would be ploughed back into Anglovaal. Barber would not disclose how much of the proceeds would be paid to the judicial managers of Crusader Life.

Crulife had been a life assurance subsidiary of the Anglovaal Group and was placed under provisional curatorship in August 1993.

Negotiations were under way last month for Anglovaal to deposit R32m in Crulife, which would convert Crulife's actuarial deficit into a R3,5m surplus.

Barber said Anglovaal had spent some time looking for a suitable black empowerment organisation to buy the stake in BoE Corporation, but had been unable to finalise the transaction and, subsequently, decided to sell the stake to Fedsure.

Development Bank of SA (58) (293) awarded international rating

CT (BR) 8/11/95

Johannesburg — The South African arm of the international rating agency IBCA has reaffirmed the domestic short and long-term ratings of the Development Bank of South Africa, the agency said yesterday.

It also accorded the bank a legal rating for the first time. The agency awarded the bank a short-term rating of A1+, a long-term rating of AAA and a legal rating of 1.

"The bank's role as a facilitator of wholesale development programmes has been under scrutiny.

"Its focus has been realigned in accordance with the government's priorities, although its final structure has not been finalised due to the huge task that faces the organisation. It is estimated that R60 billion needs to be spent on the infrastructural development over the next seven years.

"The bank is now seen as the facilitator of income-generating infrastructural development with the local authorities being the major borrowers of the future," the agency said in a statement.

The bank was well capitalised, having been well supplemented by strong revenues over the last few years, enabling it to forego government grants.

Equity in terms of assets was at almost 75 percent. The bank also had access to callable capital amounting to R1,8 billion. Loan quality remained high with minimal arrears and the level of provisionings at 4 percent of total loans. Over 50 percent of the loan book was also government guaranteed.

Despite strong growth in disbursements, liquidity was sound with a large permanent capital base and access to short-term credit lines.

Foreign funding was fully covered forward and guaranteed by the South African government. Operationally the bank functioned efficiently with a firm control over assets, IBCA said. — Sapa

Policy shift boosts regulator

(58) CT(PR) 8/11/95

By Bruce Cameron

Cape Town — The Financial Services Board, which regulates the financial services industry, has earned a dividend by being removed from the control of the Public Service Commission five years ago.

While subject to public service employment regulations, the Financial Services Board staff complement was 60, with less than half the posts occupied and a high turnover of staff, Piet Badenhorst, the chief executive, told the parliamentary standing committee on public accounts yesterday.

The Financial Services Board now has 124 posts of which only 11 are vacant. This was because the board was now able to pay market-related salaries for skilled employees, which had reversed the position.

The remarks by Badenhorst follow widespread criticisms that public service employment regulations have undermined the ability of key departments, particularly the tax and customs offices, to employ suitable staff.

But Legal Aid Board director Nic Pretorius told the committee that many of his problems in financial administration stemmed from being unable to retain skilled staff.

Recently he had lost staff who had left for the private sector for an extra R1 000 a month.

Pretorius objected to criticisms made by the auditor-general in a report on the 1993/94 financial year, saying that the queries raised by the auditor-general had been resolved.

The problems included not keeping a contingency fund for possible liabilities; reconciliation of assets and not keeping entries on cheques issued up to date.

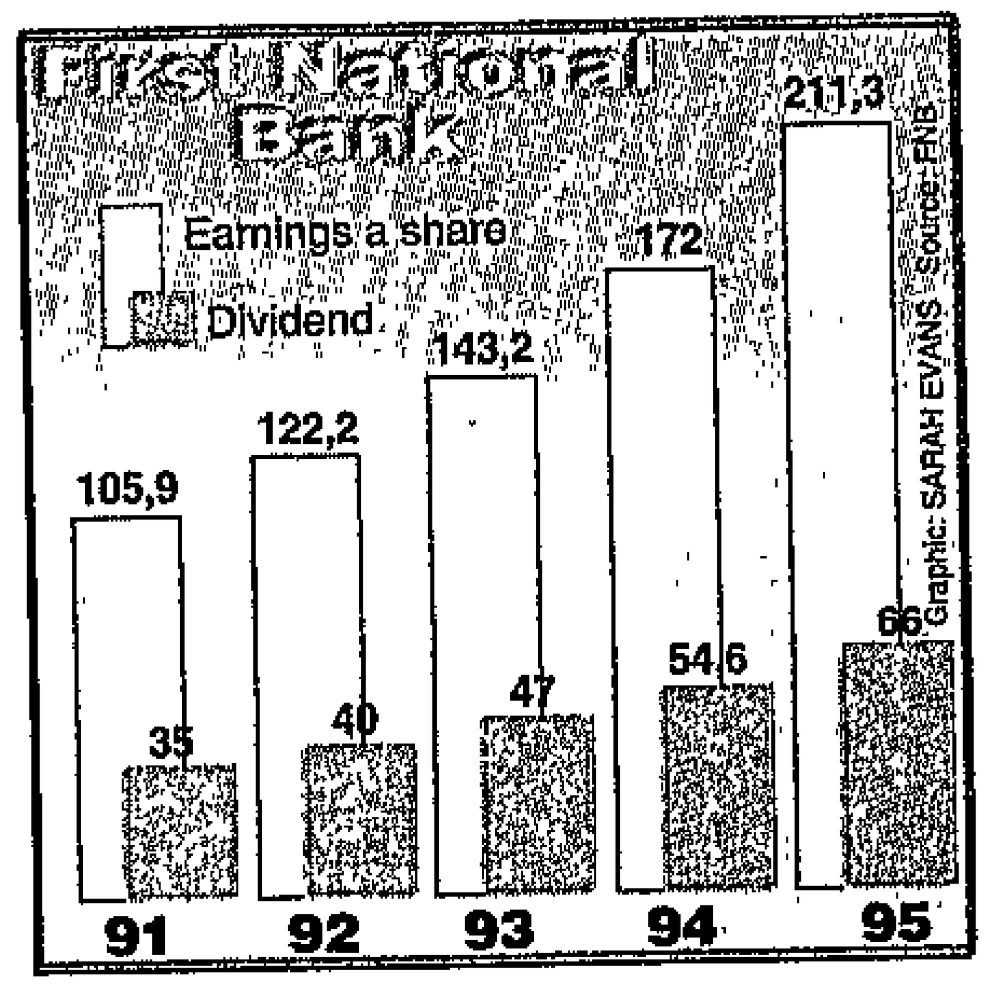
Auditor-general Henri Kluever pointed out that he was reporting on issues that existed at the time of the audit.

He was backed by ANC MP Barbara Hogan, who said the report was an accurate reflection of the position at the time of the audit, but the committee appreciated the rapid reaction of the Legal Aid Board.

Healthy growth in earnings for FNB

(58) BD 9/11/95

Adrienne Giliomee



FIRST National Bank (FNB) posted a healthy 23% increase in attributable earnings to 211c a share for the year to September 30, despite pressure on interest margins.

The bank's final dividend increased 21% to 66c a share, with dividend cover at 3,2 times.

Strong performances in vehicle financing arm Wesbank and growth in the bank's traditional business helped push up interest income 30,7% to R9,4bn (R7,2bn). However, interest expenditure surged 40% to R6,4bn (R4,6bn), putting a lid on net interest income at R2,9bn (R2,6bn) — a 14,4% growth year on year.

FNB senior GM Norman Axten said the interest margin squeeze was worrying but was expected in the light of deposits repricing faster than assets.

Total provision for bad and doubtful debts rose a modest 12% to R393,5m (R351,3m) against 25,6% growth in total advances to R60,6bn. Although the group had made some acquisitions that would push up bad debts, the group

Continued on Page 2

FNB

(58) BD 9/11/95

Continued from Page 1

was satisfied that its provisions were prudent and expected the charge to decrease next year, Axten said.

Total asset growth of 25% to R77,2bn included one-off transactions such as the 25% interest stake bought in Firstpref Finance from McCarthy Retail for R425m. Axten said the growth was obtained without sacrificing quality.

Other operating income moved up 25,8% to R2,5bn, while other operating expenditure grew 19,8% to R3,7bn.

FNB MD Barry Swart said new business initiatives, including FirstPref Finance and FNB's UK merchant bank subsidiary Henry Ansbacher, had affected the figures.

The tax charge for the year was lifted 16,1% to R445,3m (R383,4m) after a 20,1% increase in income before tax of R1,3bn (R1,1bn).

During the year the bank landed about 70% of the new provincial government banking business.

Swart said the bank had coped well with the substantial increase in volumes accruing from the new accounts. However, analysts said the margins on these businesses were slim and did not have a substantial effect on earnings.

Axten predicted strong growth in private label credit cards, consumer credit — including Wesbank — and FirstPref in the coming year. The group was not overly concerned about new finance packages in the market.

The bank's capital adequacy ratio improved from 9,1% to 10,3%, compared with the minimum banking requirement of 8%. Analysts said this was a comfortable level as the group had hidden capital in the bank and could revalue associate company Southern Life at market value.

The return on total assets slipped to 1,2% (1,26%).

Development bank seeking co-funders

BD 10/11/95 (58)

Robyn Chalmers

THE Development Bank of Southern Africa is expecting a record level of disbursements for development projects which could top the R1,4bn mark (R1,1bn) for the year ended March 1996, says GM Div Botha.

The bank is due to report its results for the interim period ended September on Thursday, and analysts expected it to have released up to R650m for development between last March and September.

The prediction of improved results came in the face of the major restructuring exercise being initiated to streamline the bank and ensure that it becomes more focused on financing infrastructure.

Acting CE Nick Christodoulou said that during the previous year, the social effect of political change had made it difficult for agencies to give full effect to project planning and implementation. As a result, the bank could not fully apply its resources to development projects and programmes. The excess capacity had been redirected to assisting government with the initiation of the reconstruction and development programme at national and provincial levels.

During the current year, the bank had continued to focus on the implementation of the RDP, and had placed a strong emphasis on developing partnerships between the private and public sectors.

Botha said the bank recently launched a co-funding initiative to boost partnerships between the private and public sectors for infrastructural development, with projects valued at R770m in the pipeline.

He said that co-funding offered the bank a way of ensuring its operations served as a catalyst for increased capital flows directed at infrastructural projects which underpinned the RDP.

"Since the end of August, we have issued details on 22 projects around SA to all financial institutions in the country. The objective is to inform and invite project sponsors to co-fund with the bank," Botha said.

Bank protection limits need defining, says MP

Edward West (58)

BD 10/11/95

CAPE TOWN — Constitutional protection of the independence of the Reserve Bank should be balanced by subsidiary legislation defining its parameters such as accountability and consultation, ANC MP Rob Davis said yesterday.

The country could not be bound to one "dogmatic solution" by a non-elected government official, which was why the Constitution should provide a "delicate balance" of accountability and independence, he said.

Davis was attending a conference on democracy, human rights and economic development in southern Africa hosted by the University of the Western Cape.

He said that while it was important the Bank be insulated from political partisanism, clauses in the constitution did not preclude changes to the accountability of the Bank through legislation.

Citing the painful possibility of "sado-monetarism" through absolute Reserve Bank independence, he said that for instance, "some of us do not buy the view that there is a real trade-off between inflation and unemployment".

At the conference, ministry of finance adviser Cyrus Rustomjee spoke on SA's relations with the World Bank and IMF. Recent membership allows SA to send advisers, who have board level access.

Finance body to discuss Bankorp rescue package

(58) BD 10/11/95

Adrienne Giliomee

FINANCE standing committee chairman Gill Marcus is to discuss with Deputy Finance Minister Alec Erwin next week the Reserve Bank package offered to Bankorp.

Marcus said yesterday the committee — which would also discuss the matter when it met next week — had written to Trade and Industry Minister Trevor Manuel and Finance Minister Chris Liebenberg about the controversial package.

The committee was concerned about the nature of the package — thought to be worth R1bn — offered to Bankorp, Bankorp's sale to Absa and the Reserve Bank's involvement.

The committee wanted to hear the finance department's views, which it had refused to make public, she said.

"Our concern is not so much the extent to which the Reserve Bank was involved at the time but how the department of finance will deal with the issue," she said.

"The matter also raises all kinds of legal issues."

Liebenberg made clear last weekend that he had no plans to call on the Reserve Bank to detail the lifeline it threw to Bankorp — which Absa finally confirmed last week.

The rescue package is a central component in Absa's row with former Tollgate chairman Julian Askin and former Volkskas CEO Hennie Diedericks.

Generated

Diedericks has claimed that Bankorp received a package of money market instruments from the Reserve Bank at heavily discounted interest rates. Bankorp had then generated additional fee income by lending the instruments on in the open market at higher rates.

Marcus said the committee also wanted to discuss the allegations against Askin, Diedericks and other individuals who were involved in the Tollgate saga.

Nedcor rise shored by steady margins

(58) BD 10/11/95

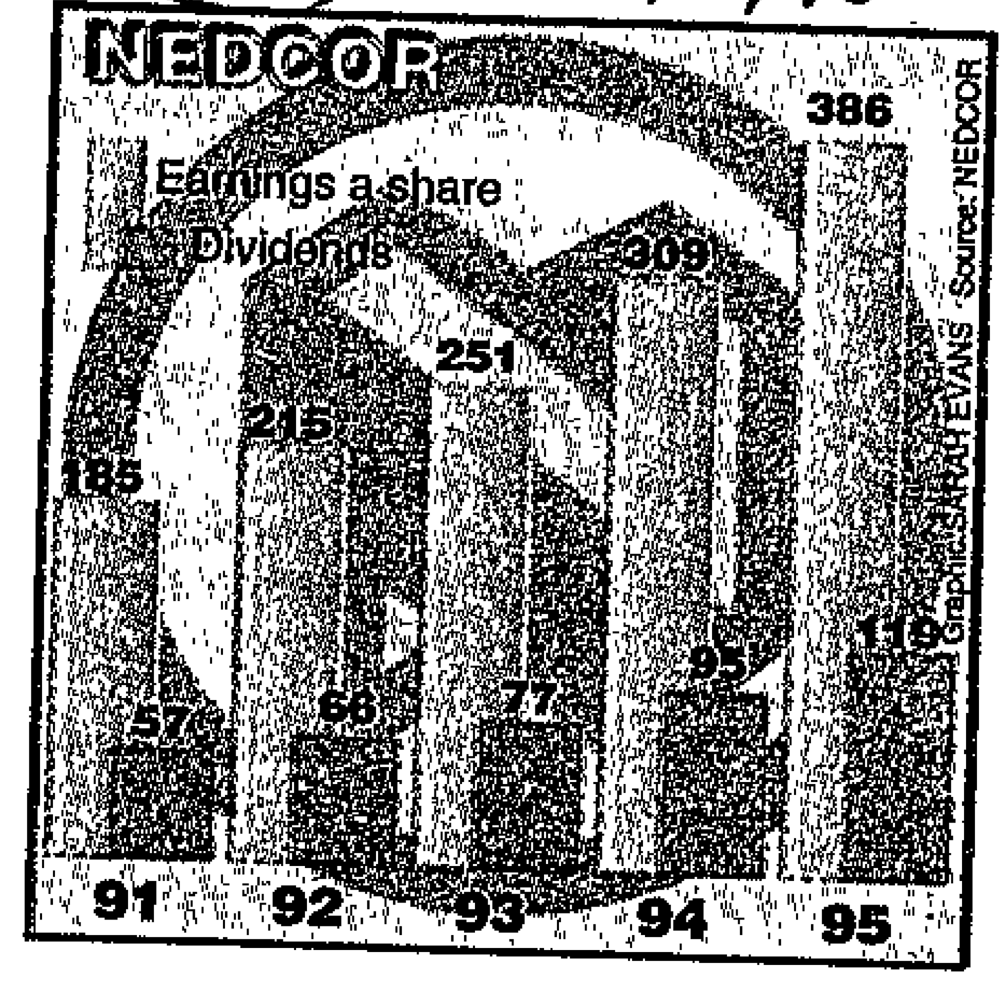
Adrienne Gillomee

NEDCOR's attributable earnings rose 27% to R782m for the year to September, underpinned by steady margins and earnings on its global depository receipts and capitalisation issues.

Interest income, which rose 29% to R9bn, was fuelled by higher business volumes, CE Richard Laubscher said. Total income moved up 17% to R4bn but interest expenses rose 34% to R6,6bn. The group had geared its balance sheet for the rising interest rate cycle which aided the stability of the interest margins, he said.

The charge for the provision of doubtful debt was lowered 16% to R233m, but Laubscher justified the decrease, saying the group had worked off a high base and all questionable advances had been conservatively provided for. The group had also traded out of several underperforming loans.

Earnings a share jumped 25% to 386c, while the dividend climbed 25% to 119c. Shareholders were also eligible for a capitalisation award or could receive a cash dividend of 83c a share.



Total asset growth of 27% to R72,8bn was driven by activity during

Continued on Page 2

Nedcor (58)

Continued from Page 1

BD 10/11/95

the last quarter. Advances jumped 22,1% to R55bn.

The capital adequacy ratio increased from 9,4% to 10%. He said an amount of R200m (mainly in non-deposit-taking institutional subsidiaries) was not included and would have increased the ratio to 10,5%.

There was strong motivation to increase the capital base, with a long-term outlook of closer to 12%.

Nedcor Bank's net income improved 26% after good growth in home loans and instalment credits boosted total income. The benefits of the NedCredit and smartcard launches and the reconfiguration of the personal banking operation were expected to have a greater effect over the next year.

Laubscher singled out subsidiary Syfrets as the star performer of the group. Earnings surged 96% to R77m which mirrored the effectiveness of the re-engineering process. He said the growth was off a low base but its performance could now be judged more fairly in future years.

UAL's performance was disappointing with profit rising a modest 13% to R81m. He said there had been one bad debt which drove down a potential profit growth of 23%.

Future prospects included a restructuring at UAL, and he stressed the potential of the instalment credit industry. The group would position its balance sheet for falling interest rates and expected to build on volumes.

The global depositary receipt issue of $125m in June would give the group scope to expand offshore operations. He said 91% of the loan exposure in townships was up to date.

'Sexist' insurance clause brought before court

(58) BD 10/11/95

Susan Russell

THE Constitutional Court was asked yesterday to set aside provisions of the Insurance Act that enabled the curator of an insolvent man's estate to claim the bulk of a life insurance policy he had ceded to his wife on behalf of the estate.

Section 44 of the Insurance Act has been attacked as unconstitutional on the basis that it violated the equality clause of the constitution because it discriminates against married women.

The application was brought to court on behalf of widow Annette Brink, who was paid R2,6m on a life insurance policy ceded to her by her late husband, who died insolvent. Most of the money was claimed by the curator of his estate in order to pay creditors.

The Insurance Act says a married woman is entitled only to the first R30 000 of the ceded policy.

Lawyers argued that the Act violated the equality clause of the constitution because it imposed a burden on married women which was not imposed on a man whose wife in similar circumstances had effected a policy in his favour or had ceded it to him.

The Centre for Applied Legal Studies at Wits University was granted leave by the court to make submissions on the issue as an interested party.

Counsel for the centre argued that the provision reflected and perpetuated negative stereotypes about women as property holders. The Act was also based on the assumption that property transferred to a wife by her husband did not belong to her in her own right.

The Act, it was argued, also denied her, as a married woman, the legal protection from her husband's creditors that was afforded to married men.

It was conceded on behalf of the curator of Brink's insolvent estate that the relevant provisions of section 44 of the Insurance Act in its current form were an unconstitutional limitation on the right to equality.

However, the court was asked to exercise its powers in terms of section 98 (5) of the constitution and to direct that the offending section be left in place until the legislature could amend the law to include married men.

The centre argued that to do so the curator had to show it was in the interests of justice and good government for the court to do this — something he had failed to do.

brand is its use during an acquisition ... is worth because it owns the brand ...

FNB margins squeezed

(58) M+G (AM) 10-16/11/95

Reg Rumney

FIRST NATIONAL BANK (FNB) announced bottom-line earnings up almost 23 percent this week at R920-million for the year to end-September.

The bank saw strong growth in advances and in non-interest revenues. Those advances were driven mainly by consumer demand.

Margins were squeezed, as interest expenditure rose 40 percent while interest income rose 31 percent, so that net interest income rose 14 percent to R2,977-billion.

The bank's margins will be further squeezed by another interest rate hike — which the bank forecasts for the coming year, says general manager Peter Thompson.

"We have quite a big fixed-rate portfolio compared to the other banks, so when interest rates go up we get squeezed more than they do, all other things being equal." He adds that FNB benefits when rates come off.

"We believe there will be another percentage point rate increase, but that we are at or near the top. So we are well-positioned for a drop in rates, which must certainly be the case over the next three years."

Of FNB's advances, mortgage bonds represents around R14-billion, or roughly 20 percent.

Thompson sees this growing as a percentage of advances, particularly as low-cost housing gets off the ground, though this is likely to happen in a big way only in 1997.

Each of the five major groups will be allocated an equal chunk of the new mortgage business that arises from the housing drive.

"So we will get 20 percent of the new market when we don't have 20 percent of the current market."

The scheme will kick off in April next year, and Thompson expects it will start slowly, but there will be a spinoff straight away in higher sales of durables like brown and white goods — TVs, hi-fis, fridges and furniture.

Thompson expects this will benefit FNB's new furniture finance business, FirstPref Finance.

Mortgages will increase as a percentage of advances also because FNB's overdraft business is not growing at the same rate.

"We are mainly niched into corporates and the corporates are cash-flush. We're not as consumer-niched as some of the other banks in overdrafts."

Thompson sees foreign competition but at the level of the large corporates where margins are already paper thin. So the effect on profitability would not be great if FNB did lose the business.

"Banking relationships will not change because foreign competitors will not have the infrastructure to service their checking requirements, salaries etc."

Smart cards, which FNB has launched in a big way before the other groups, will be a big growth area in the future The main benefit is educational, he says. "We will bank a lot of the mass market via the smart card."

Thompson considers FNB best-positioned of all the banks in the emerging personal market, calling it a "nursery for future customers".

African Development Bank cleans up its act

(58)
M+G (MM) 10-16/11/95

The ADB is on the path of reform to win back Western shareholders. **Melvis Dzisah** reports

JOBS hang on a thread at the African Development Bank (ADB) as the institution sets out to win over Western members who had frozen part of their contributions in protest against poor lending policies and alleged corruption.

About 240 of its some 1 000 employees are to be axed by year-end and, "only 75 new staff of a better skill mix will be recruited as a way of improving performance," Omar Kabbaj, who took over as the bank's new president in September, said last week.

In the front of the firing line are officials suspected of involvement in the corruption that has marred the bank's operations in recent years. The bank's directors said in a report, they approved on September 28, that "disciplinary hearings or appeals by such people are going on".

The ADB was set up in 1963 by the Organisation of African Unity (OAU) with start-up capital of $250-million. It has grown into a $33-billion institution with 52 African and 24 non-African shareholders.

In recent years, however, it has fallen victim to over-lending, poor project selection and mismanagement and Western shareholders have been calling for reforms, lending weight to their demand by withholding contributions to its soft-loan arm, the African Development Fund (ADF) for more than two years.

Between 1963 and 1994, the ADB extended loans and grants worth US$29,3-billion, with outstanding debts amounting to $8,9-billion. Arrears now stand at US$800-million, according to Kabbaj, who said 80 percent was owed by Liberia, Gabon and Zaire.

Pressure from its non-African members forced the bank group — made up of the ADB, the ADF and the Nigerian Trust Fund — to start trimming its staff nearly three years ago. It started by firing a third of its 1 000 support staff and freezing recruitment.

Immediate past president Babacar Ndiaye approved a 6,1 percent cut in the ADB's nominal capital and administrative budget in 1994, the first budget reduction in its history.

At the time, the bank's board said "the unanimous decision reflects our eagerness to maintain a healthy and financially resilient bank whose administrative expenditure is in proportion to its conservative lending and financial operations.

"To our member countries, it's an indication that the ADB is capable of imposing on itself a programme of structural adjustment and reform which we hope will encourage payments of share subscriptions and payments on loans," Ndiaye had said.

"To the capital markets, our action also sends a strong signal of our ability to cut costs and to adjust quickly to changing circumstances," he added.

However, Western shareholders said further reforms were needed before they could commit funds to the ADF.

In a confidential memoir sent to the bank's governors in May, Ndiaye exposed corruption in the 32-year-old institution and accused many of its executive directors of being involved in malpractices ranging from expense-account fiddling to frustrating house-cleaning reforms.

Now Kabbaj appears set to continue where Ndiaye left off.

On his return from a consultative meeting on the seventh general replenishment of the ADF, he told journalists the future of the fund hung on the current reforms.

"The goodwill among donor countries is very high, but they want to see significant signs before committing their funds," he said. "I can tell you $10-billion is waiting for us from the donors, which they are not prepared to release without being convinced about our seriousness." — *IPS*

CROSS SECTION OF THE BANKING SECTOR: Who does what (Rbn)

	Investec Bank	Saambou Bank	Rand Merchant Bank	Boland Bank	Investec Merchant Bank	Unibank	Mercantile Bank	Bank of Lisbon	Future Bank	Albaraka Bank
Mortgage loans	1,9	4,1	0,007	1,3	0,1	0,2	0,08	0,01	0,002	0,03
Instalment finance	0,6	0,5	0,08	0,8	0,02	0,3	0,1	0,08	0,2	0,02
Leasing	0,2	0,1	0,06	0,07	0,2	0,06	0,2	0,01	0,1	N/A
Overdrafts: Companies & close corporations	N/A	N/A	N/A	0,6	N/A	N/A	N/A	0,2	N/A	N/A
Overdrafts: individuals	N/A	N/A	N/A	0,3	N/A	N/A	N/A	0,04	N/A	N/A
Other loans & advances: Companies & close corporations	1,8	0,08	2,5	0,5	0,1	0,03	0,07	0,02	N/A	0,09
Other loans & advances: individuals	0,3	0,4	0,1	0,2	N/A	0,04	0,3	0,04	0,03	NA
Investments	1,5	0,002	0,7	0,6	0,9	0,03	0,06	0,03	0,02	0,006
Total assets	9,5	5,8	5,8	5,5	2,0	1,0	1,0	0,7	0,4	0,2

N/A Not applicable

SOURCE: DI900

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FM 10/11/95

BANKING

Small difference

Surveys of banking usually focus on the four main banks.

A survey of 10 banks, chosen at random, with assets, at end August, ranging from R184m (Albaraka Bank) to R9,5bn (Investec Bank) sheds some light on the operations of smaller banks.

In this context, asset growth in various business categories is important only as an indicator of which markets the banks are targeting (see table). Most have established important niches in the market.

However, of half the banks surveyed, mortgage loans constitute the biggest category of assets. Saambou Bank, a former building society, has by far the biggest portfolio here, followed by Investec and Boland banks.

Other loans & advances to companies and close corporations rate second. Rand Merchant Bank leads in this market. Investec follows closely.

Investments are the third biggest category. Then comes asset-based finance, covering instalments and leasing. ■

AEGIS

FM 10/11/95

No hilarity here

(58)

Suspensions of some senior managers at Aegis Insurance have caused waves in the industry and speculation in the insurance bastion of the Rand Club. New MD at Aegis, Hilary Gildenhuys, says: "I'm not the Rand Club type."

And that appears to be the difference between her and some of the management bequeathed when Brian Seach quit the CEO's chair earlier this year.

Among the suspended managers are Patrick Cochrane, chief underwriter, Robbie Faux, head of sales, and a branch manager.

Hilary Gildenhuys . . . *"I'm not the Rand Club type."*

Seach . . . *bound by restraint agreement*

Gildenhuys is adamant that the company has never been in better shape, financially. But a clash in management styles was inevitable when she was recruited by major shareholders RMB Holdings and NBS, to replace Seach, who had a cadre of executives loyal to his own brand of operation.

Seach is bound by a restraint agreement from commenting on subsequent events at Aegis.

During Seach's tenure, Aegis and SA Eagle decided to back the formation of Afgen, the black-controlled and ill-fated insurance operation which eventually cost the two companies R14m.

Faux went from Fedgen to Afgen; then, moved to Aegis to run the branch network.

The official explanation offered by Aegis for the suspensions is that some senior positions do not fit into the structure which Gildenhuys is designing.

Gildenhuys is the first female MD in the male-dominated insurance industry. She is known to have been needled by some of the chauvinistic attitudes she encountered after moving from a senior job at Eskom to run Aegis.

But she does not disagree with many aspects of the Seach strategy. Shortly before his sudden resignation, Seach conducted a series of road shows to brokers, outlining a re-engineering programme and stating that Aegis would be a systems-based company with, by year 2000, a premium base to make it third or fourth in size.

Seach may have startled his banking controllers by publicly stating Aegis' systems and response incapacities and acknowledging that "Auto & General may have shown us the way ahead."

The way ahead, Gildenhuys confirms, is certain to involve more responsive systems. RMB Holdings revolutionised its life assurance arm, Momentum, partly by heavy systems investment.

Gildenhuys says she has 100% support for her moves against senior staff from the shareholders.

They have accepted she needs a two-to-five-year period to move Aegis from a medium-sized insurer into the bigger league. Among specific objectives, she wants a 24-hour turn-around of claims. Of recent events, she says: "There's no such thing as easy change." ■

Old cooking oil never dies ... it just goes to the poor

□ *Argus survey confirms Ministry of Health's frying fears*

(58) ARG 10/11/95

Staff Reporter

MUCH of the used cooking oil considered too dirty, too smelly or just downright old by city fast-food vendors enjoys a second life in disadvantaged areas.

A snap survey of fast-food fryers conducted by The Argus in Cape Town yesterday revealed that very few establishments discard their oil when they've finished using it.

Instead of throwing it away, the old oil is given or sold to kitchen staff, donated to welfare organisations or sold to the poor.

The survey was carried out hours after the Ministry of Health announced that recent research found much of the cooking oil used at fast-food outlets, corner stores and restaurants "unacceptable for human consumption, or even poisonous".

The Ministry said the problem was widespread. Over-used or over-heated oil could cause a build-up of chemical impurities "which may cause diarrhoea, contribute to hardening of arteries, and lead to liver and kidney damage or even cancer".

There was also concern that sub-standard oil was finding its way to the poor.

The Argus's survey yesterday confirmed these fears.

Of the 12 outlets questioned, just three said they threw their old oil away. Some sold old oil to township fast-food vendors, but most gave or sold it at cut-rate prices to their kitchen staff.

Many of the larger establishments said they filtered their oil daily or even twice daily to keep it as clean as possible.

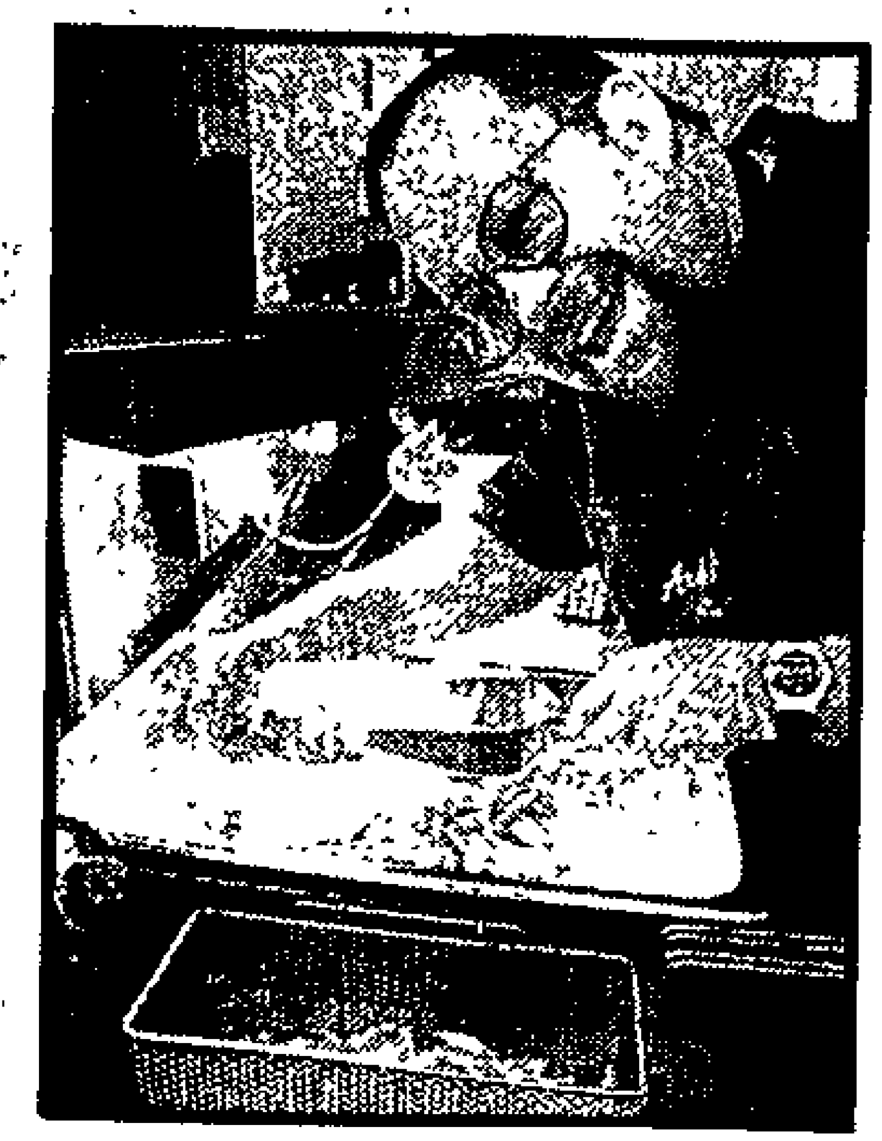
A spokeswoman for Talk of the Town in Burg Street said she discarded old oil after about a week.

"It is easy to tell when it is no longer good. The chips turn brown. I used to throw the oil away but now the kitchen staff insist on taking it home," she said.

Aneesa van der Fort of the Malay Kitchen in Longmarket Street said her store performed oil changes about twice a week.

"I want to throw it away but the kitchen staff insist on taking it home because it is still so clean."

Texies Fish and Chips Saloon next to the Grand Parade said oil was sometimes given to charity.



DIPPING IN: Chipmaker at Ardi's in Sea Point, Mike Kemper.

All oil remaining at the close of business each day was filtered, the manager said.

If it was not usable it was thrown away. He said Texies never sold old oil to anyone. But outside the store, The Argus spoke to several street people who claimed to have personally bought second-hand oil from Texies in the past.

It cost between R1,50 and R2 a bottle, they said.

Niki's Continental Food on the Parade does not sell as many chips as owner Niki Moodley would like. He said depending on how well-used the oil was, it was changed about once a fortnight.

Steers in the Golden Acre changes its oil every two to three weeks, kitchen supervisor Wiulton Celintethelelo said, depending on the traffic through the restaurant.

Over at Kentucky Fried Chicken in Darling Street, the manager invited The Argus to watch daily tests on the oil to establish if it was "damaged" or not.

The test is done by dipping a measured stainless steel dipstick into the oil, and gauging at what depth one could see the bottom of the stick.

When unusable, it was changed (about two or three times a week) and "sold to the poor".

Ardi's in Sea Point said they too filtered their oil each day and changed it every two to three days.

"The kitchen staff take it away ... we give it to them," said manager Michael Kennedy.

Balance urged in bank's freedom

Advisor explains IMF loan issue

(58) ~~297~~ ARG 10/11/95

ALIDE DASNOIS, Business Editor

SUPPORT for Reserve Bank independence should not be seen as permission for "sado-monetarism", African National Congress Member of Parliament Rob Davies said.

He said at the conference on human rights and economic development organised by the University of the Western Cape's Community Law Centre yesterday that the ANC had accepted the need for Reserve Bank independence to insulate the central bank from partisan political interests and ensure economic stability.

"Macro-economic populism is not the route to growth. But this does not mean we are associated with the rise of monetarism. For instance, some of us do not believe there is no real trade-off between inflation and unemployment."

The constitutional independence of the Reserve Bank should be qualified by consultative provisions in the legislation, Dr Davies said.

Otherwise, there was a danger that key decisions about inflation targets would be left to unelected officials who might be in conflict with the elected government of the day.

"There must be a delicate balance between independence and accountability."

At the same conference, Ministry of Finance adviser Cyrus Rustomjee said decisions about whether to access International Monetary Fund and World Bank finance should be seen in context.

"It's not just a question of whether to borrow. Other questions must be taken into account, such as what the loan is for, what the terms are, whaat it will cost."

Blanket rejection of the IMF or the World Bank as lenders because of fears about the strings attached to loans was not useful.

South Africa was in the process of broadening access to sources of capital so as to have as wide a choice as possible.

COMPANIES

Banks profit from improved

58

business environment

ST (BT) 12/11/95

By MARCIA KLEIN

TWO major banking groups this week reported strong real growth in earnings, reflecting strong organic growth, the benefits of diversification, offshore acquisitions and international funding.

Both First National Bank and Nedcor's results showed earnings growth exceeding 20% for the year to September. Absa's results are expected on November 20.

An analyst says: "The environment has been favourable for the banking groups, there has been an improving trend in assets and a general trend downwards in the incidence of bad debt."

He says that generally, interest margins have been maintained, although FNB is under some margin pressure.

Another trend in the past year has been offshore borrowing. All the major banks have been involved in raising offshore funds.

"This has opened up opportunities for offshore expansion and also brought in competition," the analyst says.

Competition from foreign banks should be narrowly focused and could affect niche players like merchant banks, but the foreign banks are not expected to come in at the lower end of the market and open up branch networks.

However, there is much speculation that a major international bank could acquire one of South Africa's big four banks. In fact, the recent movement in Absa's share price has been attributed to a possible take-over.

The banking sector has benefited not only from solid earnings among the big groups, but from rapid growth among niche players and the subsequent improvement in their ratings. The index was at 7 110,7 points this week, up almost 50% from its February low of 4 744,95.

FNB increased earnings by 23% to 211,3c a share in the year to September. Despite a squeeze on margins, net interest income rose by 14% to almost R3-billion. Total assets grew by 25% to R77,2-billion. Barry Swart, managing director of FNB, says all divisions did well.

Peter Thompson, banking senior general manager, says there has been an interest squeeze, but in the near term non-interest income is expected to overtake interest income as the major income source.

FNB has established many new businesses in the last two years and acquired 70% of the new provincial government banking business. Mr Thompson says these are vital accounts and "a wonderful opportunity for going forward".

The extent of FNB's success will depend on its ability to cross-sell its other products into these accounts, he says.

Mr Thompson says FNB expects GDP growth of 3% to 4% and a possible 1% increase in interest rates in the first quarter of next year. He sees no dramatic change in disposable income levels or the bank's provisioning needs.

Nedcor's earnings were 25% up at 386c a share. Total income grew by 17% to more than R4-billion and total assets grew by 27,5% to R72,8-billion.

Richard Laubscher, the chief executive, said total income improved on the back of higher business volumes, maintained interest margins, earnings of its global depository receipt and capitalisation issues and higher commission and fee income.

The results reflected good results from Nedcor Bank and Cape of good Hope Bank, a 96% growth from Syfrets and a disappointing year for UAL.

Nedcor is building volume for a flat or downward interest cycle.

Growth in recurring premium business boosts Southern Life

Adrienne Giliomee

(58) BD 16/11/95

LIFE assurer Southern Life lifted distributable earnings 27% to R156m in the six months ended September following strong growth in recurring-premium income.

Earnings a share were 23,4% higher at 87c, while the interim dividend was raised 23,4% to 58c. Shareholders would be offered capitalisation shares in lieu of the dividend.

New recurring premium business surged 45% to R278m, with the life recurring new business accounting for R199m and employee benefits business R79m, an increase of 74%.

Southern Life chief financial officer Paul Truyens said this was aided by increased penetration in the broker market supported by better service, good product improvement and investment performance.

Single-premium business showed slower growth, rising 6% to R686m, bringing total income to R2,5bn (R2,2bn).

Total recurring-premium income showed strong growth, rising 22% and 23% for life and employee benefits respectively. This raised net premium income 15,8% to R1,8bn.

Growth in new business premium income was bolstered by a 37% surge in sales of Exclusive Life, the group's HIV-related policy.

MD Jan Calitz said that at the time of the policy's launch in 1993 the group predicted that the number of HIV-positive people applying for life assurance would double within two years. "This has been the case and our motivation behind Exclusive Life remains as strong as ever."

The group considered the year to be a groundbreaking one, marked by several new product and business launches. It had introduced indexed investment portfolios for the country's R450bn retirement fund industry through Southern Index Managers, and had also established Southern HealthCare in a R140m joint venture with Anglo American and US-based United HealthCare.

In addition, Southern Investment Management Company, which would develop and market competitive investment and retirement products and tap into niche markets, was launched.

Calitz said assets for Futuregrowth, the group's reconstruction and development programme-oriented investment portfolio for retirement funds, had grown 43% to R380m. Southern Life's total assets under management, including off-balance sheet assets, now amounted to R32,9bn.

Cape of Good Hope Bank boosted

Adrienne Giliomee (58) BD 16/11/95

CAPE of Good Hope Bank lifted net taxed income 30,4% to R27,8m for the year to September 30, aided by increased market penetration and effective cost containment.

Improved economic conditions in the Western Cape, together with good lending volumes in all its areas of operation, led to a 33,4% increase in its asset book to more than R2bn.

The bank's home-loan and instalment finance books grew 25% and 41% respectively. Total depositors' funds increased 33% to R1,9bn and total advances rose more than 30% to R1,8bn.

MD Mike Thompson said the wholly owned Nedcor subsidiary had set the objective of improving quality in all areas of its business, which would slow growth. "Budgeted lending volumes have also been lowered in anticipation of improved quality."

Management of assets and cost containment had substantially reduced arrear accounts, he said.

Technology upgrading and refurbishment of branches lifted operating costs 22%, which reflected a 43% portion of total income, well below the industry average of 60% to 65%.

Capital and investment in businesses and property development would remain important business features as they were crucial job creation areas. The long-term component of commercial and industrial property finance increased 28%. The growth of the short-term development book was 32%.

Cape bank ups profits 30%

(58)

ARG 16/11/95

□ *New bonds written a boon*

Business Staff

CAPE of Good Hope Bank, celebrating a healthy increase in profits, has pinned its future growth on the economic development of the Western Cape.

Managing director Mike Thompson announced yesterday that the bank — which operates only in the Western Cape — had boosted profits for the year ended September by 30 percent to R28 million.

The promising results came on the back of a huge 87 percent increase in the value of new commercial bonds written to R602 million, a boon Mr Thompson ascribed to post-election buoyancy in the property market.

Total assets increased by 33 percent to more than R2 billion, while shareholders funds grew 27 percent to R132 million. The return on equity was 24 percent.

While expenses grew 22 percent to R43 million, the key ratio of expenses to total income fell from 46 percent to 43 percent, against a typical industry figure of 60 percent.

Emphasising Cape of Good Hope Bank's commitment to the Western Cape, Mr Thompson announced that its Business Development Panel, run jointly with Wesgro, was to be expanded.

As part of this project, the bank was to host a fully-fledged regional economic conference later this month.

Mr Thompson said the bank would also give substantial support to initiatives to redevelop District Six to the benefit of its former residents.

Revelling in the Cape of Good Hope Bank's niche status, Mr Thompson said the bank was able to provide far better service than its larger, "bureaucratic" rivals.

To promote its philosophy of "client intimacy", the bank had substantially increased its spending on training and staff development and had implemented a performance management system that had seen each employee sign a performance agreement.

Mr Thompson said he was confident that Cape of Good Hope Bank — which was owned by Nedcor — would see its profits gr at similar levels in the year ahead.

■ **Primedia** med and communications group has bought specialist automobile publisher Mead and McGrouthers for R24 million, to be settled through the issue of 750 000 combined units at R32 each. Mead and McGrouthers publishes Auto Dealers' Guide, Commercial Vehicle Dealers' Guide, Auto Data Digest and the Commercial Vehicle Data Digest.

■ **CNA Gallo** raised attributable earnings 24 percent to R18,9 million in the six months ended September on the back of a 19 percent increase in turnover. All associated companies except Mast performed to expectations. Profit growth should continue at this level in the second half, directors said.

■ **Southern Life** produced a 27 percent increaase in earnings to R156 million in the six months ended September, buoyed by a 45 percent increase in new, recurring premium business. Managing director Jan Calitz said the growth in new business was owing largely to the success of innovative products such as Exclusive Life, the policy providing protection against Aids-related premium increases.

Exclusive Life sales were 37 percent higher than last year and accounted for 30 percent of new business premium income.

Group assets amounted to R28,9 billion (R26,4-billion), while total assets under management, including those held off-balance sheet, stood at R32,9 billion. Southern declared an interim dividend of 58c a share.

■ A total of 97 percent of black applicants for 20 000 shares or fewer in the M-Net Phuthuma Share Scheme would receive their full allocations. The remaining three percent who applied for more than 20 000 shares would receive the first 20 000 and 53,55 percent of the balance applied for, scheme chairman Kgotomotso Moroka said.

The scheme, which aimed to place 28 million shares in the hands of African, Coloured and Asian investors, was 31 percent oversubscribed, with applications received for 36,6 million shares.

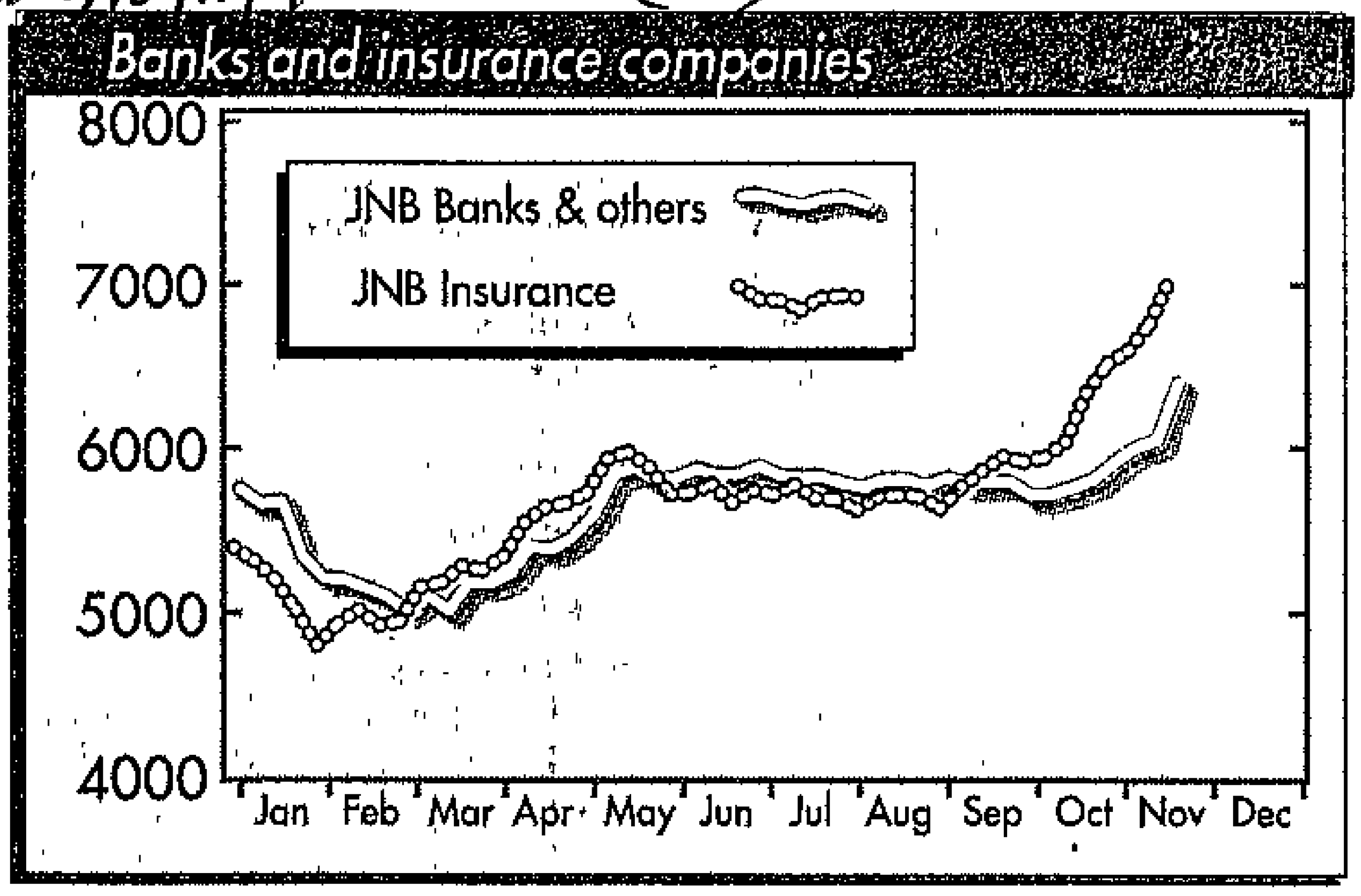
■ Higher administrative costs and difficult debt collections at Teljoy Cellular affected **Teljoy Holdings'** results for the six months ended September 30, with the group reporting an attributable loss of R2,3 million. No interim dividend has been declared.

■ **Afrox** has announced a 10-for-one share split to make shares more affordable. The split follows a major company reorganisation, an expansion programme and the announcement of the September year-end results, which saw turnover increase by 20 percent and inflation-adjusted earnings a share by 28 percent.

Good results see banking sector growing faster than insurance

CT (BR) 16/11/95 (58)

By Llewellyn Jones



Johannesburg — The recent spate of excellent bank results has driven the the banking sector's share prices on to a much steeper growth curve than the insurance sector, the other major component of the financial services sector.

An analyst said it had to be borne in mind that the banking sector tended to rerate over a reporting season. "This happens twice a year around September, after which banking shares will drift sideways to down, and again around March. So it does tend to be a cyclical movement in the year."

It was also true that advances growth had been fairly strong and many investors had just cottoned on to the fact that margins were not going to be put under excessive pressure.

Expectations

"This, coupled with a higher earnings base through the new volumes that have been brought on board the balance sheets of the banks, indicates that they are in for a pretty good year ahead."

Earnings growth expectations at the lower 20 percent level puts banking forward price-earnings ratios in the 11 to 11,5 territory — the ratios were 10 to 10,5 before the latest surge — representing relatively good value compared the rest of the equity market which is on forward price-earnings ratios of about 12,5 to 13.

"That has largely created the run up we have seen and we will probably see a period of consolidation for a couple of months now."

Life companies, on the other hand, managed to give investors 20 percent earnings growth in the past in a recessionary environment, which was vastly superior to the general market.

"But as we moved into the economic up cycle, the cyclicals and some of the more economy leveraged industrial players came into play, and 22 or 23 percent earnings growth was no longer really good enough compared to Barlows, for instance, which has just given us a rocket with earnings growth of 52 percent for the year to September, the analyst said.

"Although many of these companies came off a lower base, they showed faster growth than the life companies could achieve and investors shifted their portfolio weightings away from insurance."

He said this continued until about a month ago when the relative yield positions suggested there was better value to be found in insurance stocks and investors began to nibble at them again.

"But it must be remembered that Liberty Life makes about 40 percent of the insurance index and therefore has a far greater effect on the sector than most of the other counters."

Most analysts expect Liberty Life to show earnings growth in the region of 24 percent for the year to December.

"But this is hardly a true number by any means. Liberty's shareholders funds are primarily invested in Libsil which is heavily invested in SAB, Standard Bank, Premier and Transatlantic Holdings, all of whose investment performance has been pretty good this year."

But Liberty does not treat share appreciation as income, moving the gains straight past the income statement into the reserves. "So earnings are grossly understated," he said.

Cape bank's new business up 60%

(58)(BR) CT 16/11/95

By Audrey D'Angelo

Cape Town — A buoyant Western Cape economy helped the Cape of Good Hope Bank to increase its new business by 60 percent in the year to September, Mike Thompson, the managing director, said yesterday.

He said other factors helping the bank to increase net income after tax by an impressive 30,4 percent to R27,8 million (R21,3 million) included increased market penetration, organic growth from a supportive client base and effective cost containment.

Total assets rose by 33,4 percent to R2,0 billion (R1,5 billion). Total expenses rose 21,9 percent rise to R43,2 million (R35,4 million) due mainly to investment in technology and opening new branches.

The return on average equity was 23,7 percent and return on average assets 1,6 percent. Thompson said the home-loan and instalment finance books had grown by 25 percent and 41 percent respectively.

The long-term component of commercial and industrial property finance rose by 28 percent and growth of the short-term development book was 32 percent.

Thompson said he expected the Western Cape economy to benefit from the growth in tourism and joint ventures with overseas partners.

Southern Life lifts earnings 27%

eT(BR) 16/11/95 (58)

FROM SAPA

Johannesburg — Southern Life performed strongly in the six months ended September 30, increasing earnings by 27 percent to R156 million.

New recurring premium business was the financial highlight of the period, rising 45 percent to R278 million, compared with R192 million last year.

Recurring new business contributed R199 million, an increase of 35 percent over last year, while employee benefits business rose 74 percent to R79 million.

Single premium business showed slower growth, increasing 6 percent to R686 million and total new business was calculated to have risen 35 percent.

"Southern Life's ability to attract these volumes of recurring premium business in an increasingly competitive market shows the quality of our product and service," said Jan Calitz, the managing director.

Group total income increased 15 percent to R2,513 billion (R2,178 billion).

PREMIUM BUSINESS *Jan Calitz, the managing director of Southern Life, enthuses over a 45 percent hike in new recurring premium business* PHOTO JOHN WOODROOF

New Republic Bank sees consolidation of prospects

(58) BD 17/11/95

Nicola Jenvey

DURBAN — The New Republic Bank saw net attributable income up 8,9% to R7m for the six months to September this year after bad and doubtful debt charges edged lower, MD Mac Mia announced yesterday.

He said share earnings came to 24,1c (25,9c) on an increase in the weighted average number of shares in issue, and an unchanged 7c dividend was declared. Net interest income slipped to R30,3m from R31,1m, leaving total income at R36,7m (R36,9m), while net income before taxation increased 16,3% to R8,6m.

Mia said the charge for bad and doubtful debts had been reduced to R6m (R6,8m), representing 1% of advances on an annualised basis. The group's general and specific debt provisions carried forward amounted to R15,6m or 1,3% of gross advances.

Staff and operating costs were virtually static at R22m (R22,7m), which represented a satisfactory reduction in real terms, he said. However, this was partially due to the rationalisation programme implemented in terms of the group's new strategic plan.

"The plan should enhance efficiency and net returns. Although rationalisation costs have been well contained, further expenses will be incurred before year-end," Mia said.

Advances showed no material increase, rising to R1,1bn from R1bn as the group contained advances growth during the upgrading of computer systems, concentrated on improving quality and phased out core local trade finance as an advances product.

The group was in a period of consolidation following its growth in capital and assets over the past few years.

The upgrading and the rationalisation should be completed in the current financial year, after which prospects for growth were good, Mia said.

Govt poised to give further lift to Afbank

(58)

Greta Steyn BD 17/11/95

GOVERNMENT is poised to announce a financial lifeboat for African Bank that goes further than the R50m deal expected after NBS said it was taking control of the troubled bank last month.

It is understood a meeting was held yesterday to finalise an agreement on Afbank's future, and that government and the consortium buying Afbank will make announcements early next week.

NBS, which is leading a consortium that includes Metropolitan Life and New Africa Investments, originally said it expected government to cover as much as R50m of African Bank's assessed losses.

However, a government source said yesterday the original deal had to be restructured "because of what we found". Government would play a "significant" role in saving Afbank and the Reserve Bank had agreed in principle to go to the party. "When the details are released, there might be a bit of a shock," he said.

Government has come under fire for refusing to comment on its assistance to Afbank, which critics say creates a precedent for failed companies.

However, the source said government and the Bank were keen to spell out their policies on troubled banks. "We are not stepping in because we save failed businesses. There were peculiar and special circumstances which we had to take into account."

A source close to yesterday's meeting said the agreement that would enable the NBS-led consortium to buy control had been concluded. All parties, including government, had agreed to hold off on comment until announcements were made on Monday.

Continued on Page 2

Afbank deal

(58)

Continued from Page 1

An NBS spokesman said last month Afbank's assessed losses were R70m-R100m and that every avenue would be pursued to minimise the final loss, keeping the finance department's role to a minimum.

The finance department had been expected to cover R50m of the losses by accepting a low interest rate on the R240m government departments had on deposit with the bank.

The NBS's board last month ratified the decision to go ahead with the takeover, which was expected to lead to a R100m recapitalisation of Afbank. NBS appointed a corporate banker from its own ranks, Colin Franks, as Afbank's new CEO.

Franks could not be reached for comment yesterday. NBS MD Tony Norton, who attended yesterday's meeting, was also unavailable.

The finance department said it would comment once the deal had been finalised.

BD 17/11/95

Bank plans $50m pan-African fund

BD 17/11/95 (58)

Beatrix Payne

EUROPEAN-based ING Group is planning a $50-$75m pan-African investment fund — the Simba fund — 45% of which would be ploughed into SA companies, ING Barings vice-chairman Onno van den Broek said yesterday.

The ING Group operates its emerging market equity business through ING Barings and its commercial banking activities through ING Bank. ING took over UK investment bank Barings earlier this year following its high-profile collapse.

Van den Broek said ING Bank was recently granted a banking license by the Reserve Bank and ING Barings would be applying for JSE membership next week.

ING Barings SA MD Simon Hollis said the SA portion of the Simba fund was relatively modest at this stage but would be invested in unlisted and listed SA companies in sectors including agriculture and tourism.

ING Barings was currently recruiting top dealers to establish its own dealing operations in SA. Commenting on market talk that the bank was offering traders very lucrative packages, he said it was looking for good staff and was prepared to pay market rates.

The local equities desk would be backed by a New York- and London-based sales and trading team which had joined ING Barings this year from Natwest.

The bank would start offering commercial and corporate banking services with a structured finance focus.

"We will not be focusing on retail operations as we do not feel we could effectively compete with the local players, but we can offer value-added products through our global network," ING Bank GM SA Jaime Gubbins said.

The volume growth of the local lending pool was difficult to estimate as most local companies were cash flush as a result of exchange controls and international isolation over the past few years. "We are interested in facilitating the march of SA companies into offshore investments once exchange controls are relaxed," Hollis said.

Unbundling offered an important opportunity for corporate finance but the pace to date had been slow partly due to the continued existence of exchange controls, he said.

ING had traditionally focused on emerging markets with operations in the Far East, Asia, Latin America and eastern Europe. The Johannesburg office would be the hub of ING's African operations.

PREMIUM SCAMS (58) FM 17/11/95

Insurers to investigate

A working party of the SA Insurance Association is to probe scams involving the flow of premiums from consumers, through brokers and agents, to insurance underwriting accounts.

The association is to report back to its regulator, the Financial Services Board, by January. Brokers are not, at this stage, directly involved in the investigation.

Before meeting the board last Friday, the association briefly met brokers' representatives and reiterated that the underwriting arm of the short-term industry remains opposed, in principle, to rewriting premium rules. But the board appears adamant that abuses of Section 20 bis of the new Insurance Act must be corrected — quickly.

The Insurance Bill has already been redrafted and the board wants the door closed on scams, which have left thousands of consumers without cover, before the Bill goes to parliament.

Says association chairman Keith Nilsson: "We are as keen as anyone to see fraudulent operators behind bars." But until pressure came from the board, underwriters had distanced themselves from the problem. They argued it was a situation for the board to resolve. The latter's threat to rewrite the Act, so all premiums by-pass brokers and go directly to underwriting companies, has obliged the association to re-examine how premiums flow through the system.

And Nilsson confirms that, though the role of underwriting managers and agents was not raised by the board on Friday, "it's inevitable an investigation must regard these companies as part of the process."

By not including brokers on the working party at this stage, the board has signalled it could be serious about cutting them from the premium chain, if necessary. That could cost brokers R275m a year in investment income.

The extra income would go to the underwriting companies which, an association council member agreed this week "is not

without its attractions." But it would also require a heavy investment in systems. Also, as the association's delegation to an earlier meeting with the board argued, brokers do often add value. That happens most obviously when a broker designs a short-term product which uses the underwriting capacity of more than one insurer. Apportioning commissions, if all premiums were collected by insurers, would strain existing systems and procedures.

It is now up to the industry to produce answers. The board is clearly saying there must be self-regulation which ensures premiums reach the correct destination. And the use of "underwriting management companies or agencies" which do not add value in the chain will have to be justified. ■

Boycott cost banks R800-m

(NEP) (58) sowetan 17/11/95

By Joshua Raboroko

THE bonds and services boycott in most black townships has cost banks up to R800 million, according to sources that cited this as one of the primary reasons for the non-delivery of low-cost housing.

Figures released yesterday by the Government, the newly formed Mortgage Indemnity Fund (MIF) and the Association of Mortgage Lenders (AML) reveal that lending institutions are still suffering from the effects of the boycotts introduced by civic associations in the 1980s.

MIF chairman Mr Johan de Ridder told a Press conference in Johannesburg yesterday that financial institutions had about 44 000 non-performing loans and repossessed properties on their books. He said figures would be available at the end of the year.

Director-General of Housing Mr Bill Cobbett said the Government was committed to providing affordable homes through the subsidy scheme. The scheme would, however, not get off the ground if boycotts continued.

He urged the newly elected local authorities, communities and related organisations to vigorously implement the Masakhane Campaign launched by President Nelson Mandela.

Khayalethu Home Loans Bank Mr Siza Khampepe said they lost about R165 million because of the boycotts, which affected about 15 projects.

NRB posts mediocre half-year results

(58) CT(BR) 17/11/95

By Shirley Jones

Durban — Lagging behind the rest of the banking sector, New Republic Bank posted fairly pedestrian results for the six months to September this year.

Maintaining its dividend at 7c a share, the bank saw pre-tax income increase 16,3 percent to R8,6 million (R7,4 million) and income attributable to shareholders inch up 8,9 percent to R7 million (R6,4 million).

However, earnings a share decreased slightly to 24,1c from 25,9c on a higher weighted-average number of shares in issue.

Net interest income was down to R30,2 million from R31 million and total income dropped marginally from R36,9 million to R36,7 million.

This comes against a background of considerable growth in capital and assets over the past few years.

Bad and doubtful debts were reduced slightly to R5,9 million, representing 1 percent of advances on an annualised basis. The group's general and specific debt provisions carried forward were R15,6 million, or 1,3 percent of gross advances.

Advances showed no material increase because of the bank's policy of containing growth in this area during the upgrading of systems, concentrating on improving the quality of advances and the phasing out of core local trade finance as an advances product.

However, managing director Mac Mia said the group was in the grip of a rigorous rationalisation programme. He said the upgrading and rationalisation of systems would usher in further growth.

Engen optimistic over Congo wells

By Charlotte Mathews

CT(BR) 17/11/95

Johannesburg — Engen Exploration (Congo), a wholly owned subsidiary of Engen, has reported positive results from the oil well Moho Marine 1 in the *haute mer* exploration permit, it said yesterday.

An analyst, who asked not to be named, said the find looked promising and could be positive for the company's oil exploration arm. Engen announced in August that it planned to list its oil exploration and production assets separately.

According to the analyst, the well tests at Moho Marine 1, which showed flow rates of 3 500 barrels a day and 2 200 barrels a day on two levels, were significant in relation to Engen Exploration's other fields. The proximity of this field to the Nkossa field, 15km eastwards, would also enhance its viability.

Engen said further work would be necessary to evaluate the importance of the discovery. The permit is operated by Elf Congo, which has a 51 percent stake. Chevron Overseas holds 30 percent, Hydro-Congo 15 percent and Engen Exploration (Congo) 4 percent.

Lonhro Sugar lifts attributable profit 29%

CT(BR) 17/11/95 SUGAR

By Charlotte Mathews

Johannesburg — Lonrho Sugar of Swaziland, which is 94 percent owned by Lonrho International, lifted attributable profit 29 percent to 86,7 million Emalangeni (R86,7 million) in the six months to September compared with the same period last year, in line with forecasts.

The company has changed the basis of its accounting and restated the comparative figures. Previously it reported interim results at half the projected profit for the full year.

The directors said the seasonal nature of the group's business meant that most profit was earned in the first half.

In the second half of the financial year annual production was completed and canelands and sugar factories maintained for the next season.

Total turnover rose by 29 percent to E540,8 million on which profit before depreciation was 36 percent better at E216,8 million.

On earnings of 72,5c (56,4c) a share, an interim dividend of 19c (13c) was declared.

The directors said there had been a substantial improvement at Sucoma in Malawi where production was higher and good average prices were achieved, while the Dwangwa estate, also in Malawi, continued to produce excellent results.

The Glendale estate in South Africa was affected by the drought while in Swaziland, unusually cold and dry conditions during the growing season made it impossible to repeat last year's record season.

Both Ubombo and the Mauritian estates improved their performances, aided partly by higher average prices.

The current financial year should show a continued growth in earnings over last year.

Higher production in Malawi should compensate for lower out-turns at Ubombo.

High average prices are expected to hold for the rest of the year owing to the new "special preferential sugar" quota being delivered to the European Union, in addition to the normal Africa Caribbean Pacific's quota entitlements from Malawi, Mauritius and Swaziland.

Insurers losing battle against wave of crime

(58) Star 18/11/95

Premiums are spiralling out of control as the insurance industry tries to keep up with record claims, reports BRONWYN WILKINSON

Insurers are fighting a losing battle against crime and the spiralling costs of premiums. They say that if things continue as they are, short-term insurance against certain types of crime may soon be a luxury or completely unavailable.

John Wright, assistant general manager of Guardian National and the chairman of the Natal Insurance Communication Committee, says the short-term insurance industry is more affected by the current crime situation than any other industry. South African motor vehicle premiums are among the highest in the world.

One of the worst problems is that of fraudulent claims – in all forms of insurance. Wright says that fraud perpetrated by comparatively honest policyholders is a major problem.

In a paper published in Crime and Conflict, published by the Centre for Social and Development Studies at the University of Natal, he says: "Old, cheap car radios become exotic 'sound systems' when stolen from a vehicle or as part of a car theft. Rusty old bangers become top quality, overhauled collectors' pieces in pristine condition with low mileage and mag wheels once they are subjects of a total-loss claim."

And Doug Tunbridge, managing director of the Standard Bank Insurance Brokers Association, says there is a worldwide trend that a depressed economy means an increase in fraudulent claims because people are more willing to take risks when they face financial crises.

So-called paper vehicles are also a massive problem. Non-existent vehicles are created through skilfully forged documentation. The vehicle is insured and conveniently "stolen" or "hijacked" after the policy has been in force for a reasonable amount of time.

Wright told the *Saturday Star* that insurance companies now insist on a physical examination of the vehicle before it is insured, both to make sure it exists and to note the type and state of the vehicle.

Gangs also identify individuals who are significantly behind on their hire purchase payments for their vehicles and make arrangements with the owner for the vehicle to be stolen. The owner then claims on insurance and eliminates the debt.

Motor insurance premiums have increased substantially and Wright says the trend is likely to continue.

If crime continues to escalate at a rapid rate, the cost of insurance will become so high that consumers will not be able to afford it. But insurance brokers are taking steps against escalating costs so that they do not lose business by insurance becoming a luxury.

One of the actions insurers are taking to minimise the risk of theft and hijacking is the mandatory installation of sophisticated devices. Wright says that while a factory-fitted anti-theft device is enough for some cars, for top-of-the-range vehicles insurers now insist on an anti-hijacking vehicle-tracking system on top of that.

"There is no overnight solution to current problems and there is unlikely to be any improvement in the short to medium term," he says.

He believes the only solution is a long-term one and that all South Africans need to revisit the neglected areas of management controls, security, risk management and loss prevention measures.

He points out that a basic condition of any insurance policy is that policyholders take precautions to ensure the safety of their insured property.

Bank plan to aid hawkers

By ROCKY MAKOENA

(58) (A)

THE AFRICAN Council of Informal Business and Consumer Services (Achib) has launched a scratch card scheme aimed at empowering the unemployed and hawkers.

The scheme has been sponsored by Mageu Number One and Nola Industries.

The scratch cards will be made available to unemployed people and hawkers, who will sell them to customers in townships and cities.

Customers who scratch open lucky numbers will win prizes worth R20 to R25 000.

Hawkers will benefit by getting a 20 percent commission on each card sold, which will give them an extra income to increase their stock, and they will be able to get more loans from Achib's micro-bank.

Achib's sales and marketing manager, Sam Mooki, said the project, launched in Gauteng this week, would be launched in the other provinces before the end of this year.

He said the scheme would empower more than 85 000 hawkers and millions of unemployed people. CP 19/11/95

Achib would hold a workshop to encourage hawkers to work together so they can compete with the large stores.

People interested in the scratch card scheme can contact the Achib office in the Pan African Building, Troye Street, Johannesburg.

Citizen Bank's growth slows

(58) BD 20/11/95

Beatrix Payne

TAXED income for black-controlled Citizen Bank slumped to R4,1m (R33,4m) in the six months to end-March amid higher operating costs.

The directors said at the weekend that assets had grown 10,4%, but tight margins, a normal charge to provisions for doubtful debts and increased advertising costs had knocked profits.

Net interest income fell to R5,8m (R7,2m) after interest income rose marginally to R30,2m (R26,4m) and interest expenditure rose to R24,4m (R19,1m).

Operating expenditure rose to R7,4m (R5,1m), which saw pre-tax income fall to R4,1m (R33,6m).

No tax was paid during the period as income from insurance policies — a significant portion of income — was not taxable.

A dividend of 10,8c (20,2c) a share was declared, leaving retained income at R2,7m.

The directors said they had focused on expanding the geographical spread of the group's asset base. As a result, it bought certain assets and liabilities from Msele Finance Holdings, and also acquired the assets and liabilities of the Bank of Transkei and the Bophuthatswana Building Society.

Earnings and dividends for the full year would be maintained at the previous year's levels, they said.

Accident insurance deficit more than R4bn

Transport dept proposes new levy on petrol

BD 20/11/95 (58) (483)(320)

Mungo Soggot

TRANSPORT Minister Mac Maharaj is proposing slapping an extra 3c/l onto the petrol price to help prop up the beleaguered Multilateral Motor Vehicle Accidents fund for accident victims.

The proposal, contained in a departmental document, is to be submitted to the Cabinet on Wednesday.

A source close to the department said the document indicated the department was keen to push the increase through as soon as possible.

It also proposed a 2c/l increase on the levy on the diesel price.

The document had said the cumulated deficit on the fund was more than R4bn on April 1, and that the deficit for the year was heading for R600m, the source said.

Fuel industry sources said the move was likely to coincide with a drop in the petrol price due to international oil price movements, which would cushion the blow to motorists.

The basic fuel price, which includes the fund's levy and other taxes, is adjusted on the first Wednesday of every month to reflect international price trends. The latest Central Energy Fund figures show that if exchange rates and international oil prices remain at their current levels, the December adjustment, without the additional levy, would amount to 3,5c/l.

The petrol levy for the fund stands at 9c/l and the diesel levy is at 5,8c/l.

Multilateral Motor Vehicle Accidents fund CE Willem Swanepoel told the parliamentary joint standing committee on public accounts earlier this month the fund was a "sitting duck for insolvency" and called for increased funding and a capping of claims.

He told the committee the fund had had a negative cash flow in September and expressed hope that Maharaj would raise the levy as an interim measure to save the fund.

The fund has been criticised widely for mismanagement, and was dubbed a "bureaucracy gone mad" by senior counsel Stephan du Toit in court earlier this year. He said the commission of inquiry into the fund by Judge David Melamet in 1992 had found it to be in a "disastrous state" and had recommended it cut back its operations.

Swanepoel told the parliamentary committee he was reviewing the way the fund worked in a White Paper which would explore the possibility of capping claims.

SA Chamber of Business economic policy director Ben van Rensburg at the weekend questioned any intention to push through the increase now and not in the Budget as it was a taxation issue.

Continued on Page 2

Fuel

(320)(483)(58) BD 20/11/95

Continued from Page 1

The proposed increase to the basic fuel price — which will raise the petrol levy to 12c/l and the diesel levy to 7,8c/l — follows the increase in the retail price margin in September, which was also timed to coincide with a drop in the fuel price caused by lower international prices.

One industry source dubbed government's decision to adjust the basic fuel price when the monthly change to the fuel price was downwards as a "pretty devious" move.

The fund has also come under fire for basing cries of insolvency on what it calls its "deficit".

Drive Alive, a national accident victim action group, told a conference on the fund organised by the parliamentary portfolio committee on transport that, as the fund was a "pay as you go" operation, the size of what it called its "deficit" did not affect its ability to pay out claims.

The action group also expressed concern that the fund was handling about 50% of all claims, instead of leaving it to insurance companies as suggested by the Melamet commission.

Malcolm Lyons of Malcolm Lyons & Munro, an attorneys' firm specialising in accident claims, welcomed the proposed increase which was in line with inflation. There had been no increase since April 1993.

Momentum Life ahead of schedule

CT (BR) 20/11/95 (58)

By Roy Cokayne

Pretoria — The executive chairman of Momentum Life, Laurie Dippenaar, says demanding five-year targets set for the group have been achieved in two years.

He says in the company's annual report that Momentum Life has made significant progress in implementing a five-year strategic plan formulated after Momentum joined RMB Holdings in 1992.

Dippenaar says the plan has four key elements:

☐ Repositioning the company to focus on the A-income and business market;

☐ Restructuring the Momentum Life group into profit centres;

☐ Formulating a normative profit model that defines critical targets for each division from 1993 to 1998; and

☐ Greater empowerment of staff and the phased removal of rigid company structures and titles.

Dippenaar says the group's product range has been expanded to suit the needs of its target market and during the past year this chosen target market has generated more than 80 percent of its new business.

He says Momentum Life has been divided into four profit centres: sales and marketing; client liaison and operations; actuarial and financial management; and employee benefits.

"Each division has taken responsibility for its own profit and loss account. Significant progress has been made in developing monthly profit statements for each profit centre. This exercise will take another year to refine and implement as a workable model for internal profit measurement."

Saflife lifts surplus by 43 percent

(58) CT (BR) 20/11/95

BY CHARLOTTE MATHEWS

Johannesburg — Saflife, which owns stakes in IGI Life and AA Life, lifted its taxed surplus attributable to shareholders before non-recurring items by 43 percent to R7,4 million in the six months to September compared with the same period last year.

In August Saflife disposed of its whole shareholding in IGI Life to listed cash shell GDM Finance, since renamed AGA Holdings.

Saflife owns 71 percent of AGA Holdings, which in turn owns the entire issued share capital of IGI Life and AA Life.

The results include IGI Life in full for the first three months of the financial year and those of AGA for the second three months.

Net premium income grew to R64,4 million from R36,4 million while investment income was at R29,1 million from R15,3 million.

This growth largely reflects the inclusion of AA Life, which has also boosted total assets to a little more than R1 billion from R401,6 million.

Non-recurring items of R3,3 million arose on the release of the reserve amounting to about R6 million held as a performance guarantee when IGI Life sold its credit life business to Fedlife in 1993, less a provision of about R3 million for rationalisation and retrenchment costs in AGA.

Earnings were 36,3c (17,5c) a share but no interim dividend was declared. Chief executive officer Ben Gildenhuys said funds had been earmarked for other ventures and could not say at this stage whether a dividend would be declared at the end of the year.

Fedsure raises $15m by placing shares overseas

CT(BR) 20/11/95 (58)

By Charlotte Mathews

Johannesburg — Financial services group Fedsure has placed three million of its shares with 15 institutions in the United Kingdom and the United States, raising about $15 million for the group, it said in a statement at the weekend.

The price at which the shares were placed was R20 each, the prevailing price at the time the contract was entered into.

Fedsure shares are currently trading around R23.

Fedsure General Manager Ian Fraser said the group was very enthusiastic about the placing.

"First of all, it is a demonstration by investors of their confidence in the future of South Africa. Secondly, although Fedsure's development will continue to take place mainly in the highly challenging South African marketplace, we recognise the need to participate in the wider global arena as opportunities present themselves.

"Thirdly, the success of this placing is a recognition of Fedsure's successes to date. More importantly, it represents a belief in our ability to continue to grow," said Fraser.

The placing has followed Fedsure's acquisition of a 12,6 percent stake in the Board of Executors Corporation (BoE Corp).

According to Fraser, this acquisition was merely a portfolio rather than a strategic investment.

It has brought the Fedsure group's total holding in BoE Corp to 24 percent but there are no plans to increase this stake further.

Lower mortgage rates cut Citizen Bank's profit

CT(BR) 20/11/95 (58)

By Charlotte Mathews

Johannesburg — Lowering its mortgage rates to pursue growth and improve its competitive position resulted in a halving of profit from Bisho-based Citizen Bank to R4,1 million in the six months to September, compared with R8,6 million last year.

The bank is controlled by Thebe Investment Corporation.

The interim dividend was cut to 10,8c a share from 20,15c last year.

Edgar van Deventer, the chief executive, said in a statement the bank concentrated on growth during this period to enlarge its product mix, diversify its geographic spread and position itself for future expansion.

The number of new mortgage loans granted rose to 390, worth R31,3 million, compared with 371 loans, worth R25,6 million, granted in the first half of last year.

The bank's investment portfolio rose by 13,5 percent to R304 million while total assets were 10,4 percent higher at R446 million.

The capital adequacy ratio is 32 percent.

The group has agreed to acquire the assets and liabilities of the Bank of Transkei and Bophuthatswana Building Society from April 1995, subject to certain conditions, van Deventer said.

Stokvel makes dreams of own houses a reality

Star 20/11/95 (58)

95 Soweto women have been pulling together and saving

THYS DULLAART

A home at last ... Hilda Sekhute (centre) and her friends Lilian Makhotla and Lorinda Ntamela are proud of the houses they will be occupying soon.

By Bongiwe Mlangeni
Housing Reporter

Hilda Sekhute's heart pounds with pride as she stands on a hill watching men in green overalls put bricks and mortar together to complete her dream house.

"It is my sweat and hard work that puts me here today," she says.

She shares this joy with 95 other women from Soweto who will soon occupy their houses and have been saving R200 a month with the Community Bank from July last year to make their dreams a reality.

When they came together in February last year to form a stokvel, their wish seemed unreachable.

"It was a new concept. Often we form stokvels to assist us with burials. This time we thought that a proper house while we were still alive, would make us happier," she says.

Almost every day, Sekhute and other members of the stokvel travel to Ennerdale and Lowley, where 11 houses will be completed this week, to check on the progress.

It is their collective ambition that has kept them close despite the many hurdles, says Sekhute, who lives in a back-yard room.

She recalls how she used to fax letters to the Gauteng government every day, appealing for all kinds of help. However, no response was forthcoming from the authorities.

After several visits to banks and government buildings, the women contacted the Urban Foundation, which introduced the group to the Community Bank.

Through the bank they were taught how to save, how much to save, how to get a subsidy and how to repay a loan.

Last month the first houses were built and all 96 will be finished by next month.

The prices range from R22 000 for a two-bedroom unit with a kitchen and a lounge to R35 000 for a three-bedroom house.

Most of the women are domestic workers and secretaries, while some are hawkers. "We did not wait for the Reconstruction and Development Programme to find us, we found it first," Sekhute adds.

Bustling operations boost Absa earnings

(58) BD 21/11/95

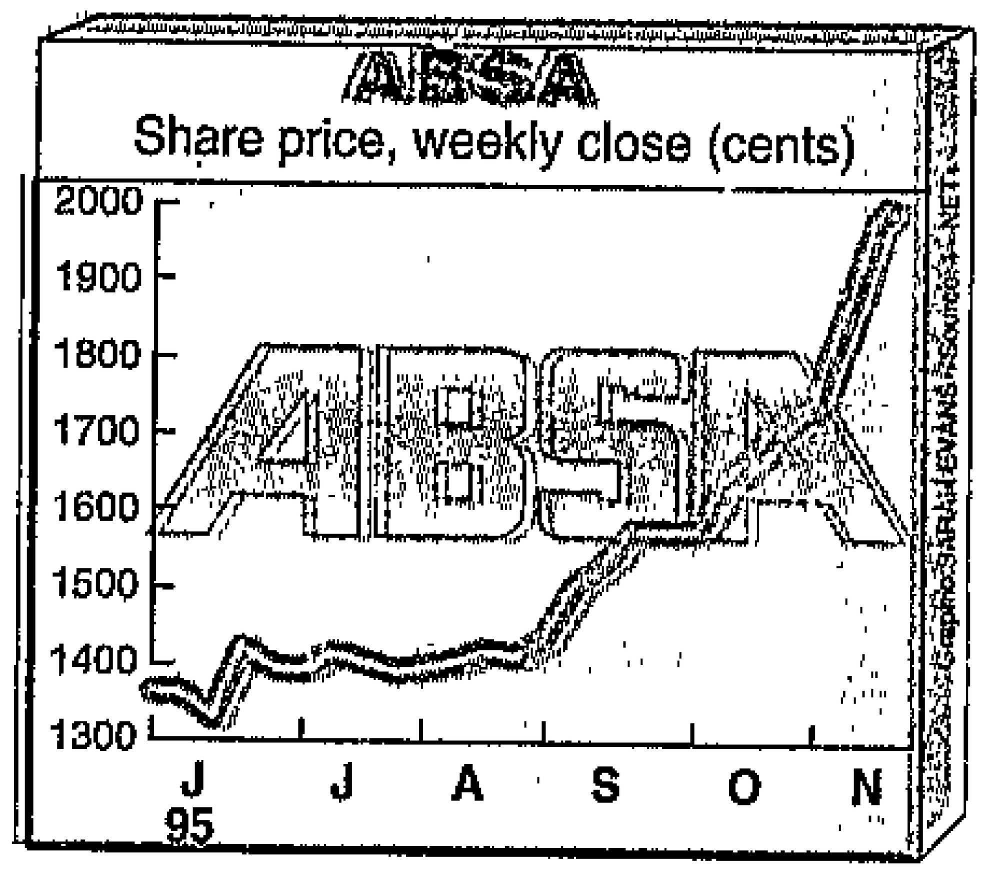
Amanda Vermeulen

AMALGAMATED Banks of SA (Absa) lifted attributable income to R417,7m before exceptional items for the six months to September from a previous R337,9m, boosted by strong performances across its operations.

Before exceptional items, earnings a share increased 22,5% to 73,1c. An interim dividend of 21,5c (18,5c) — or scrip — was declared.

Group CE Danie Cronje attributed the improved results to continued good performances by commercial banks, Bankfin divisions, the recovery in the performance of the short-term insurance company and a reduction in the group's effective tax rate.

Advances had grown18,4% since September last year, predominantly in mortgages and instalment finance. Cronje said that this advance had been achieved without compromising conservative credit standards. "This can



be seen in the fact that the charge for doubtful advances is virtually unchanged compared to last year's, while the ratio to total advances is 0,63%, almost the same as at March 31 1995."

Cronje said lags in lending rate in-

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Absa

(58) BD 21/11/95

Continued from Page 1

creases after increases in deposit rates adversely affected margins during the first few months of the period under review. "But other operating income increased 22,8% due to an improved performance by the group's insurance interests and a healthy growth in service-related income."

Interest on advances and from investments had increased to R7,8bn (R5,7bn), which, after a deduction arising from interest payable of R5,6bn, resulted in net interest income increasing 10,8% to R2,1bn.

Bad and doubtful advances declined to R260,4m from R262,7m. Other operating income increased to R1,2bn (R960,6m), boosting operating income to R3,1bn (R2,7bn).

Operating expenditure increased to R2,5bn (R2bn), mainly reflecting continued investment in technology — scheduled for completion within 24 months — increased marketing costs and costs relating to operations in New York, Singapore and Germany.

Absa had sold its stake in Commercial Union, gaining a R196,9m capital surplus. Cronje said the transaction had been motivated by the need for capital to invest in the banking group's own businesses and the fact that the stake was no longer considered a strategic investment. About R100m of the profit was injected into reserves as a further cushion against dubious advances, while the balance of R96,9m was taken as an exceptional gain on the income statement, taking bottom-line share earnings to 90,1c.

In October the statutory capital position was improved by raising a R627,5m 10-year loan, compulsorily convertible into ordinary shares in the bank at the end of the period, and through the group's issue of R130m in ordinary share capital.

The bank's ratio of capital to risk-weighted assets is 9,4%.

SOWETAN Tuesday November 21 1995

Heads to roll in Afribank scandal

(58)

Sowetan 21/11/95

By Max Gebhardt
Spectrum

AFRIBANK chief executive officer Mr Colin Franks said yesterday there could be further arrests of bank employees for fraud and corruption.

The bank will track down "mercilessly" all those "who have had their fingers in the till", he told *Spectrum*, the investigative unit of Independent Newspapers.

Franks was commenting on the arrest late last week of former Afribank industrial finance manager Mr Nico de Chazal by the Office for Serious Economic Offences (OSEO) for fraud.

Franks said there had been a number of financial irregularities in Afribank, especially at middle management level before he took over.

"These people were supposed to be training junior staff members, but instead they were teaching them how to be corrupt."

De Chazal has been charged with misappropriating between R50 000 and R60 000. He is the first person to be arrested following the Afribank collapse in September when it was placed under curatorship with losses estimated at between R70 million and R100 million.

Franks, who was appointed chief executive after the bank's rescue, also confirmed that the bank's former chief executive Mr Jack Theron is still under investigation.

"We hope to have everything sorted out by the end of the year and we are treating these financial irregularities seriously. We have seconded three chartered accountants from NBS and we will leave no stone unturned in trying to find the people who committed fraud," he said.

At Afribank's collapse it was rumoured that Theron had awarded himself and others unserviced loans of R17 million

Standard Bank gets top rating

(58) ARG 21/11/95

Business Reporter

THE STANDARD Bank Group has received the highest credit rating among South African financial institutions from Thomson BankWatch, a leading international credit rating agency.

Standard Bank received an A/B intra-country issuer rating, which classifies it as being "financially very solid with a favourable track record and no readily apparent weakness."

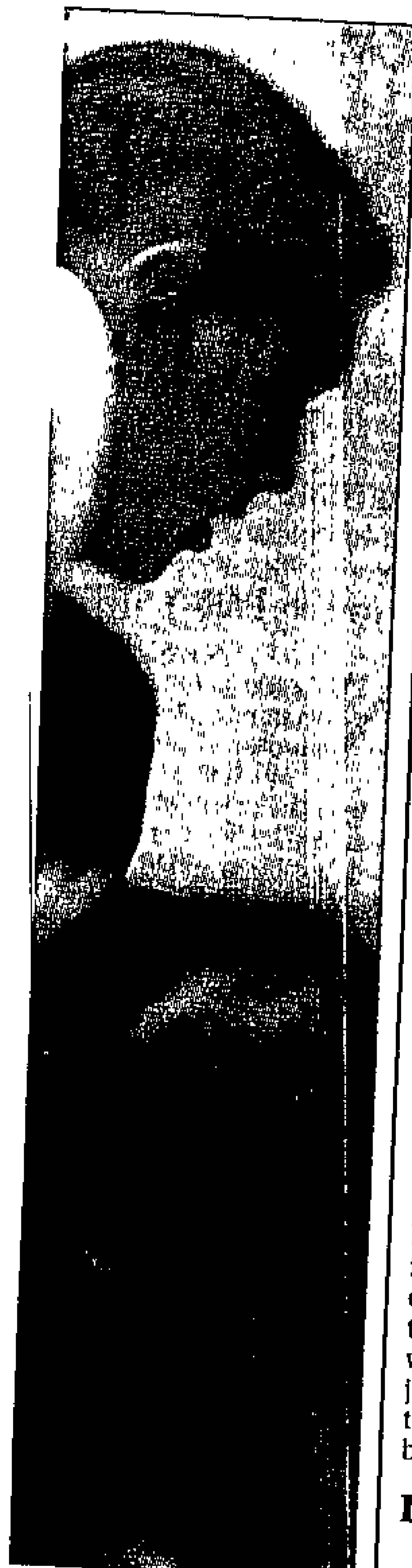
Intra-country issuer ratings provide an assessment of a bank's financial performance in the local market and its ability to meet obligations.

These ratings focus on the relative strength of local operations and are directly comparable from country to country. Sovereign risk is not factored in.

The rating follows a visit by BankWatch to South Africa in March to add this country to its emerging markets coverage.

BankWatch, regarded as the world's largest bank and financial institutions rating agency, covers over 1 000 financial institutions.

Another leading bank credit rating agency, IBCA, has also assigned Standard Bank the highest local credit rating. The bank has an IBCA individual rating of "B" and a legal rating of "2T".



g Imam Abduragmaan Salie, ne Supreme Court, where he uitcase. *PICTURE: EUNICE RIDER*

iend lleges

said he saw no evidence that lericks had been strangled or with knives and screwdrivers, he had been assaulted with a r, as he suffered no penetrating and no bone fractures.

state has alleged that the four and Mr Fredericks up with wire vrapping him in a bedspread idling him into a suitcase on it of December 4.

night they allegedly stored the under a bed, and the next day y car to a bushy area near Gala-Heathfield.

then carried the suitcase into ies, with Mr Fredericks inside, t alight.

Fredericks' partly charred and the contents of the suit-e discovered on December 6. Scholtz performed his post-examination the following trial continues

More arrests of former Afbank staff possible

SPECTRUM
MAKING A DIFFERENCE

MAX GEBHARDT
SPECTRUM

(58) CT 21/11/95

MR Colin Franks, chief executive officer of Afbank, said yesterday that there could be further arrests of bank employees in connection with fraud and corruption

The bank would track down "mercilessly" all those "who have had their fingers in the till", he told Spectrum, the investigative unit of Independent Newspapers. But he would not go into detail at this stage.

He was commenting on the arrest late last week of former Afbank industrial finance manager Mr Nico de Chazal, by the Office for Serious Economic Offences (OSEO) for alleged fraud.

Mr Franks told Spectrum there had been many financial irregularities in Afbank, especially at middle management level, before he took over. He said: "These people were supposed to be training junior staff members, but instead they were teaching them how to be corrupt."

Investigation

Mr De Chazal has been charged in connection with financial irregularities of between R50 000 and R60 000 His is the first arrest to be made as a result of the Afbank collapse in September when it was placed under curatorship with losses estimated at between R70 million and R100m

Mr Franks, who was appointed chief executive of Afbank after its rescue, also confirmed that the former chief executive of Afbank, Mr Jack Theron, was still under investigation

"We hope to have everything sorted out by the end of the year and we are treating these financial irregularities in a very serious light," he said "We have seconded three chartered accountants from NBS."

Scapegoat

At the time of Afbank's collapse it was rumoured that Mr Theron had awarded unserviced loans to himself and other parties worth R17m.

The continued investigation into Mr Theron's unserviced loan was confirmed by Mr Jan Swanepoel, director of the Office for Serious Economic Offences.

Mr Theron's attorney, Mr Tony Mostert, said his client believed he was being made a scapegoat for the Afbank collapse and was willing to answer any allegations made by the OSEO and the curator.

Afbank collapse – more arrests could follow

BY MAX GEBHARDT
Spectrum

Colin Franks, chief executive officer of Afbank, said yesterday that there could be further arrests of bank employees in connection with fraud and corruption.

The bank will track down "mercilessly" all those "who have had their fingers in the till", he said in an interview.

He was commenting on the arrest, for fraud, late last week of former Afbank industrial finance manager, Nico de Chazal, by the Office for Serious Economic Offences (OSEO).

Franks said there had been a large number of financial irregularities in Afbank, especially at middle management level, before he took over.

De Chazal has been charged in connection with financial irregularities of between R50 000 and R60 000. His is the first arrest to be made as a result of the Afbank collapse in September, when it was placed under curatorship with losses estimated at between R70-million and R100-million.

Franks – who was appointed chief executive of Afbank after its rescue by a consortium – also confirmed that a former chief executive of Afbank, Jack Theron, is still under investigation.

"We hope to have everything sorted out by the end of the year and we are treating these financial irregularities in a very serious light. We have seconded three chartered accountants from NBS and we shall leave no stone unturned in trying to find those people who committed fraud," he said.

At the time of Afbank's collapse it was rumoured that Theron had awarded unserviced loans totalling R17-million to himself and other parties. The continued investigation into Theron's unserviced loan was confirmed by OSEO director Jan Swanepoel.

Theron's attorney, Tony Mostert, said that his client believes he is being made a scapegoat for the Afbank collapse and is willing to answer any charges or allegations made by the OSEO and the curator.

De Chazal's arrest, Swanepoel said, was a result of the investigation done by John Louw of Aiken and Peat Forensic Auditors, in his position as curator of Afbank in September.

De Chazal could not be reached for comment at the time of going to press.

(58) Star 21/11/95

FNB arm to restructure

(58)

Adrienne Giliomee

BD 22/11/95

FIRST National Bank's insurance arm First Bowring would be restructured internally to allow it to focus on business segments rather than provincial divisions, MD Peter King said yesterday.

This would give the company increased strategic focus to benefit customer service, he said.

The provincial divisions would disappear and five new divisions — life, employee benefits, retail/domestic, commercial and corporate — would be established.

They would operate nationally and each would have a divisional MD supported by divisional directors throughout the country.

King said: "The new structure will position us well to grow our business in line with the many opportunities in … SA."

Former Afbank CE 'approved payment'

(58)

Amanda Vermeulen and Adrienne Giliomee

BD 22/11/95

FORMER African Bank CE Jack Theron allegedly authorised the payment of R50 000 to former industrial finance manager Nico de Chazal, which led to fraud charges being brought against De Chazal last week.

Afbank curator John Louw said yesterday De Chazal had produced a document allegedly signed by Theron authorising the agency commission at De Chazal's disciplinary hearing last week. Current Afbank CE Colin Franks confirmed there had been a letter, but questioned its validity.

The Office for Serious Economic Offences — which is investigating alleged financial irregularities prior to Afbank's collapse — said the document would be included in its probe. The office is already investigating Theron.

De Chazal was arrested on Thursday, charged with fraud and released on bail on Friday. He is to appear in court on January 9.

Franks said De Chazal would be dismissed from Afbank, following his suspension last week. Franks said De Chazal had offered to repay the cash, signing a post-dated cheque for the amount, but still maintained he had earned the commission legitimately.

Continued on Page 2

Afbank

(58)

BD 22/11/95

Continued from Page 1

De Chazal has denied he committed any crime, saying all transactions had been "transparent and above board". He was unavailable yesterday.

However, Theron said he did not know what De Chazal was talking about. "I can't remember signing any authorisation so I have no comment at this stage," he said.

Theron's lawyer, Tony Mostert, said Theron's duties as Afbank CE meant he signed many documents. Talks with Afbank's attorneys were also under way for Theron to repay loans to Afbank totalling R4m, Mostert said.

Office director Jan Swanepoel said it was irrelevant whether Theron would repay the loans.

"Our primary concern is whether he was in any way involved in financial irregularities," he said.

Makgoba issue must be settled within the university confines

MARK HENNING (58) BD 22/11/95

IT SEEMS eminently sensible to handle the inquiry into the background and conduct of Prof William Makgoba by placing his allegations before an impartial panel of prominent academics so that all parties can be heard and the facts tested. So managed, the procedures remain within the university and it might well be that the careers of neither Prof Makgoba nor the accusing deans are at risk. However, if the matter is misused by people who want to raise the political temperature, it has the potential to harm SA very gravely.

In May 1991 a distinguished Palestinian scholar, Prof Edward Said, delivered the TB Davie Memorial Lecture on academic freedom at the University of Cape Town. To begin with his conclusion, he argued that there were two images for inhabiting the academic and cultural space provided by a university.

The first is of the academic professional as king and potentate, in power to reign and hold sway

The other is of a traveller, dependent not on power but on a willingness to suspend customary routines in order to live in new routines and rituals. The potentate must defend dogma and authority, the traveller abandons fixed positions, seeking a realistic understanding of the terrain with dedication and love.

This seems rather fanciful and of no relevance to the present situation, but most commentators on the affair at Wits have incorrectly assumed that what is involved is control of resources, of attempts at domination and, ultimately, replacing a Eurocentric hegemony with an Afrocentric one. Said's address highlighted the real issues, making it clear that any single, over-mastering identity at the core of any academic enterprise is a confinement, a deprivation. Substituting a Eurocentric norm by an Afrocentric or Asiacentric one does not lead to true freedom and democracy.

What are these issues? The first is an acknowledgement that many traditional courses have not reflected the interests of groups in society that have been suppressed or ignored. Western universities have finally had to deal with non-Western societies, with the literature, history and particular concerns of women, various nationalities and minorities; with hitherto untaught subjects like popular culture, mass communications and film, oral history. In addition, a whole slew of controversial political issues like race, gender, imperialism, war and slavery have found their way into lectures.

The second is an acceptance that colonial education denied the majority of young people education in their traditions, histories, languages and cultures. It is essential to understand the tremendous spiritual wounds felt by those who need to claim the educational territory dominated by foreign philosophies.

So the struggle for independence requires that education be changed, but in this is a huge danger. Said used his understanding of what has happened in the previously great universities of the Arab world to highlight this.

Universities, he argued, have inevitably reflected cultural and national identities. The top Western universities celebrate manifest freedom of inquiry, high levels of intellectual attainment and an extraordinary range of interests. Third World universities face far greater constraints and difficulties.

The Arab world, as an example, has been dominated either by Ottoman or European colonialism.

MAKGOBA

On independence its national universities were reconceived as extensions of the newly established security states, with young Arabs to be remade in the image of the ruling party.

It became possible for one to be free in the university only if one completely avoided anything that might attract unwelcome attention or suspicion.

The Arab university became badly demoralised and discouraged, its depressed situation linked with the lack of democratic rights, the absence of a free Press and an atmosphere which was bereft of wellbeing and confidence.

Universities became the proving ground for earnest patriots. Professorial appointments became civil-service appointments. Political conformity rather than intellectual excellence was often made to serve as a criterion for promotion and appointment, with the general result that timidity, a studious lack of imagination and careful conservatism came to rule intellectual practice. Many brilliant and gifted people left the Arab world in a major brain drain.

Said believes that too high a price has been paid in sustaining nationalist regimes that have allowed political passions and an ideology of conformity to dominate — even swallow up — civil institutions such as the university.

The urgent political issue is how our society is to be governed. What, intellectually and academically, do we do with our liberation? What kind of authority, what sort of human norms, what kind of identity do we allow to lead us, to guide our study, to dictate our educational process? If the authority granted our own culture carries with it also the authority to perpetuate cultural hostility, intellectual discourse must denigrate or diminish others.

A single national identity more or less lords it over the variety and manifold diversity of human life. What is required in universities is a large and generous view of human diversity. The university should transform what might be conflict into reconciliation, mutuality, recognition and creative interaction. What is of the essence to Said is the interaction between cultures. To link the practice of education directly to the settling of political scores is neither to pursue knowledge nor to educate ourselves or the students.

It is a source of great hope in SA that our constitution emphasises human rights, based on the right of the individual, and that our leaders have spoken so strongly of the joy that can come from cultural diversity, commonly recognised and tolerantly accepted.

President Nelson Mandela has shown an exemplary grasp of the need to respect all our people and their beliefs and aspirations.

For many students and opinion formers Makgoba represents a heroic figure, an icon for their aspirations. To threaten him is to strike at them.

For others, the deans who have acted against him are people of the highest probity, worthy representatives of a long tradition that has led to world-class achievements in the university.

As Said has demonstrated, universities, which should be engaged in an unending search for the truth, must have about them something hallowed and consecrated. To subject them to crude political pressures not only creates a sense of violated sanctity but also renders them incapable of performing the functions which are essential for the well-being of the nation.

It is within the special space that is a university that this issue must be settled.

□ **Henning, a former headmaster, is national director of the Independent Schools Council.**

Absa reports profits

58

By Shadrack Mashalaba

SOUTH AFRICA'S biggest bank, Amalgamated Banks of South Africa, has reported a 22,5 percent increase in profits for the six months ended September 30 1995.

The Absa group increased its earnings attributable to shareholders due to the sale of its 30 percent interest in Commercial Union which earned the group a capital surplus of R196,9 million.

Interesting in the group's review is a 46,7 percent change in its bad and doubtful advances.

The appreciation in advances had been obtained without compromising the group's conservative lending policies.

Sowetan 23/11/95

Absa chief executive Dr Danie Cronje said the improved results can be attributed to the continued excellent performances of its commercial banks and Bankfin divisions, the recovery in the performance of the short term insurance company and a reduction in the group's effective tax rate.

The bank is so buoyant that the second half of its financial year will end on a high note.

It also plans strategically to expand into the black market where it has been historically unrepresented.

New rumblings at Development Bank

(58) Sowetan 23/11/95

Staff maintain that transformation is not being handled the right way

By Mzimkulu Malunga

YET ANOTHER STORM could be brewing in the Development Bank of Southern Africa over the transformation of that institution.

Some of the bank's staff allege that management is steamrolling the process to benefit itself while simultaneously positioning the DBSA to become a feeding ground for corporate South Africa.

The staff members also allege that senior managers in the bank are using their positions in the institution as leverage to get senior positions in the private sector.

"Our concern is that management is positioning this institution to serve themselves," says one of the bank's employees, Monde Zimema.

Transformation

He says a substantial number of staff members at the bank, both white and black, are frustrated by the way management is handling the transformation.

Management, says Zimema, does not want to talk to staff. The result is that when it submits ... DBSA's board it contains only management's view although it purports to be representative of the views of the entire staff.

However, the bank's management denies that it is steamrolling the transformation process.

After the appointment of the transformation task team in March, the transformation process, says Zimema, was open and transparent but in the past few months management has shut the door to the staff so that only its view prevails.

Sowetan spoke to other members of staff who express the same frustrations as Zimema but do not want to be quoted for fear of victimisation.

DBSA acting chief executive Nick Christodoulou emphatically denies that management wants its view to prevail in the bank's transformation process, adding that the process is still continuing and so far the staff has been consulted in a "substantial way" about transformation.

He says between July and October the staff was consistently reminded by management to make written inputs about transformation and the response was "incredible".

The bank has faxed *Sowetan* copies of two memos drawn up by general manager Johan de V Botha – one made on July 18 and the other on October 10 – in which staff were requested to make representations for the consideration of the bank's executive committee.

Christodoulou says after the staff made submissions, these were blended with management's view and submitted to the bank's board last month. The board, he says, had requested management to solicit input from staff on transformation so that it could help set the agenda for the way forward on the issue.

Christodoulou, who is leaving the bank at the end of the year to join Sanlam, also denies that the DBSA is being positioned to benefit big business.

He argues that a number of people have also left the DBSA to join the Government.

His sentiments are echoed by Botha, who says that inter-action with the private sector is in line with the Government policy that advocates increased cooperation between the public and private sectors.

He says the DBSA has to invite big business to get involved in the projects that it funds because the institution has limited resources.

Fuelling the the staff's frustration is the difficulty they have in meeting with bank chairman Professor Wiseman Nkuhlu to talk to him about transformation, says Zimema.

"We have been told that Professor Nkuhlu is busy and is unable to see us."

Nkuhlu confirms that Zimema did make attempts to see him but he told him to go through structures at the bank such as the staff association and Affirmative Action Group.

Zimema had indicated in a memo sent to Nkuhlu on October 26 that there were other individuals who want to meet him if he agrees to a meeting.

Nkuhlu says he avoids meetings with individuals, particularly at a time when the board is trying to speed up the appointment of the bank's new chief executive.

However, if there are individuals who want to go outside the structures of the bank, they can make representations in writing.

Once this happens, he promises to take the matter up with the relevant structures at board level.

"I know I am going to be criticised for the stance I am taking but this is the only way the process will be manageable," he says.

Nkuhlu says the board believes it is in control of transformation at the bank. He does not believe the bank's management has the capacity to derail the process as most of the old managers are leaving anyway.

Monde Zimema . . . management not playing ball.

THIRD PARTY (58)

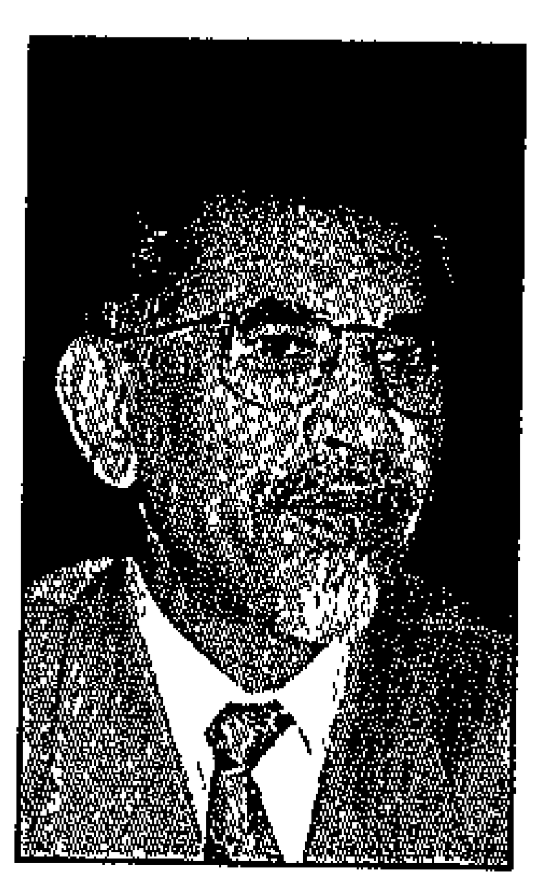
FM 24/11/95

Panic stations

The proposal to impose a further levy of 3c/*l* on petrol and 2c/*l* on diesel to meet the deficit in the Multilateral Motor Vehicle Accident fund should be opposed.

The deficit should be met by a one-off loan from the General Revenue Fund. And government should reinvestigate the functioning of the fund to establish an efficient structure to pay compensation for road accidents in line with the best current overseas practice.

Transport Minister Mac Maharaj has supported the call by fund CE Willem Swanepoel for more money to meet the operating loss — R400m for the financial year to April 30. The so-called "accumulated deficit" — a provision for outstanding claims — had also increased to more than R4bn by the same date. But the significance of this figure has been disputed.



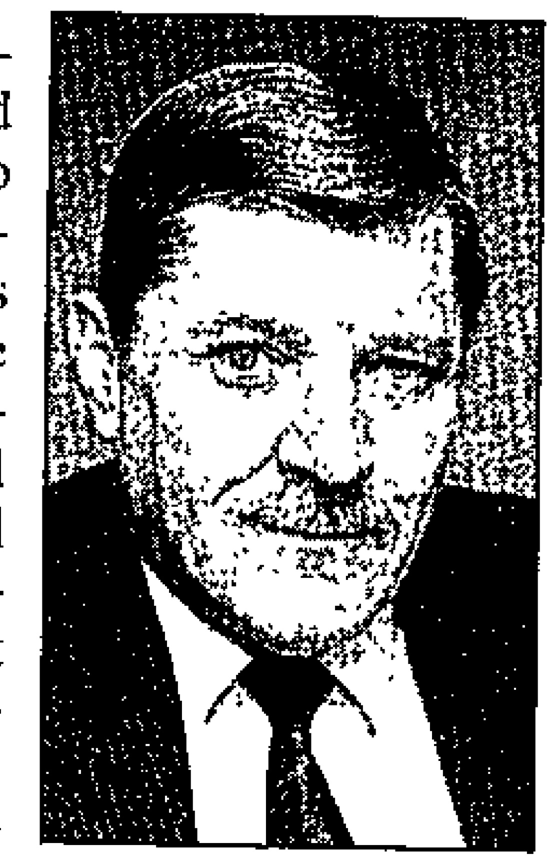
Maharaj

The fuel levy proposal is being put to Cabinet this week. Sacob economic policy director Ben van Rensburg argues that this proposal, as a tax issue, should be dealt with in the Budget.

Swanepoel also considers "capping" individual claims for compensation for road accidents. This proposal, with others, will be put in a White Paper called for by Maharaj.

The time has come to restructure the system to compensate victims of road accidents in the most efficient, equitable way. Serious criticisms were made in the Auditor-General's report regarding the fund's accounts for the financial year 1991-1992 and repeated in subsequent yearly reports.

Three years ago, the Melamet Commission comprehensively investigated problems relating to the fund and the administrative changes recommended have mostly been implemented. Swanepoel says that the legal basis for compensating victims must now be re-examined.



Swanepoel

Though the structure of compensation should be addressed as soon as possible, raising the fuel levy now could be construed as pre-empting future changes. ■

Losses exceed R200m — Liebenberg

Govt takes 20% stake in African Bank

BD 24/11/95 (58)

Adrienne Giliomee

GOVERNMENT has shown just how far it is prepared to help African Bank, unveiling a package yesterday which includes taking a 20% stake in the bank and using up to R262m of public money to cover its bad debts

The R262m forms part of deposits by the Transkei Public Debt Commissioners and other parastatals which are unlikely to be fully recovered

Finance Minister Chris Liebenberg said Afbank's losses now exceeded R200m, and the Reserve Bank would provide further unspecified funding while its new owners sought to bring the bank back to life. The full extent of the bank's losses would emerge only next year, while the extent of government involvement would be determined by July 31, he said.

The Nail/NBS/Metlife consortium's shareholding would be reduced to 80%, while NBS would maintain management control. The consortium was willing to introduce further capital — in addition to the R104m rescue package — as operations expanded.

Liebenberg said bids by rescue parties were submitted on condition of significant government help. Government would distribute its shareholding in time to facilitate further black economic empowerment. Strong social, economic and practical factors had led government to believe aid to facilitate the bank's rescue would be justified, he said, and denied that government's involvement was purely a political issue.

He admitted it could be deemed political in terms of the possible loss of the R262m in deposits but said it was also a commercial decision. "If the bank had been allowed to go into liquidation, there would have been a very considerable write-off to government."

Government's involvement through the deposits would be included either in budget allocations or in the budget review as a contingent liability. But he assured pension holders that pensions would be paid out

Small banks had been going through a difficult time and Afbank had not been an example of the failure of a so-called black bank. "It has nothing to do with colour but with the niche market in which it operated."

Government, with Reserve Bank help, would help Afbank with funding pending the collection of questionable debts on the books as at October 25.

The bank's downfall had highlighted the need for deposit insurance. The registrar of banks had formed a task force to investigate deposit underwriting. However, he was comfortable with the early warning signals from the registrar before the bank had collapsed.

Picture: Page 3

Special Gauteng unit to crack down on hijackers

BD 24/11/95

Ingrid Salgado

GAUTENG's cabinet announced the establishment yesterday of a special unit to crack down on hijackers

Unit members, to be known as the highway patrol, would be drawn from the SAPS flying squad. They would be equipped with 100 sponsored vehicles and would deter hijackers by creating a visible police presence on Gauteng's streets, said provincial safety and security MEC Jessie Duarte. Further details would be announced next week.

The scheme was backed by organised business, including Business SA.

Duarte said the SAPS's priority was to prevent hijackings and retrieve illegal firearms, which were used in about 90% of hijackings.

The announcement follows the launch of SA's largest national anti-crime campaign, which will start on Wednesday, when thousands of people are expected to converge on the nine provincial legislatures to voice concern about the high crime rate. Banking institutions, chain stores, mines and schools will commemorate victims of crime with a minute's silence at noon.

At the launch Duarte said there had been about 143 000 housebreakings in Gauteng in the first six months of the year. The most effective deterrent to crime was community co-operation. The provincial government was united across party political lines on strategies to combat crime, but community participation had been lacking.

She said the business community had started to provide for police resources government could not afford.

SA's Chief Rabbi, Cyril Harris, urged government to use the defence force to help combat crime. Against a background of anarchy, a Bill of Rights was pointless. Rhema Church pastor Ray McCauley said although criminals were often disadvantaged and unemployed, this did not condone crime.

Picture: Page 2

Deposit insurance called for

(58) ARG 24/11/95

Business Editor

THE failure of African Bank had highlighted the need for deposit insurance, Minister of Finance Chris Liebenberg said.

Announcing the state's decision to take up a 20 percent stake in the bank, he said the Registrar of Banks' task force investigating deposit underwriting would now work with a new urgency.

The government was also revising the investment rules for state pension funds and parastatals, in view of the heavy concentration of public money in the bank's deposits.

The government was Afbank's biggest creditor, with R262 million of deposits.

Strong economic, social and practical considerations had led the government to step in to help rescue Afbank, the minister said.

In a statement yesterday, he said: "It is *not* government policy to step in with taxpayer funds to rescue failed businesses. However, there *are* circumstances in which special consideration has to be given to the wider social and economic impact that the failed business would cause."

The bank's market niche, with many small customers and extensive operations in rural areas where no other banks operated, meant that its liquidation would be a social risk.

"The particular geographic concentrations of the African Bank's activities would have placed additional social and economic pressure on areas that are already badly strained," Mr Liebenberg said.

The bank's losses could total R200 million, he said. A detailed audit would be ready by the middle of next year.

Meanwhile the Reserve Bank would help African Bank with funds while efforts were made to call in debts.

The government would take a stake of up to 20 percent, leaving the Nail-NBS-Metlife consortium with 80 percent stake, and would distribute its shareholding later.

DBSA grants 45 percent more in loans

(58) (2??) CT (BR) 24/11/95

STAFF REPORTER

Johannesburg — The Development Bank of South Africa increased the amount advanced in development loans by 45 percent to R650 million in the six months to September, and has started to transform itself in accordance with its new mandate of financing infrastructure to underpin economic growth.

The bank said yesterday it has started to focus its funding on infrastructure projects at close to market terms and is embarking on a concerted effort to mobilise private sector involvement.

In the first six months the bank's new commitments amounted to R576 million (R415 million), most of which took the form of loans to local authorities, regional services councils, joint services boards and public utilities.

The group lifted net income by 7 percent to R90,9 million. Interest earnings from development loans rose 17 percent to R217,6 million.

Afbank's R200m loss 'much worse than expected'

CT (BR) 24/11/95 (58)

By Thabo Leshilo

Johannesburg — The African Bank had incurred losses of about R200 million, which was much worse than expected, finance minister Chris Liebenberg said yesterday.

Because of the state of Afbank's records, a detailed audit to establish the exact level of debt was only likely to be completed towards the middle of 1996, he said.

In a statement released after yesterday's signing of the agreement by the government and the NBS-Nail-Metlife consortium that transferred ownership of Afbank to the consortium, the minister said that the Reserve Bank and the government would participate in saving the bank..

The NBS-Nail-Metlife consortium will own 80 percent of Afbank and the government will own 14 to 20 percent.

"At the outset, let us state that it is not government policy to step in with taxpayer funds to rescue failed businesses.

However, there are circumstances in which special consideration has to be given to the wider social and economic impact that the failed business would have," Liebenberg said.

He said there were "very strong social, economic and practical factors" to justify the action by the government in the case of Afbank.

Liebenberg said the bank had many small customers and extensive operations in the rural areas, where banking facilities were often lacking.

Said Liebenberg: "The particular geographic concentrations of the African Bank's activities would have placed additional social and economic pressure on areas that are already badly strained.

"Moreover, with R262 million of deposits by the Transkei Public Debt Commissioners and other parastatals, government is the bank's largest creditor.

"If the bank had been allowed to go into liquidation, there would in any event have been a very considerable writeoff to the government, which would have had to cover these losses," said Liebenberg.

He said the unexpectedly high losses had necessitated a restructuring of the rescue package, initially said to be R50 million.

Afbank's losses were earlier estimated at between R70 million and R100 million.

Liebenberg said the extent of government assistance to Afbank would be determined by July 31 next year.

African Bank's underwriting under scrutiny

(58) ST(BT) 26/11/95

By JULIE WALKER

THE Registrar of Banks has established a task force to examine deposit underwriting at African Bank.

Losses at the bank may run to as much as R200-million — almost a third of total advances of R650-million — according to a statement released by the Ministry of Finance this week.

The Transkei Public Debt Commissioners and other parastatals have a total of R262-million deposited at the bank, making the government the largest creditor.

Chris Liebenberg, the Minister of Finance, says if the bank had been allowed to go into liquidation, there would in any event have been a considerable write-off to government to cover these losses.

Ken Andrew, the Democratic Party's finance spokesman, questioned the government's decision to use taxpayers' money to bail out African Bank.

"The minister's reference to very strong social economic and practical factors is insufficient.

"It needs more specific reasons, facts and figures to justify its decision. It sets a dangerous precedent."

African Bank is currently under curatorship, but commercial bank NBS will assume management control once a scheme of arrangement has been approved by the curators.

NBS is part of a private-sector consortium with partners Nail and Metlife — both chaired by Nthato Motlana.

NBS will put in R49-million of new capital and the other partners R27,5-million each.

Michael Brown, manager of structured finance at NBS, says the consortium would have been reluctant to take on the losses incurred by African Bank's previous management.

The government and the SA Reserve Bank will therefore assist African Bank with funding, pending the collection of questionable debts.

Mr Brown says he is confident that a substantial amount of the losses can be recovered by the new management.

NBS has permanently transferred 10 bankers and seconded others to help the bank.

The consortium will have 80% of African Bank and the government or its nominee 14% to 20%.

Mr Liebenberg says the stake will be used later in black economic empowerment initiatives.

"The difficulties experienced by the bank's depositors have once again highlighted the need for deposit insurance," says Mr Liebenberg.

Bankorp aid package could be unwrapped

(58)

Adrienne Giliomee

BD 27/11/95

THE veil of secrecy surrounding the Reserve Bank's rescue package for Absa subsidiary Bankorp could be lifted next year, following new legislation mooted by the finance department.

The department said at the weekend Parliament was likely to discuss in its second session the repeal of Banks Act sections which govern confidentiality. Finance Minister Chris Liebenberg would then be in a position to disclose details of the controversial Bankorp lifeline if a request was put to him.

The move would bring to a close three years of speculation surrounding the Bank's involvement with Bankorp, recently brought to a head by allegations from former Tollgate chairman Julian Askin and former Volkskas CE Hennie Diedericks.

The lifeline, thought to have been worth at least R1bn, emerged in 1992. Absa confirmed this month that Bankorp had been helped by the Bank.

But the Bank has refused to detail the package. Currently the Bank can disclose only details on financial assistance in court, or if the finance minister officially requires the information. Despite calls from finance standing committee chairman Gill Marcus, Liebenberg has said he has no plans to call on the Bank to show its hand.

But Liebenberg said last week the decision to expose government's involvement in the Afbank rescue had been the first step towards repealing the confidentiality rule. A spokesman said Liebenberg had received Parliament's support to disclose the Afbank package, as it had set a new precedent for Bank transparency. The package involves government taking up to 20% of Afbank's equity, while setting off the bank's bad debts against the R262m government has on deposit at the bank.

Afbank's Motsuenyane wants Reserve Bank's role realigned

ET (B2) 27/11/95 (58)

By Thabo Leshilo

Johannesburg — Sam Motsuenyane, the founder of the African Bank, has called for the role of the Reserve Bank to be re-examined and aligned to meet the needs of South Africa's developing economy.

"The Reserve Bank operates as if nothing has changed. It is sticking to old norms," Motsuenyane said at the Black Management Forum conference at the weekend.

He said the Bank's "rigid" application of policy had made it impossible for the government to help Afbank solve its capital adequacy problems and avoid curatorship.

"I tried by all means to avoid placing the African Bank under curatorship because this would substantially undermine our clients' confidence in the future of the bank. Unfortunately at the time, the government had no other ready formula for helping to redress the bank's problems," he said.

He said for a long time Afbank's greatest problem had been its inability to meet the capital adequacy ratio, which requires that banks hold capital equivalent to 8 percent of risk-weighted assets.

"This inherent incapacity to pump capital into the growing bank requires some government intervention as (was) done in Malaysia, where the government has acquired equity in indigenous Bumiputra banks," said Motsuenyane.

Christo Wiese, the registrar of banks, said the Bank was prohibited by law from taking any interest in any bank. A new law would have to be passed to accommodate Motsuenyane's concerns.

Motsuenyane said the NBS-Nail-Metlife consortium was well-suited to return Afbank to solvency and disciplined management. It was also encouraging that the government was now taking shares in the bank.

"My vision is clear that Afbank will in future be the largest bank in our country. There is no reason why it should not be," Motsuenyane, who is also chairman of the board of Afbank, said.

☐ Bruce Cameron reports from Cape Town that the DP has warned that the government's decision to rescue African Bank could set dangerous precedents.

DP finance spokesman Ken Andrew, MP, said the government should make more information available. Passing references to "very strong social, economic and practical factors" were not sufficient.

Andrew criticised the change in the government's policy following the lack of action taken to assist pensioners left destitute by the collapse of Masterbond, where it was "widely accepted that failure by the authorities to act timeously contributed to the magnitude of the losses".

Community Bank expects to suffer loss of R25m

BD 28/11/95 (58)

Beatrix Payne

COMMUNITY Bank expected to sustain losses until the turn of the decade, the mutual bank said at the weekend.

MD Archie Hurst said that while the bank — which lent mainly into the subsidised housing market — had seen a rise in lending volumes, it had expected that huge start-up costs would keep it in the red. The bank sustained a R20,1m loss in the eight months to March and was expecting a R25m loss for the 12 months to March next year.

Finance director Danie Pentz said the bank had been under pressure from the smaller-than-expected rise in business volumes and limited retail banking operations. However, it was applying to Saswitch for membership, which would allow it to issue electronic banking cards to clients and to expand its retail side.

Hurst said lending activities had picked up. The bank had allocated and committed loan funds worth R95m. It started operations with loan funding of R127m but would need to drum up further funds by March. The bank was targeting other private sector sources.

Most of the initial funds came from the Development Bank of SA, the Independent Development Trust and the Industrial Development Council. The five banks that helped establish Community Bank — Absa, FNB, Standard Bank, Nedcor and NBS — had contributed less than 20% of the amount.

Responding to criticism that commercial banks had not made enough funding available, he said the proportion of funds invested had been agreed on by all players. The banks had looked carefully at the risk element involved.

"These banks signed the housing accord but there are concerns that there is still a certain amount of resistance (from communities) to making payments." The banks were unlikely to make large amounts of funding available to Community Bank until they were satisfied bonds would be serviced.

Economic activity and strength 'underestimated'

By Ross Herbert

Johannesburg — The strength of the banking sector comes with an element of surprise, in part because of unexpected strength in the overall economy.

Banks have benefited from strong demand for industrial loans as business invested in productivity, improving plants and equipment. Central Statistical Services figures released mid-year, which were recently greatly revised, have significantly underestimated economic activity.

"People have consistently underestimated the strength of the real economy. If you take out agriculture and mining, we've been running a GDP growth rate of 5 to 6 percent," said Azar Jammine, the chief economist at Econometrix.

For the first three quarters of this year, GDP growth, excluding agriculture and mining, was 4,8 percent. That strength, however, did not show up immediately. The figures below are the CSS estimates of retail sales growth released in July:

1995 Year on Year Retail Sales Growth

	Initial %	Revised on October 25
January	3,9	2,2
February	0,4	4,5
March	-1,6	3,7
April	-0,1	8,1
May	-0,2	8,9
June	-0,9	2,5
July	-1,7	2,4
August	—	2,6
September	—	12,6

Similarly strong figures are in for the manufacturing sector, translating into buoyant industrial lending for banks. Some economists initially thought the rapid stocking of business inventories earlier this year would be a costly mistake. However, retail demand has prevented a build up and provided incentive for further investment in manufacturing.

Banking sector's strong performance bodes well for the general economy

(58) CT (BR) 28/11/95 26

By Ross Herbert

Johannesburg — The performance of South Africa's four big banks, which all recently reported a rise in income of between 19 percent and 25 percent, is looking increasingly like a harbinger of underlying strength in the economy.

Absa, First National, Standard and Nedcor have been outperforming the all industrial index since March and have shown significantly faster gains since October (see graph), even though many industrial companies are chalking up 30 percent gains in net income.

The sector's success is linked to a complicated soup of inflation, interest rates, rising consumer credit, tight money policy and economic growth.

Although many complain that Reserve Bank rates have been unsustainably high, lending growth has remained strong, which has boosted bank industrial portfolios and income.

No clear consensus exists on the level of inflation, beyond that it will be "controlled". A low-inflation scenario will help restrain bank costs, but also slightly squeeze lending margins. The margin between what banks can lend at and their cost of funds is still at about 4 percent, double the 2 percent obtained at most western banks.

"I think it's unlikely to have much impact," said Henry Shaw, the chief financial officer at Standard Bank.

The proportion of South African bank income has been steadily shifting from interest income to other forms of income such as transaction fees, mortgage insurance, financial advice and brokerage. For the big four, other income as a percentage of total income has grown about 2 percentage points.

First National Bank, which has picked up 70 percent of provincial banking business, leads with 49,3 percent of earnings as non-interest income, up from 47 percent the previous year. The other banks range from 37 percent to 42 percent. Look out for more fees for previously free services and more realistic charges as banks move to diversify income and rationalise their activities by ending cross-subsidisation.

Banks also are pushing to diversify out of core corporate lending business to the roughly 90 percent of the population who are outside the traditional banking system. To reach that new market, the banking sector will continue to be the biggest buyer of computer and networking technology in the country, driven by new tele-banking services, smart-cards, pension payouts and mobile banking.

Standard will devote about R200 million of capital spending to information technology next year. The other banks are making similar investments.

All banks have programmes in micro-business and low-income housing lending, but won't boost lending significantly until repayment improves. Loans to those with incomes under R1500 a month will be left to government.

"There is no way we can put depositors' money at risk by financing low-income housing where the risks of not getting paid are high. You can't just throw financial prudence out the window out of some philanthropic interest. We feel quite strongly about that," said Viv Bartlett, the chief financial officer at First National Bank.

"It is not a highly profitable business," said Shaw. "The housing stock has to be built before it can be sold. Unless you establish the viability of repayment up front, this kind of lending isn't viable. This concept of Masakhane just hasn't gotten off the ground."

However, Nedcor's chief executive officer, Richard Laubscher, says he will report this week significant lending volumes and positive results in the low-income sector.

Earnings a share growth among banks has ranged from 19 percent to 25 percent while industrials have registered 31 percent growth. Bank shares have been trading at price to earnings ratios of 93 percent of the industrial sector's price to earnings, compared with a western average of less than 60 percent. Last year bank shares were trading at 58 percent of industrial price to earnings.

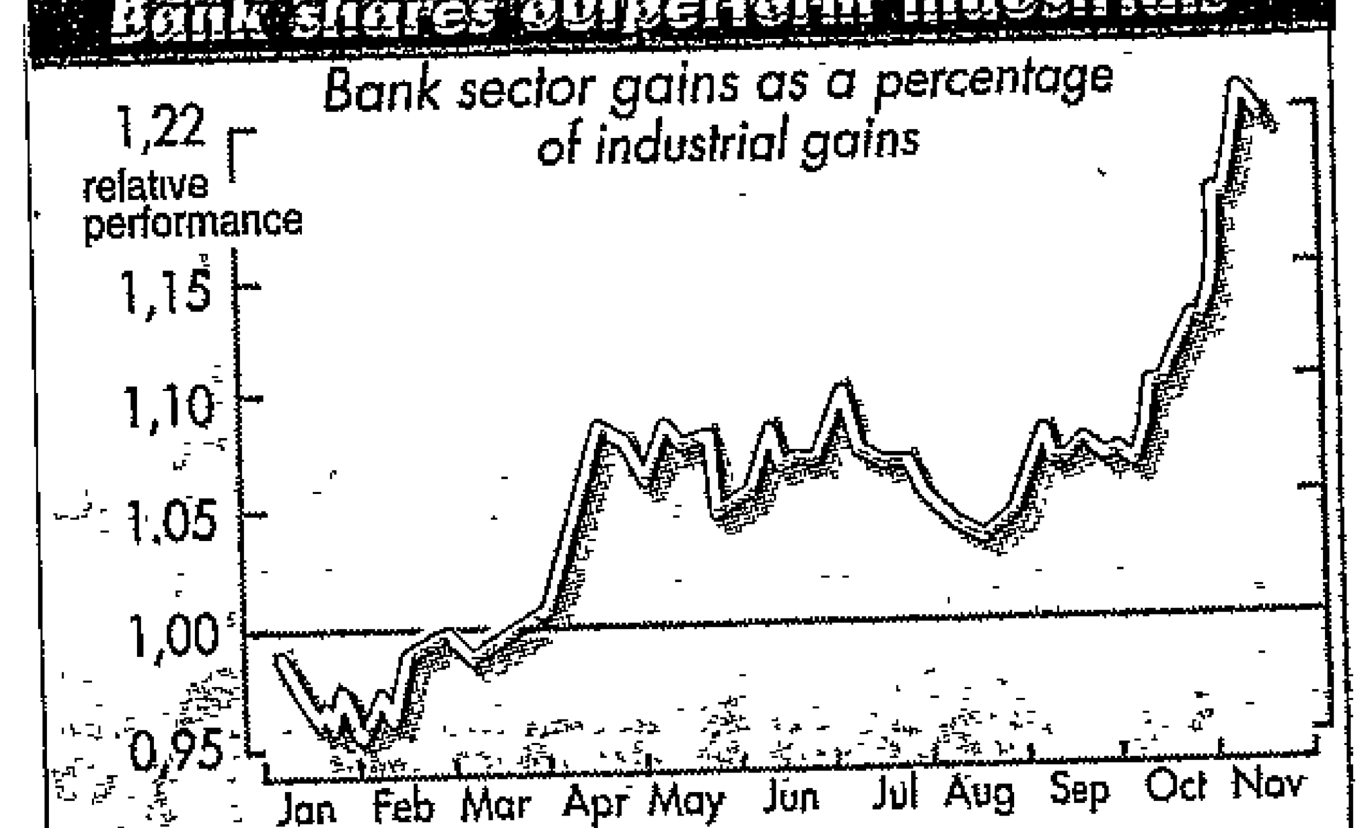
Some analysts say banking shares are overvalued. Strong performance plays a part, but some believe that rumours that foreign banks are looking to take a stake in a South African bank have helped.

Such speculation is fuelled by growing foreign bank interest in the market. So far this year nine foreign banks have been approved to set up representative offices in South Africa, bringing the total to 48. Since the rules were changed in May, one bank a month has been approved to set up retail operations in the country.

The logic of a foreign tie up is conceded by the big four. All say they do not have the capital to handle alone the major privatisation deals potentially on the horizon. All four acknowledge they are exploring options to provide access to greater capital.

Although he was not commenting on a particular deal, Bartlett said: "Larger absolute banks is a major trend. It may manifest itself in a further wave of (South African bank) mergers in a few years."

Bank shares outperform industrials



Plotting bank share performance as a percentage of the JSE all-industrial index shows the bank sector has been gaining faster than the market since March

Sage Life performance boosts group earnings

(58) BD 29/11/95

Adrienne Giliomee

A STRONG performance from key subsidiary Sage Life helped the Sage Group increase attributable earnings 46% to R46,5m for the six months to September.

This translated into a 24,5% increase in diluted earnings to 41,2c a share. In keeping with the group's announcement in September, interim dividend was raised 31,6% to 25c a share, reducing cover 1,6 times. Group chairman Louis Shill said the group intended increasing the final dividend to 42c a share, a 61% increase from the previous year.

He said he believed the new dividend policy warranted a re-rating of the share price by the market, bringing the group's price earnings ratio more in line with the industry average.

Shill also announced that the group was conducting negotiations to buy a US life assurer and was consulting two different institutions.

But it would not invest more than 10% to 15% of its capital base in the acquisition, which was likely to be finalised before the March year-end.

"The group might also exercise the option to acquire joint controlling interest with management in independent US-based Financial Marketing Group Inc in which we already have a stake," he said.

Shill said the group's profit — with an 84% contribution to earnings by Sage Life — was the result of the rapid expansion and sustained earnings growth of Sage Life and the ongoing contribution of the property division.

Total annualised new business premiums had increased to R197,2m (R166,2m) while individual recurring premiums jumped 40% to R65,3m.

Fedlife puts R5m in bank

(58)

Edward West

BD 29/11/95

CAPE TOWN — Fedlife has joined a host of other financial institutions in investing in Cashbank, the mutual bank established this year primarily to help lower income earners finance fully secured housing loans.

Cashbank MD Christine Glover said yesterday that Fedlife had invested R5m in permanent interest-bearing shares in Cashbank, boosting total capital in the bank to R63,5m.

The bank has branches in Johannesburg, Port Elizabeth and Cape Town.

In the first six months of operation, arrears payments were less than 1% of the banks total portfolio, Glover said.

Banks compete for home loans in stagnant market

ET (BR) 29/11/95 (58)

By Maggie Rowley

Cape Town — Competition is hotting up between financial institutions struggling to source new home loans in a stagnant property market hampered by high interest rates, which have curtailed affordability and consequently demand.

But Reserve Bank figures show that at the end of August this year total mortgage advances stood at R127,7 billion, up almost 20 percent on last year and 40 percent ahead of mortgage advances of R91,8 billion in August 1993.

In its latest quarterly bulletin, the Bank said the strong growth in mortgage advances in the face of a lower rate of expansion of activity in the property market was because of the banks' promotion of the use of home loans to finance durables and other consumer goods.

Duncan Reekie, the head of home loans at Standard Bank, said competition between the banks to secure new bonds was already fairly heated with banks offering competitive interest rates to secure good clients, jacking up their service and making quicker decisions.

"This all goes to increase competition and further measures no doubt are on the way. Particularly if interest rates rise again further dampening the property market and resulting in even fewer transactions and potential new bonds."

An Absa spokesman said competition had become more heated and was likely to intensify further.

However, he said, a bond rate war at this stage of the interest rate cycle was unlikely. There was no indication of any imminent movement in the Bank rate and there was no consensus yet as to which way interest rates would move next.

According to the banks, total mortgage lending has been squeezed by an increasing number of borrowers making proportionately larger capital repayments on their bonds in the past year.

NBS home loans manager Trevor Olivier said the situation had been further compounded by the large number of people taking early retirement to benefit from the tax incentives.

"Around June/July we saw our capital repayments on bonds up 80 if not 90 percent on the previous year. Looking at the profile of these clients, many were in the 55-year (and older) age bracket and no doubt sensibly used their lump sums to pay off their bonds."

Olivier said the property market remained sensitive to political developments and pronouncements, which he believed were behind the fall in sales volumes in the residential property market.

Life assurance deal for HIV sufferers

ARG 30/11/95 (42)(58)

JOHN VILJOEN
Business Staff

FOR the first time, one of the major life assurers has announced plans to offer life cover to HIV-positive South Africans.

Metropolitan Life managing-director Marius Smith said yesterday that the company planned to market a life assurance policy for HIV-positive people in the new financial year.

Speaking after announcing the company's annual results, Mr Smith said Metlife had to turn away about 500 potential new policyholders each month because they tested HIV-positive.

"If it stays at this level, it means we lose 6 000 policies a year where the client is already signed up and we have to cancel the policy.

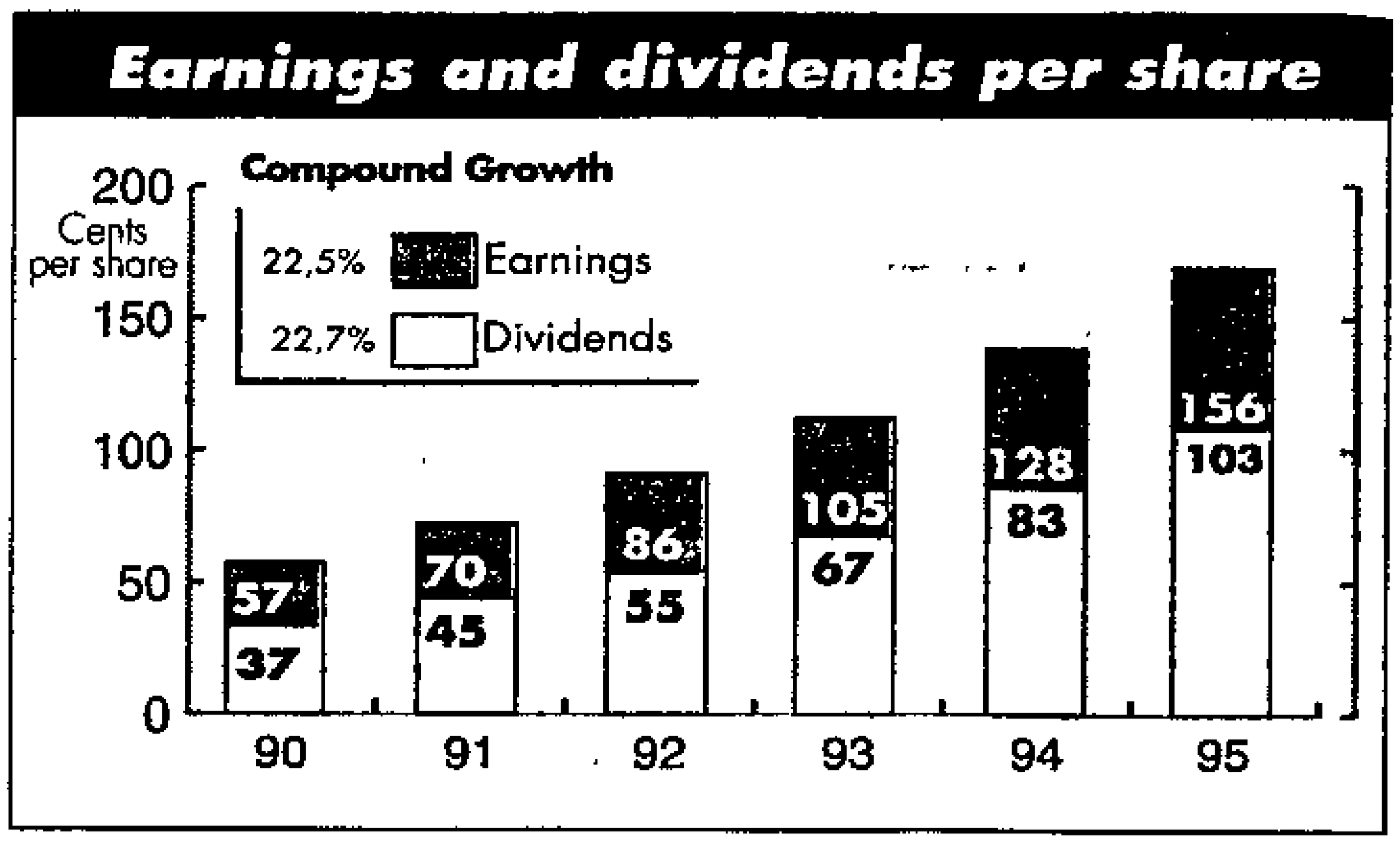
"Therefore we are seriously considering bringing a product to the market offering life assurance to people who are already HIV-positive."

Research on the impact of the virus was now advanced enough to allow the company to calculate the life expectancy of HIV-positive policyholders.

"The course of the disease has become predictable.

HIV-positive policyholders would pay higher premiums.

The company was consulting widely on how to deal with issues such as confidentiality before finalising the product, Mr Smith said.



Metlife to insure HIV applicants

(58) CT(BR) 30/11/95

By Audrey D'Angelo

Cape Town — Metropolitan Life (Metlife) is planning to offer life insurance to people who test HIV positive, the company announced yesterday.

Marius Smith, Metlife's managing director, said he believed it was the only life office in the world preparing to cater for this particular market. The product was expected to be launched in this financial year.

Smith said there were now sufficient statistics available to plot the life expectancies of policy applicants who tested HIV positive.

Smith said premiums would be higher for people in this category, but would still be "affordable".

He said that at present, Metlife was turning away 500 life policy applicants a month because they tested HIV positive.

Metlife, which traditionally caters more for black consumers and is now controlled by black investors, announced impressive results for the year to September.

Its premium income rose 37 percent to R1,6 billion (R1,2 billion). Total income rose 32 percent to R2,2 billion (R1,6 billion). Income from recurring premiums rose 24 percent to R1,3 billion (R1,1 billion). Investment income rose 18 percent to R535 million (R453 million). The actuarial value of Metlife's assets was R7,7 billion on September 30, while the actuarial value of policy liabilities totalled R4,9 billion.

Metlife's income tops R2 billion

(58)

ARG 30/11/95

□ Black investors open doors

Business Staff

METROPOLITAN Life's total income for the year to September exceeded the R2 billion mark for the first time, growing by 32 percent to R2,21 billion, compared with R1,67 billion a year ago.

Premium income grew 37 percent from R1,22 billion to R1,67 billion, partly thanks to a 174 percent rise in single-premium income — up from R102 million to R280 million.

Metlife managing director Marius Smith said he was particularly satisfied by the increase in recurring premium business, which accounted for most of the company's premium income. This was 24 percent up at R1,38 billion (1994: R1,12 billion).

Investments contributed R535 million, an increase of 18 percent on the R453 million of 1994.

The disclosed surplus for the year attributable to shareholders was R106,3 million, up 23 percent.

Earnings a share was 156c (128c) and a final dividend of 66,5c (53,5c) was declared, bringing the total dividend for the year to 103c (83c), an increase of 24 percent.

As at September 30 the actuarial valuation of Metlife's net assets was R7,71 billion, while the actuarial value of policy liabilities was R4,94 billion.

Assets therefore exceeded liabilities by R2,76 billion, 26 percent more than 1994's R2,18 billion.

After deduction of the shareholders' funds, the surplus, including the capital adequacy reserves, amounted to R2,32 billion, up 28 percent. As a percentage of policy liabilities — 47 percent — this was the highest in the industry.

During the year R729 million was paid out to policyholders, an increase of 39 percent on the R524 million of 1994.

Mr Smith said yesterday the sharp increase in single-premium income was owing largely to the establishment in January this year of a separate employees' benefits division concentrating specifically on pension and provident business.

Metlife was looking carefully at further expansion into Africa, he said.

"The company is already firmly established in Namibia, where it has an excellent share of the market, and has been active in Lesotho for a long time.

"We are also thinking of expanding to Botswana and Swaziland, but at the moment, this is not a high priority."

The fact that Metlife was today in the hands of black investors gave the company an important advantage in the market.

"Our market can today identify itself much more closely with the company, while this has also opened many doors that used to be closed to us.

"But after the doors have been opened, we still have to work very hard and competitively in order to get the business."

Mr Smith said the company was obviously disappointed at not winning any of the state pension fund business, but did not believe the allocation announced last week was final.

Home loan guidelines take effect next year

(58) ~~123~~

By Maggie Rowley

CT (BR) 7/12/95

Cape Town — The new, more stringent credit guidelines for affordable housing would come into effect on April 1 next year, the Council of South African Banks said yesterday.

The banks tried introducing the new criteria in June but granted a nine-month moratorium following an outcry at the "overnight" implementation which hastened many deals in the pipeline.

The moratorium expires on March 31 next year. From April 1 the guidelines will apply to applicants whose monthly household income does not exceed R3 500 and where the purchase price of the property is not more than R65 000.

Applicants for credit-linked housing subsidies will be screened in terms of credit guidelines while the properties will have to comply with the bank's area-assessment guidelines relating to security.

Lance Edmunds, the council's general manager of housing, said disposable income after normal household expenditure would be the key criterion for qualification of a loan.

"The monthly home-loan instalment cannot exceed a maximum of 25 percent of monthly gross household income and will often be less than 25 percent.

"Income is to be based on the household income and expenditure on the applicant's statement of actual monthly household expenditure and the total debt commitment cannot exceed 35 percent."

The new criteria will require all applicants to pay a minimum cash deposit of 5 percent. The deposit must be saved over a minimum of six months and a maximum of 12 months if it is linked to a government subsidy. Where the saved deposit is not linked to a subsidy application a lump sum will be acceptable providing it can be shown to have been saved.

"If the applicant cannot provide a savings record but a credit record can be established by other means — such as a reference to recent fixed instalment obligations such as rent repayments — the applicant will have to pay 5 percent of the purchase price plus the transfer and other costs in cash."

Credit rules unchanged, warns Cosab

BD 7/12/95 (58)

Amanda Vermeulen

THE Council of Southern African Bankers (Cosab) has warned future home owners that credit requirements for affordable housing have not changed, and they will be expected to meet these conditions.

Cosab spokesman Lance Edmunds said the credit guidelines, agreed between government, the Association of Mortgage Lenders and the Construction Council late last year, had not changed, and would come into effect from April 1 1996.

These guidelines would apply to all applicants whose monthly gross income did not exceed R3 500, and to properties with a purchase price below R65 000.

In terms of the agreement, individuals applying for home loans would be screened and banks would exercise their discretion on the properties to be mortgaged.

However, compliance with these guidelines would not automatically entitle applicants to credit, Edmunds said.

"The final lending decision always remains within the discretion of the bank being approached for home loan finance."

Earlier this month, the Mortgage Indemnity Fund and the department of housing said that about 44 000 properties were in possession or had loans which had not been serviced by the home owner.

Of the 50 000 affordable home loans which the banks had committed itself to for the year to June 1996, about 3 000 had been granted to individuals thus far.

Little support for govt farm loan idea

BD 1/12/95

(58)

Louise Cook

THE government-backed R150m outreach programme to small and beginner farmers announced in August failed to attract support from financial institutions wary of the credit risk involved, agriculture department director Dirk Henrico said yesterday.

Government needed major commercial banks to act as lending agents. Only Agribank in the Northwest, the Agricultural Bank of Transkei, the KwaZulu Finance Corporation, development corporations and smaller financial corporations, some in the former homelands, and the Transkei Agricultural Corporation have shown any interest in the programme.

Henrico said banks and large agricultural co-operatives had been discouraged by the non-existent credit records of small and beginner farmers, seeing the risk as unwarranted.

In terms of the proposed deal, the government would advance the R150m at 2% interest to agents, who would be responsible for recovering the money.

"So far, indications are that 35 000 small and beginner farmers have applied."

Government viewed the scheme as a chance for small and beginner farmers to build up credit records.

Depending on results, the scheme could either be changed or replaced with a totally different plan, possibly another state guarantee scheme, in three years' time.

Agriculture department acting assistant director Gerrie du Plessis said the R150m could be insufficient to meet the demand for loan financing for this sector.

The department had launched its R210m small farmer aid programme in August.

It allocated R150m to boost the buying of machinery and implements and production inputs such as seed, chemicals and fertiliser.

In terms of the scheme, a farmer would be able to apply for a loan of up to R50 000.

The remaining R60m was earmarked for special projects, and still had to be allocated, Henrico said.

Govt poised to raise interest rates on agricultural loans

BD 1/12/95 (58)

Louise Cook

GOVERNMENT was expected to announce an interest rate hike from 8% to 14% on short-term agricultural loans today, agriculture department sources said yesterday.

They said Finance Minister Chris Liebenberg had approved the increased rate in a bid to phase out subsidised interest rates to farmers.

Government would also put up interest rates to 14% from the current 8% on existing medium- and long-term loans for farmers in arrears on repayments on government loans.

The move would affect mainly 7 000 commercial farmers who owed the state about R500m in arrear payments, sources said.

However, the department's communications arm denied any final decisions had been taken on new interest rates. Communications director Magriet Engelbrecht said Deputy Minister Thoko Didiza "was still talking to farmers" and an announcement would be made in due course.

Sources said government would tighten up on outstanding debt from farmers and that Didiza had called for a report on the situation, they said.

Farmers who reneged on repayments for longer than a month after April would be liable to pay the new rate of 14%. Once the rate was put up, they would lose the 8% rate benefit.

Sources said the 8% rate would still apply to new medium and long-term loans, but farmers would have to adhere to repayment agreements.

In terms of the White Paper on Agriculture, government had adopted a new policy on interest rates which would see market-related rates phased in to replace subsidised ones.

The agriculture department yesterday launched a R150m scheme to help small and beginner farmers who would pay the higher rate of 14%.

Nedcor 'is committed to affordable housing'

BD 1/12/95 (58)

Adrienne Giliomee

NEDCOR was committed to providing funding for affordable housing and realistic housing projects, chairman John Maree said in the group's report.

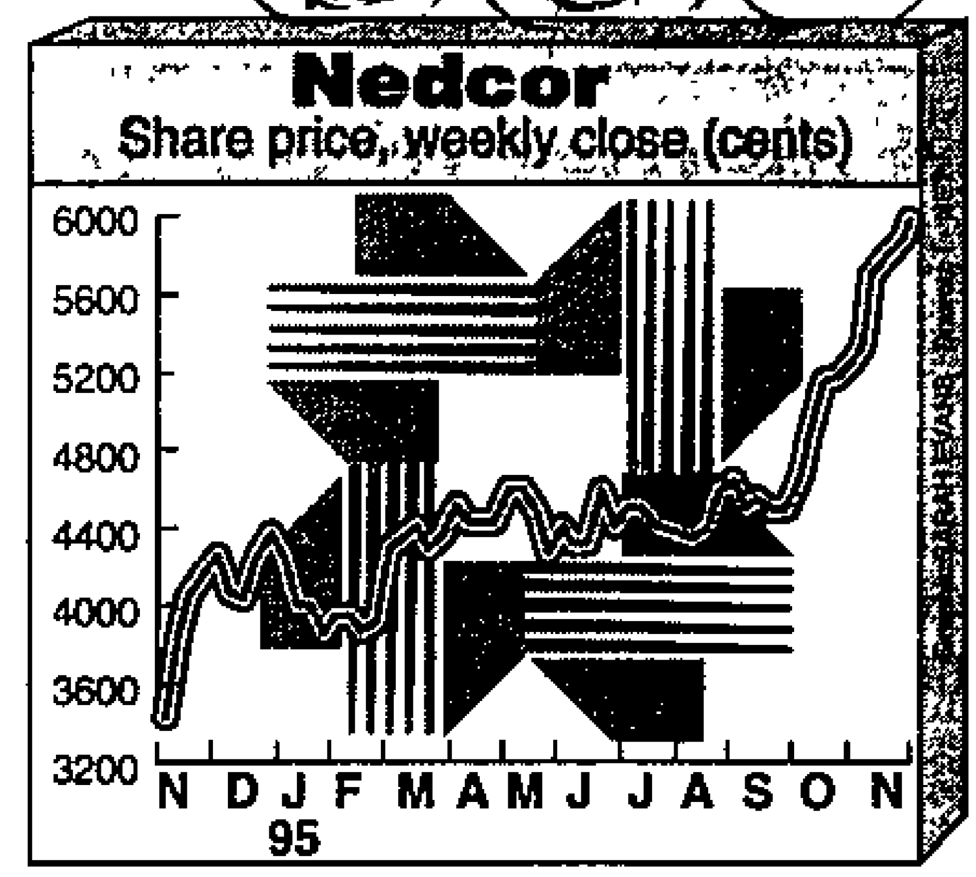
He said building of houses was a long-term project, but the lack of progress had been disappointing. "It is imperative that government moves rapidly and innovatively. Government has the responsibility to finalise housing policies so that the various players, including business, can play their role in the provision of houses."

He said Nedcor had not only made R6,7bn in bond funds available during the year, but had also put together a number of important deals, including an agreement with USAid that would facilitate the financing of housing.

"I firmly believe that, provided government puts the policy framework in place and draws on the expertise and resources of the private sector, 1996 can see the beginning of a major house building programme."

During the year, Nedcor divided the Perm into Permanent Bank and Peoples Bank. Maree said the transition to two new banks would give each a greater focus on the segment of the market it served. It would also be of benefit to a large number of stakeholders who had not had access to financial and banking facilities.

Referring to the SA economy, Maree said the success achieved in the fight against inflation was a most positive development that would further encourage foreign participation and new investment.



However, high growth rates would only be achieved if there was close co-operation between government and business, with each one understanding its role and playing it properly.

"Winning nations such as Germany and Japan have demonstrated that economic success is based on government creating a growth-friendly environment and the private sector creating businesses that are efficient, competitive and of world-class standards."

Nedcor increased earnings 25% to 386c a share for the year to September 30, while taxed profit jumped 29,7% to R782m.

The share price had increased more than fourfold since 1991, having moved from R13,25 to its current level of R60.

Banks welcome rate hike on farmers' loans

Louise Cook (58) (8)

BD 4/12/95

MAJOR banks welcomed government's weekend announcement of a hike in interest rates to 14% on short-term agricultural loans and, where farmers were in arrears, on medium- and long-term loans.

Standard Bank agricultural division head Rudi Wilsnach said it was a sign of sound financial discipline, but warned the higher rates were "the last straw" for debt-ridden farmers who were likely to go insolvent.

Agriculture deputy minister Thoko Didiza announced on Friday an interest rate hike to 14% from 8% on short-term agricultural loans and said it would also raise interest rates to 14% by April on existing medium- and long-term loans for farmers in arrears on loans from the Agricultural Credit Board.

The move would affect about 7 000 commercial farmers who were in arrears for about R500m on payments on medium- and long-term loans.

Standard Bank's Wilsnach said: "Previously there was no incentive not to pay the state. They (government) will now get what they have been trying to achieve for years."

"We have always held the view that interest rates should be market related — but 14% is not yet at that level," First National Bank agriculture division head Jan van Zyl said.

Agricultural unions were unavailable for comment but it is believed the 14% interest rate on short-term loans could anger small farmers from the National African Farmers' Union.

Banks benefit from consumer spending

BD 5/12/95 (58)

Adrienne Giliomee

SA's major banks experienced good growth in the instalment sale and leasing credit and credit card markets during the past year, as consumers were freed from the shackles of recession.

The September DI900 figures — the monthly returns submitted by the banks to the Reserve Bank — showed the instalment credit market increased 24,7% to R53,6bn in the 12 months since September 1994. The credit card market surged 41% to R6,1bn on an annual basis.

The instalment credit book of Absa — through its Bankfin operation — increased 36%, which saw its market share move up to 26,4% from 24,2% in September 1994. First National Bank (FNB) remained the market leader, with 29,5% of the market.

Nedcor and Standard Bank had launched new instalment credit packages during the year. Nedcor launched NedCredit, and Standard Bank launched Access Finance soon after.

IBCA senior banking analyst Mark Young said at the weekend that the effect of both packages still had to be incorporated in the figures.

"But during the last quarter under review, the two banks has levelled out the losses in market share they experienced," he said.

The move by major retailers into private label cards had helped growth in the credit card market. Young said the major banks had all gained from this development.

Absa's credit card book rose 22,8% but the group lost market share to 22% (25,3% in September 1994).

FNB also lost ground with its market share at 25,5% (27,4%). Nedcor showed rapid expansion in its credit card book, which Young said was strengthened by SA Breweries opting to use the bank for its private label card. Nedcor's market share grew from 11,8% to 13,7% of the market.

Standard Bank remained the market leader, capturing 35% of the total credit card market.

Young said added risk would accompany the growth in credit.

Stringent measures for loans unveiled

~~123~~ 58

By Joshua Raboroko

SOUTH African banks and the Department of Housing have released a series of stringent credit guidelines for affordable housing from April 1.

The guidelines will apply to applicants whose monthly gross household income does not exceed R3 500 and the purchase price of property is R65 000 or less.

Sowetan

Managing director of the Council of Southern African Banks Mr Lance Edmunds said yesterday that individuals applying for home loans would be screened in terms of credit guidelines. Banks will exercise their discretion over properties to be bought, which must comply with the bank's area assessment guidelines relating to security.

5/12/95

Lending decision

Conformity with these guidelines will not automatically entitle applicants to credit. The final lending decision remains within the discretion of the bank.

The key determinant for qualification for a home loan is disposable income after meeting normal household expenditure.

The monthly instalment is not to exceed 25 percent of gross household income and will often be less than 25 percent, depending on affordability.

The new criteria will require all applicants to pay a minimum cash deposit of five percent. The deposit must be saved over a minimum of six months and a maximum of 12 months if it is linked to a government subsidy.

Edmunds said that if the applicant could provide a savings record, the applicant would have to pay five percent of the purchase price plus the transfer and other costs in cash.

Boland scores major international loan

CT (BR) 6/12/95 (58)

By Maggie Rowley

Cape Town — Boland Bank has scored a major breakthrough in obtaining a syndicated general purpose loan of $60 million (about R220 million) on the international capital market at very favourable rates.

The loan is the first of this nature and magnitude to be granted to the youngest of the country's five clearing banks. Until now only the top four commercial banks have been able to access loans of this nature and size.

Boland Bank chairman Christo Wiese said the loan was equal to almost a quarter of the bank's capital of about R900 million and signalled a strong vote of confidence on the part of foreign investors.

The loan was arranged by a consortium of four international banks including Rabo Bank and ING Bank, both of The Netherlands, which acted as the arrangers while the Baden-Württembergische Bank of Germany and the Dresdner Bank (southeast Asia) acted as co-arrangers.

Wiese said altogether 13 banks had participated in the syndication and the loan had been fully subscribed. "I see this as the beginning of a new development phase for the bank," he said.

"With this transaction we got a foot in the door of the international capital markets and we intend to open that door further and make increasing use of this market for additional growth in our operations."

The loan, he said, was a general purpose facility with no restrictions in terms of how the money could be used. "With these additional funds we can enter the corporate financing market in South Africa more strongly than in the past and we are already negotiating with several large corporate clients for putting the money out to loan."

Boland Bank managing director Michiel le Roux said the loan was obtained at a favourable finance rate of 50 basis points above the London interbank offered rate.

"Since the beginning of the year ... rates have improved considerably and our clients will enjoy the full benefit of these lower rates," he said.

The loan was for 12 months with the option of extending it for a further 12 months.

DE KLERK, M.

Metlife declares 17,5% bonus

CT (BR) 6/12/95 (58)

By Audrey D'Angelo

Cape Town — Metropolitan Life (Metlife) has declared a bonus of 17,5 percent on its guaranteed fund for the year to September.

This is 2,75 percent lower, in nominal terms, than last year's bonus of 20,25 percent. But Metlife's general manager for employee benefits, Derek Pead, pointed out that inflation had declined by 3,7 percent over the same period.

This meant the fund had given a real return of 11,1 percent, "the highest in the industry for 15 years". Competitors' bonus rates announced earlier this year ranged from 15 percent to 16,75 percent.

Pead said the higher real return was the result of a relatively good investment performance in the face of declining inflation and lower investment market returns, and to Metlife's sound financial position.

He said the fund, which invested in a spread of equities, property bonds and cash on behalf of pension and provident funds, had declared the highest cumulative bonus rates for all periods up to and including the past eight years.

Its bonuses had remained steady in the narrow range between 17,5 percent and 20,5 percent since 1982.

"This is in line with the guaranteed fund's policy of absorbing fluctuations in investment markets to ensure smoothed bonuses and low volatility of returns."

Metlife's surplus of 47 percent above policyholder liabilities was substantially higher than that of many competitors and "provides a greater capacity for supporting bonuses should any downturn occur in the market".

Samcor to become world's only supplier of Escort 1,4 engines

CT (BR) 6/12/95

By Roy Cokayne

Pretoria — Samcor's engine plant in Port Elizabeth has clinched a major export order from the Ford Motor Company that will make it the sole supplier of Ford Escort 1,4 PTE engines worldwide and earn R400 million a year in revenue.

The export deal was announced in Pretoria yesterday by Ford's chairman and chief executive Alex Trotman. He said the deal would require a R126 million investment in the engine plant.

Trotman said the deal would also result in an additional 350 people being employed at the Port Elizabeth factory, apart from any jobs created among its component suppliers.

Trotman made the announcement shortly after meeting President Nelson Mandela and Executive Deputy President FW de Klerk. He said they gave him "a lot more confidence in the success that is ahead of this country".

Leslie Boyd, deputy chairman of Anglo American, which has a 45 percent shareholding in Samcor, said the investment in the engine plant would be split between the equity partners in Samcor.

Ford also has a 45 percent shareholding in Samcor and management control of the company. The remaining 10 percent shareholding is held by Samcor Employees Trust.

Samcor's group managing director, Jim Miller, said the Ford contract called for 200 000 of the PTE engines to be delivered over 30 months.

Trotman said this translated into about 400 engines a day "which is very serious business".

The first engines would be shipped to Ford assembly plants starting next February. He said Ford was also looking past engines as an export opportunity for its joint operation with Anglo American in South Africa.

"The engine plant has the capability of producing numerous other components, which we are also looking at. We are investigating opportunities for Samcor to expand as an export base for Ford products to other countries in Africa and elsewhere. In fact, we are looking at South Africa as the supply base for the rest of Africa," he said.

Trotman said Ford believed that Samcor, through its quality and improving productivity, was a good example of the type of manufacturing operation South Africa needed to be successful in world markets.

Miller said there were plans to expand Samcor's export business and rejuvenate the Ford range of vehicles. "We are looking at a range of Ford products from around the world for introduction into South Africa. Ford 2000 — the company's worldwide restructuring — gives us a global opportunity to serve individual markets. For South Africa this means that the needs of our markets are now part of Ford's product development plans for vehicles to be built and sold by Samcor."

POWER DEAL *President Mandela with Ford chief Alex Trotman*

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VAT on financial services 'has twin benefit'

Adrienne Giliomee (68)

VAT on financial services would benefit banks and government, as banks could offset it against input costs, with the fiscus receiving an additional revenue of R1,1bn.

This follows the recommendation by the Katz report calling for VAT on fee-based financial services and the abolition of the financial services levy.

The report said the implementation of the proposal would see an additional VAT revenue of R323m and R1,1bn for the long-term insurance and banking industries respectively. This would be offset by the R388m lost from the abolition of the financial services levy. BD 7/12/95

First National Bank chief financial officer Viv Bartlett said the charging of VAT on more banking services could neutralise costs if written off against input costs. "The banking system has been penalised up to date in terms of acquisition costs. But now the VAT on services can be offset against input credits."

However, Syfrets tax specialist James Wolfson said VAT on financial services could result in double taxation. "Under the proposals, a situation can arise where an individual claims a deduction for interest exemption and also has a VAT input credit."

A reverse situation could occur, with individuals paying income tax on interest of more than R2 000 and paying VAT on, for example, bank charges.

Council of Southern African Bankers (Cosab) assistant GM Stuart Grobler said in a submission to the report that no countries had integrated successfully the taxation of all financial services into the VAT system. "The current method of exemption without credit in respect of financial services is regarded to date as the only practical route to follow, and is the route that has been followed worldwide in association with invoice-based methods."

Louise Cook reports the National African Farmers' Union (Nafu), representing 700 000 black farmers, welcomed the Katz report recommendation that no national tax on agricultural land be imposed in the short to medium term.

But Nafu spokesman Moses Modise said the union was disappointed the report did not provide for unproductive land on farms to be taxed.

"This type of tax would force farmers to give up land lying idle to beginner farmers, or to use it productively."

The SA Agricultural Union (SAAU) was not available for comment. Land Affairs Minister Derek Hanekom said he needed to study the report before commenting.

Delay for low-cost credit duct

BD 7/12/95 (58)

Amanda Vermeulen

THE long-awaited National Housing Finance Corporation, which is to provide a channel for funds to reach the poor for low-cost credit, will not be launched this year as planned by all the stakeholders.

Johan de Ridder, chairman of the Mortgage Indemnity Fund and project leader of the implementation committee of the corporation, said yesterday the three main stakeholders — government, the contractual savings industry and the banks — were still negotiating.

The finance corporation would be used to channel wholesale money from foreign and local investor institutions to retail financiers targeting the lower end of the housing market where the crisis was worst.

Industry sources said yesterday the delay in launching the housing corporation would further stall the delivery of low-cost housing. De Ridder said, however, the banks could still provide mortgages, as the implementation of the finance corporation was never a prerequisite for lending in low income areas under the record of understanding reached by government and banks last year.

De Ridder said he hoped a final proposal document would be available to stakeholders by the end of January, which made it likely the corporation would not be established until at least March.

No final agreements or required cabinet decisions were yet on the table. The post of funding corporation CE would soon be advertised, he said.

Housing department director-general Billy Cobbett said the corporation would have five main functions, in terms of the current discussions, but he declined to name them.

He said he was reluctant to set a date by which the corporation would be established, saying he would discuss its function only once it had become reality.

Community service backs nation-building

CT 8/12/95

OLD MUTUAL'S business plays an important role in social development by providing financial security and creating wealth. Nevertheless, the Society also recognises that, in many communities, additional support is needed and therefore strives to contribute to a wide range of projects that help to develop South African society.

Education remains a key focus: during 1995, Old Mutual sponsored numeracy skills programmes such as Maths 24, education pages in national newspapers, and Edupeg, an innovative teaching aid. Since the spectre of Aids is most effectively countered through education, Old Mutual continued to run information campaigns for its staff, for children and for wider audiences throughout the country.

Community involvement by staff members is encouraged and funding is made available for worthwhile projects. Nationally, the Society sponsors together with the Sowetan newspaper and CCV TV, the Community Builder of the Year competition, designed to recognise people who are actively rebuilding the grassroots structures of their communities.

Old Mutual sees its involvement with the Community Builder competition as an extension of its mission of helping people make the most of their lives. Competition finalists are offered a training course to provide them with skills to help them run their projects efficiently.

The annual Old Mutual National Choir Festival has become an influential force in the development of choral music in South Africa. Old Mutual supports choral music as music uplifts the spirit, encourages harmony, creates positive feelings of goodwill and shows how results can be achieved by working together for mutual benefit.

Self-regulation works best — Levett

ARG 9/12/95 (58)

JOHN VILJOEN
Business Reporter

OLD Mutual chairman Mike Levett this week made strong calls for the life industry to be left to regulate itself and for the preservation of the right to underwrite.

Addressing the Old Mutual annual general meeting, Mr Levett said the more heated the debate over regulating the life industry became, the less light seemed to be cast on the issue.

"Many people are unaware of the degree to which the life industry has successfully regulated itself.

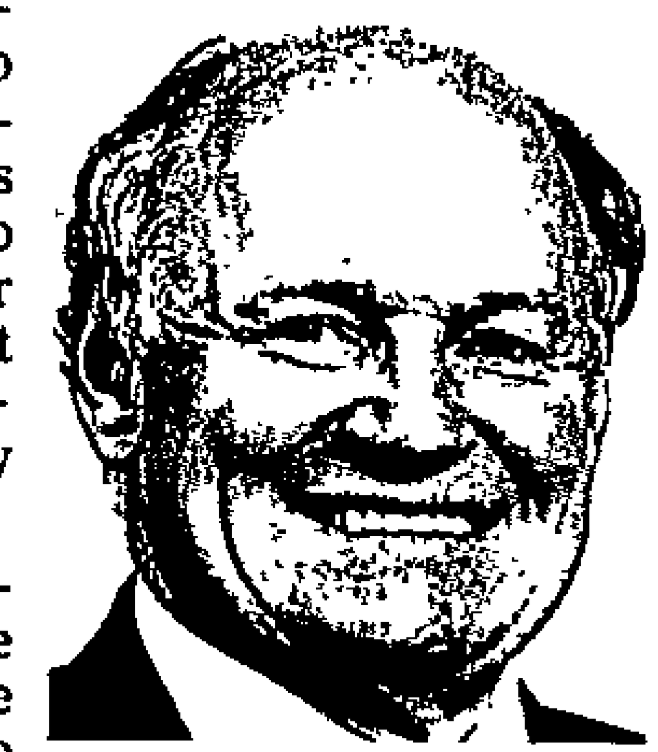
"Regulations developed by our own industry body, the Life Officers Association (LOA), are among the most comprehensive in the world. And self-regulation has been successful."

Recent research conducted for the LOA clearly indicated that the industry and its salespeople had a good image among consumers, he said.

Old Mutual believed there should be proper communication with prospective clients, allowing them to decide which products are most appropriate to their needs.

Self-regulation was the preferred route and countries which had introduced legislated disclosure had generally succeeded only in stifling the industry.

Mr Levett said the right to underwrite — the right to call for evidence of good health, to charge a premium appropriate to a person's state of health, and to decline to give cover based on an assessment of the risks — was becoming an increasingly important issue.



Mike Levett

This had been highlighted this year by the recommendation of the Law Commission to outlaw what it saw as "unfair discrimination" against people who were HIV-positive or sick with Aids.

He repeated his view that the right to underwrite was the cornerstone of individual life assurance and that to deny insurers this right would greatly increase premiums for all applicants and put affordable life assurance out of reach for most South Africans.

It should be properly recognised and not limited by legislation.

Total group assets under management increased from R138 billion in 1994 to over R154 billion in June — a threefold growth in assets in real terms over the past 10 years

Old Mutual's market share of premium income rose to 34,3 percent by the end of 1994, compared to 26 percent in 1985. Of the total industry increase in net premium income during the 1994 calendar year, the society enjoyed a share of 40,5 percent — "a remarkable achievement, placing us far ahead of our nearest competitors", Mr Levett said.

Benefits paid by the group to clients increased by nearly 14 percent to just under R14 billion.

"The Society paid its members benefits at an average rate of about R112 000 every working minute of the year."

CT (BR) 11/12/95

Old Mutual aims for HIV cover

(68)

Cape Town — Old Mutual is carrying out statistical research which might enable it to offer life insurance cover to HIV-positive people about a year from now, says general manager Bobbie Jooste.

At the Old Mutual annual general meeting last week, chairman Mike Levett said the right to call for evidence of good health or to decline to give cover based on an assessment of risks was "the cornerstone of individual life assurance". To deny this right would increase premiums for all South Africans.

Discussing Old Mutual's preparations to offer overseas investments to clients in this country, Levett said: "A number of concerns have been raised about whether it is appropriate to permit residents to diversify their investments across borders. It should be remembered, however, that allowing South Africans to invest outside the rand currency area is the natural corollary of encouraging non-South Africans to place funds here." — Audrey D'Angelo

African Development Bank to revive its soft loans arm

ET(BR)12/12/95 (58)

By Nicholas Phythian

Abidjan — The African Development Bank began a fresh round of negotiations yesterday on reviving its soft loans arm, which in the past lent more than $1 billion a year to some of Africa's poorest countries.

The African Development Fund (ADF), which has not been stocked up since January 1994, was set up to lend on easy terms and is the only source of Bank credit for 39 of the 52 members under a new tighter credit policy adopted in May.

Ivory Coast's minister for economy, finance and planning, N'Goran Niamien, opened the meeting by expressing the wish that with new Bank president Omar Kabbaj of Morocco firmly established, the fund would be back in action before long.

"As you know, 39 member countries, some of which are the least advanced, are only eligible for the concessionary resources of the ADF," he told the opening session.

"These countries have urgent needs which it has not been possible to meet because of the blockage of negotiations over the last two years," he said. "It is therefore critical that the discussions on the ADF are wrapped up so that our joint institution can resume its mission."

A row over credit policy and then delays over the election of the new Bank president blocked reviving the Fund.

Bank sources have said the Fund's seventh replenishment is likely to be worth $2 to $2,5 billion over three years, compared with $3,42 billion pledged for 1991 to 1993.

Kabbaj, who took office in September, has said he expects the negotiations to be completed by March.

"We hope that the replenishment will take place before the next annual meeting in Abidjan in May," bank spokesman Martin Kakra-Kouame told reporters.

He said members would either tell the two-day Abidjan meeting how much they could pledge or seek clarification on technical questions that would affect their contribution.

Bank sources said donors who met in Lisbon in October were prepared to stock up the Fund early next year, but some wanted to see results of an internal audit and progress on reforms first.

The other issue under discussion is the Bank's fifth general capital increase, due to be completed by the end of 1996.

Kabbaj said in October he would like non-African members to increase their shareholding from its present 35 percent, a move which would help the Bank to raise more money on international capital markets.

Some African members have in the past strongly opposed the idea, fearing domination by non-regional members.

The United States leads 24 non-regional members with 5,778 percent of the capital, followed by Japan with 4,768 percent.

The last capital increase covered the period 1987 to 1996. On that occasion members approved a 200 percent increase.

Bank sources say that with donors such as the United States keen to cut back on their commitments around the world, the next capital increase is likely to be far below that figure. — Reuter

Future Bank lifts income

(58)

By Llewellyn Jones

CT (BR) 13/12/95

Johannesburg – Future Bank, the niche bank launched as a joint venture by Wesbank and the Foundation for African Business and Consumer Services, posted a 29 percent increase in after-tax income for the year to September.

Net interest income rose to R24,36 million compared with a previous R22,26 million, while non-interest revenue grew marginally to R2,48 million from R2,47 million over the same time last year.

An 8,5 percent increase in operating income to R26,84 million was offset by a marginal 3,3 percent increase in operating expenditure to R18,01 million.

The provision for bad debt, however, rose almost 30 percent to R6,08 million and the tax bill declined to R1,81 million compared with last year's R1,9 million.

Nigel Watchurst, the managing director, said the performance vindicated the decision to position Future Bank as a bank which concentrated on providing creative financial solutions for entrepreneurial loans and employer-based schemes, including affordable housing loans.

The number of advances increased 39 percent and he said the bank was well capitalised to risk weighted assets of 11,5 percent (9,3 percent) compared with the Banks Act requirement of 8 percent.

The bank also received a R10 million capital injection from First National Bank during the year.

"This assistance, in the form of preference shares, will provide adequately for expected medium-term growth generated through the bank's focus on (the) RDP," he said.

Rash of retirements leads to 'shakeup' at FNB Holdings

(58) CT(BR) 14/12/95

By Llewellyn Jones

Johannesburg — First National Bank (FNB) Holdings has embarked on a restructuring programme in the light of the imminent retirement of several of the management team at First National Bank, the group announced yesterday.

A statement said the far-reaching restructuring would streamline the group's operations and enhance its responsiveness to market changes, both locally and internationally. The move follows Standard Bank's restructuring earlier this year.

But an industry analyst said it was "outrageous" that the bank had to restructure merely because it had no senior management succession programme in place.

"It's one thing to restructure to meet the challenges of the future, but completely another because there is a shortage of suitable management skills," said the analyst, who declined to be named.

Another market commentator said it was important to note that, unlike the other major banks, there was still no deputy managing director and no clear successor to managing director Barry Swart.

The changes will increase the burden on existing senior management, with senior general manager and chief financial officer, Viv Bartlett — who also takes responsibility for group financial control and risk management — taking the additional portfolio of public affairs and communications.

RESIGNED *FirstCorp managing director David Lawrence*

Market players were also surprised by the inclusion of FirstCorp Merchant Bank's trading operations and corporate finance activities into the First Trading and corporate banking divisions respectively.

Market speculation was that this was probably behind the resignation of FirstCorp's former managing director, David Lawrence, who has subsequently been appointed an executive director of Investec Bank and a member of its executive committee.

He will become managing director for corporate and merchant banking.

Bearing the weight of his responsibilities will be senior general manager Johan Meiring, whose new portfolio will include Henry Ansbacher, FNB's UK-based merchant bank, First Trading, Corporate Banking, the international division and FirstCorp Merchant Bank.

Swart said the shakeup was motivated by South Africa's readmittance to global markets and competition, which meant that split reporting lines for local and international corporate financial requirements were no longer appropriate.

"Historically, our international activities, and those of our client's, were low-profile," Swart said.

"With foreign companies now doing large-scale business with and in South Africa, and with South African companies making increasing forays into international markets, banks are required to provide a much more focused, strategic and holistic service to the overall corporate market."

Rural government form finalised

Municipal Reporter ARG 16/12/95

THE Western Cape's new form of rural local government has been approved by the provincial committee and Local Government Minister Peter Marais.

The new model, which includes district councils with members drawn from local councils in the towns as well as rural councils outside of the towns, will be applied to the seven regional services council areas in the Western Cape.

A district council will retain the power to levy charges, and will fix fees, tariffs or charges for services it renders.

The demarcation board has also been charged with making recommendations on what the areas of jurisdiction of the rural councils outside of the towns should be.

Hearings are to take place in Moorreesburg (January 8), George (January 8), Worcester (January 10), Stellenbosch (January 12), Beaufort West (January 15), Oudtshoorn (January 16) and Bredasdorp (January 18).

The district councils will consist of 40 percent proportional representation seats and 60 percent nominees.

Half the representatives will be nominated by farm workers and the other half by farmers.

SA a member of African Development Bank

(58) ARG 16/12/95

JOHANNESBURG. — South Africa has become an official member of the African Development Bank after paying R8,7 million into the bank's account in New York.

South Africa's instrument of accession was deposited yesterday at the United Nations headquarters, the the Ministry of Finance said.

The AfDB voted to admit South Africa as its 77th member this week.

South Africa — barred from membership under white minority rule — was the only African state not belonging to the bank.

But the bank had been keen to attract South Africa — creditworthy and with a strong economy.

Although South Africa is taking only an initial one percent of voting shares, the move is seen as a gesture of confidence in the bank, which is undertaking major reforms of its structure and loans portfolio.

Admission means South African private companies will now be able to bid for projects financed by the AfDB and will be eligible for loans on preferential terms. — Reuter.

'Frozen' stokvel cries 'intolerance'

SPECIAL CORRESPONDENT

(58) CT 18/12/95

JOHANNESBURG: Sun Multi Serve (SMS), registered as the largest stokvel, has described as "cultural intolerance" the freezing by the Registrar of Banks of its R50 million assets.

Its directors refused yesterday to divulge how their investment scheme, which guarantees a 300% return, differed from "get rich quick" pyramid schemes.

They said the "formula" by which they could guarantee the high return was "highly sensitive" and could not be disclosed as it would be "stolen".

The society's accounts were frozen last week after it was found they held R40m more than the R9,9m limit for stokvels stipulated by the Banks Act.

At a press conference, Mr David Mogashoa, of the society's investors committee, warned that the 53 000 members would launch protests if negotiations, scheduled for tomorrow between SMS and the Reserve Bank, did not lead to the unfreezing of the assets.

Chairman Mr Peter Tau said the society's 28 branches countrywide were still accepting deposits from members because they were certain negotiations with the Reserve Bank would be favourable.

"Our culture must also be accommodated," said Mr Jerry Ntsundwana, Multi Serve head office manager.

Plans under way for investment bank

BD 18/12/95 (58)

Robyn Chalmers

FORMER Reserve Bank senior deputy governor Japie Jacobs will head a new investment bank planned by stockbroking firm Frankel Pollak, provided the Reserve Bank grants it a licence.

Jacobs said at the weekend that discussions on the proposed bank were at a highly sensitive stage.

An application had been lodged with the Reserve Bank for a bank with initial capitalisation of R60m.

"The proposal is that the bank will be a mixture of a discount house and a merchant bank, and will not fall under the category of a commercial bank open to the public.

"It will really be an expansion of Frankels' existing business, as it already has a mini-market on its books and a substantial client base, but it will be housed under the umbrella of a banking operation," he said.

It was premature to go into detail on the bank's proposed activities as it did not yet have Reserve Bank approval.

Jacobs, previously a Bank senior deputy governor, was also a special adviser to the finance minister until July last year, when Deputy President FW de Klerk appointed him his adviser on economic affairs.

Frankel Pollak CE Sidney Frankel said the Bank was likely to make a decision on the application next year.

Should the application be approved, the bank's total capitalisation would exceed R60m once it was established.

Frankel said there had been a good response from possible partners and investors who had been approached.

Frankel Pollak director David Shapiro said recently that while the bank would be involved largely in domestic investments, it also intended to secure foreign investment in SA.

"We prefer to go the independent route with certain local and foreign parties as investors.

"We would also extend our research base should we find a suitable partner," he said.

Market sources believed Frankel Pollak could tie up with a foreign investment house to increase its exposure abroad.

There was speculation that Morgan Stanley or Lehman Brothers could be involved.

Grant established to assist land reform beneficiaries

BD 18/12/95

Louise Cook

THE first application under government's new settlement planning grant to help land reform benficiaries to employ professional planners will begin this week, the land affairs department says.

Land Affairs director Nico van Rensburg said the amount available for the grants was not specified but the money would come from the land reform budget of R200m.

"So far one application has been received from 40 farmers at Villiersdorp in the Western Cape.

"They have enlisted the help of the Rural Foundation to acquire state land and have applied for a grant of R54 000 to turn the project into a viable undertaking."

He said another 70 applications for settlement aid, submitted under the previous government, were likely to qualify for government's planning grants.

Next year the number of applications for the grants were expected to rocket, he said.

"The move is aimed at avoiding poverty traps from people not being able to develop redistributed land into financially viable units."

Initially, during the first phase of development, the size of the grant was 2% of the total project cost. Thereafter it went up to 4%, he said.

A land affairs department grants and services document released last week stated that the grant enabled prospective and actual beneficiaries of land reform to appoint planners and professionals from private firms, government and non-governmental organisations for legal and financial planning and planning land use and infrastructure, as well as help with land purchase negotiations.

"The objective of the grant is to assist poor communities to plan for their settlement needs in terms of acquisition, use and development of the land and the mobilisation of resources required to do this."

The document said the grant could finance planning of preliminary and detailed settlement. Beneficiaries could also use the grant to appoint land valuers from a panel of government accredited valuators.

The grant was one of three new schemes of the land affairs department to kick-start land reform. A settlement grant of R15 000 a household and a district planning scheme aimed at provinces and local authorities wanting to embark on land development would come into full operation next year, Van Rensburg said.

Press Council may be replaced

Farouk Chothia

DURBAN — The Conference of Editors hoped to meet the Black Editors' Forum in early February to get unification talks off the ground, conference chairman John Patten said at the weekend.

He said little progress had been made so far to create a single body for editors. Exploratory talks between the two bodies "blew up" following the decision by Sunday Times editor Ken Owen and Weekly Mail and Guardian editor Anton Harber to quit the conference. They were the body's representatives in the exploratory talks, Patten said.

Efforts to unify the two bodies could run into problems due to the fact that the forum had a "very big agenda on transformation", he said.

BD 18/12/95

Despite their differences, the conference and forum have agreed to work together — along with the Newspaper Press Union, the Media Workers Association of SA and the SA Union of Journalists — to establish an independent mechanism to deal with public complaints against press reports. The new body would replace the press council.

Patten said the debate on a replacement to the council had "virtually restarted" at the request of the forum. The forum had been brought into negotiations over the issue only recently, and said it still needed to formulate a position.

Agribank to stop tool confiscation

58

Bonile Ngqiyaza

BD 18/12/95

THE Agribank has put a moratorium on the confiscation of farming implements in Northwest Province following a meeting last week between the province's agriculture and environment MEC Johannes Tselapedi, Agribank and representatives of Ditsobohla farmers.

Agriculture department spokesman Lana Quinn said drought conditions in the past three years had made it difficult for some emerging farmers to repay their debts, causing the bank to foreclose on their loans and to repossess farming implements.

At the meeting Tselapedi had expressed concern at the problems experienced by black farmers during the current ploughing season.

It was agreed that Agribank would cease its "call-up activities" from today until January 31 when the Agribank board would hold its next meeting.

Tselapedi would discuss the issue with them, with a view to extending the moratorium to February 29 next year.

The agreement should not be seen to exempt farmers from honouring their obligations with the bank.

Jo'burg-Pretoria speeding fines at R2m

Bonile Ngqiyaza

ABOUT 9 000 speeding offences are committed by motorists on the freeway from Johannesburg to Pretoria each month, Midrand Traffic Department superintendent Willie van Rooyen said at the weekend.

The Midrand Traffic Department monitors the N1 section of the freeway, which stretches between the Buccleuch area and Pretoria.

Van Rooyen would not say whether the freeway was the most dangerous in the country. But the Sandton Traffic Department, which monitors the M1 as far as Corlett Drive, has reported collected fines worth more than R2m from drivers transgressing traffic rules on the N1, N3 and the M1 in the last six months.

Freezing of assets is 'cultural intolerance', says stokvel (58)

Star 18/12/95

By Tamsen de Beer

Sun Multi Serve, registered as South Africa's largest stokvel, has described as "cultural intolerance" the freezing by the registrar of banks of its R50-million in assets.

SMS directors yesterday refused to divulge how their investment scheme, which guarantees a 300% return, differed from recently publicised get-rich-quick pyramid schemes.

They said the "formula" by which they could guarantee the high return on investments on a rotational basis was "highly sensitive" and could not be revealed because it would be "stolen".

The society's accounts were frozen and its documents seized by police last week after it was discovered that its accounts contained R40-million in excess of the R9,9-million stipulated for a stokvel by the Banks Act.

SMS's 53 000 members had each contributed money amounting to R50-million.

David Mogashoa of the society's investors' committee warned of widespread dissatisfaction and protest by the society's members if negotiations between SMS and the Reserve Bank scheduled for tomorrow did not reverse the freezing of its accounts.

The society's books are being investigated by a team of auditors.

Absa general manager Alec Hogg warned investors against extravagant returns, saying: "Any investment offering you extraordinary rates of return, which this one clearly does, must be viewed as extremely high risk."

Court may act over 'stokvel'

(58) (300) BD 19/12/95

THE Supreme Court would today be asked to appoint a manager to determine the legal owners of investments in the Sun Multi Serve stokvel, registrar of banks Cobus Wiese said yesterday.

Wiese said his office had frozen Sun Multi Serve's accounts to protect investors, and once the money was returned to its legal owners the scheme would be wound up.

He said it was the registrar's duty to protect investors and administer the Bank Act, and the unbundling of the scheme would take place in terms of section 84.

The registrar's office had initiated the investigation and had approached the court for a "rule nisi" to freeze SMS's accounts, because they contained more money than was allowed for stokvels in the Bank Act.

The Act stipulates that a stokvel may not hold assets in excess of R9,9m. Sun Multi Serve held assets of about R50m when the accounts were frozen.

An investigation of the scheme had shown that SMS was in fact a pyramid scheme and the "sooner such schemes are shut down, the less they hurt people".

However, SMS at the weekend described the freezing of its assets as "cultural intolerance".

At a media conference, David Mogashoa of the society's investors' committee warned of widespread dissatisfaction and protest by the society's 53 000 members should negotiations between SMS and the Reserve Bank scheduled for today not reverse the freezing of its accounts.

Wiese said he was unaware of any meeting between SMS and the Reserve Bank.

SMS spokesman Victor Monamodi said United Bank closed the society's account a month ago as "a threat to their market".

Absa group GM Alec Hogg dismissed the claim, saying it was "ridiculous" that United Bank's R13bn in assets should be threatened by a stokvel.

The society's account was then transferred to Standard Bank, but the latter initiated a probe of SMS.

SMS directors at the weekend refused to disclose how their investment scheme, guaranteeing a 300% return, differed from recently publicised "get rich quick" pyramid schemes. — Sapa.

Reserve Bank has R202m pre-tax profit

CT (BR) 20/12/95 (58)

BY JON BEVERLEY

Durban — Financial statements released by the Reserve Bank this week showed a pre-tax profit of R202 million (R319 million) to March.

The Bank paid tax on the transitional levy — otherwise the bank has a calculated tax loss of R120 million available for set-off against future taxable income.

Last March the Reserve Bank expected to realise a loss of R4 billion on behalf of the government on its gold and foreign exchange contingency reserve account.

This represents probable losses on forward cover and other foreign exchange transactions which the government offers to traders for their foreign activities.

The amount was up from R2 billion in March last year, but well down on the levels of previous years before the government meeting its bills.

The balance sheet showed a statutory reserve fund of R140 million, as well as distributable reserves of R677 million.

Income from subsidiaries, which include the SA Mint and the SA Bank Note Company, is also down sharply, now at R1,3 million from R10,3 million in the previous year.

Registrar takes over Sun Multi Serve

(58) BD 20/12/95

Lukanyo Mnyanda

THE registrar of banks has shut down stokvel Sun Multi Serve, taken over its management and ordered the recovery of investors' funds of at least R50m.

The registrar, who earlier this year stepped in to sort out African Bank, said yesterday he had, in terms of section 84 of the Banks Act (1990), appointed Deloitte & Touche chartered accountant Tim Store to manage Sun Multi Serve's affairs.

Store was curator for Prima Bank, which went into liquidation last year.

Sun Multi Serve was ordered by registrar Christo Wiese to stop all business dealings with the public at 11am yesterday. Wiese said Store would attempt to collect the fund's assets and determine its liabilities before returning investors' money where possible.

It is still unclear how many of the estimated 53 000 investors will recover their funds.

Wiese said Store would calculate a dividend if funds could not be returned to investors. Fund CE Peter Tau had agreed to co-operate with and assist Store, who was likely to appoint at least three Sun Multi Serve officials as temporary consultants.

Wiese denied Sun Multi Serve's closure was part of a wider campaign against stokvels, saying: "We have nothing against stokvels as long as they keep to the law."

He could not say whether this was the first time a fund manager had been appointed to run a stokvel as he was not sure Sun Multi Serve constituted a stokvel. It had referred to itself as a mutual assistance association, he said.

His office initiated the investigation and applied for a court order to freeze the fund's accounts after a tip-off from police. An investigation by registrar of banks inspectors showed the fund contravened the Banks Act by holding assets of about R50m, compared with a legal limit of R9,9m for stokvels.

Wiese said there was nothing stopping Sun Multi Serve officials from forming another stokvel, provided it

Continued on Page 2

Stokvel

(58)

Continued from Page 1

BD 20/12/95

respected regulations.

Sun Multi Serve could not be contacted yesterday but said at the weekend the action against it was an "onslaught by white financial institutions" and "forces against black empowerment". Spokesman Victor Monamodi said the "vilification campaign" started four weeks earlier, when United Bank closed its account because "we were giving them a lot of work and competing with them". Sun Multi Serve transferred its account to Standard Bank, which initiated an investigation, he said.

A Standard Bank spokesman denied this, saying the bank merely provided the Reserve Bank with information about the fund's account in compliance with a court order granted to the registrar.

It was compelled by law to give information to the Reserve Bank. This was more important than client confidentiality, he said.

A Sun Multi Serve investors' committee pledged continuing suppo. t for the fund at the weekend, saying it had given hope to black South Africans. "To close it down will be an economic death for us and our dependants."

is still accumulating and American ... more than 10 percent a decade ago.

Record claims for ombudsman

By Thabo Leshilo

Cape Town — The Life Assurance Ombudsman handled a record 1 426 new complaints last year, an increase of more than 60 percent on the previous year, the ombudsman, Judge GPC Kotze, said in his latest annual report.

He said his office had successfully recommended that myalgic encephelo-myelitis (yuppie flu) be regarded as permanent in three cases during the period under review. The illness had lasted four or more years in all cases and the patients received single payments.

Said Judge Kotze: "To wait until death overtakes a policyholder before the permanence of the disease was conceded, defeated the whole object of the cover, which was to make life easier while life persists."

He said the 60 percent increase in complaints did not mean clients were becoming more dissatisfied with the life industry. It reflected growth and the increased publicity given to the 10-year-old office.

Judge Kotze said the majority of cases concerned disability complaints (253), followed by communication or administration problems (216), unethical or negligent conduct by intermediaries (156), inadequate policy performance (137) and repudiation for non-disclosure (121). A total of 629 of these cases were wholly or partially resolved in favour of the complainants.

He said the area of disability claims seemed to be growing in controversy and criticised the use of glossy brochures with generous definitions of disability which differed from the strict definitions contained in policy documents.

(58) CT(BR) 20/12/95

Mandela axes Sebo's chief executive

CT(BR) 20/12/95

By Roy Cokayne

Pretoria — President Nelson Mandela has terminated the services of Paul Stone, chief executive officer of the Sefalana Employees Benefit Organisation (Sebo).

The termination of Stone's services is effective from December 1. It follows his suspension in April and the subsequent inquiry into his continued employment as Sebo's chief executive.

Sebo has assets totalling about R4,2 billion and administers the four funds of the former Bophuthatswana government.

Professor Fink Haysom, legal adviser in the president's office, said Mandela had decided to terminate the services of Stone in terms of Section 21 of the Sebo Act after considering the recommendations of the inquiry, the further representations of Stone and after consulting Sebo's trustees and the Transitional Management Committee (TMC).

Paul Stone

"The inquiry found, inter alia, that there was an irretrievable breakdown in the relationship between Stone, the TMC and the contributors to Sebo, and that a continued employment relationship with Stone as chief executive was neither possible nor appropriate," Haysom said.

Stone was suspended on full benefits pending the inquiry, in line with fair labour practice.

Haysom was unable to provide any details about the cost of suspending Stone on full benefits from April until the termination of his services.

Spokesmen for Sebo were unavailable for comment.

By Jon Beverley

Call for yuppie flu payouts

CAPE TOWN — South African life assurers are heeding the call by life assurance ombudsman Judge GPC Kotze to be more generous about disability payments to yuppie flu sufferers.

In his latest annual report, Kotze said that several cases of the chronic fatigue syndrome (myalgic encephalomyletis) had been referred to him after claims had initially been rejected.

Ombudsmen in other countries had told him there was still some doubt about whether the disease, which was not recognised as a psychiatric disease but as a disabling disease, was permanent.

The trend appeared to be that if the condition had lasted for five or six years, yuppie flu should be regarded as permanent, and single capital payments could be made. (58) BD 20/12/95

Kotze said in at least three cases over the last year he had recommended that the disease be considered permanent because it had lasted for four years or longer. This was accepted by the life assurers, and the claimants were paid out in full.

"To wait until death overtakes a policyholder before the permanence of the disease is conceded defeats the whole object of the cover, which is to make life easier while life persists." — Reuter.

Argus 21/12/95

Third-party fund rapped over deficit

(58)

The deteriorating position of the Multilateral Motor Vehicle Accidents Fund, with a deficit exceeding R4 200-million, could not be allowed to continue, Parliament's joint committee on public accounts said yesterday.

The committee, chaired by DP member Ken Andrew, expressed "grave concern and disappointment" that the situation had not yet been rectified and recommended that the Cabinet be informed about the implications.

The fund took over third-party insurance when compulsory levies through the price of petrol were introduced. – Own Correspondent.

Third-party fund deficit tops R4,2bn

(58)

POLITICAL STAFF

CT ~~(BR)~~ 21/12/95

THE deteriorating position of the Multilateral Motor Vehicle Accidents Fund, which already had a deficit of more than R4,2 billion, could not be allowed to continue, Parliament's Joint Committee on Public Accounts said yesterday.

It also expressed its "grave concern and disappointment" that no fundamental steps had yet been taken to correct the fund's deteriorating financial position.

The MMVA Fund, which took over third-party insurance when levies through the price of petrol were introduced, has been in financial trouble for years.

Sun Multi Serve flouts closure order

Lukanyo Mnyanda

THE Registrar of Banks last night threatened to call in police assistance in dealing with Sun Multi Serve following the fund's refusal to close its doors and hand over management control.

Registrar Christo Wiese — who ordered the fund's closure on Tuesday and appointed Deloitte & Touche to recover at least R50m in investors' money — said the decision by Sun Multi Serve to ignore him contravened a court order.

Sun Multi Serve said it would continue taking investors' money and planned to meet Wiese on Christmas day to discuss his order, which it deemed a "proposal".

Wiese dismissed any prospect of a meeting and warned that police would enforce the order and Sun Multi Serve could face contempt of court charges.

The registrar's decision to close Sun Multi Serve followed an investigation which suggested the scheme, which had offered returns of 3 000% to about 53 000 investors, contravened the Banks Act.

Wiese also denied that Sun Multi Serve was a stokvel, and described the fund as "a pyramid scheme".

Sun Multi Serve claimed the registrar's order was racially based, and that fund members would embark on mass action and "cause chaos" if Wiese

Continued on Page 2

Sun Multi Serve

Continued from Page 1

(58)

BD 21/12/95

refused to relent.

Details of the mass action would be made known next week after fund officials had told investors of the latest developments, spokesman Victor Monamodi said. Investors were angry at what they saw as a "sinister" campaign by white institutions which felt threatened by the scheme's success.

He called on the "black" government to ensure the Banks Act was "friendly to our heritage". When Afrikaners took political power they changed bank laws to allow the formation of Afrikaans-controlled financial institutions and this should now be done for black people.

"People are very happy with the scheme. We have not received a single complaint from people claiming they were not paid their dues," he said.

Picture: Page 3

Credit dries up for farmers

(3) (58) BD 21/12/95

PIETERSBURG — Commercial banks and other financial institutions such as co-operatives were apparently no longer willing to extend credit to drought-stricken farmers, Transvaal Agricultural Union president Dries Bruwer said yesterday.

Bruwer said farmers, who had now received rain and would soon be able to plant, suddenly found themselves without credit. Without the money the farmers would not be able to make the best of the favourable conditions.

"Had they recieved financial aid they might have been able to start working off their debts It is incomprehensible … farmers and their banks and co-ops have always been partners in the past," he said.

He urged banks and financial institutions not to "turn their backs" on farmers at this stage. — Sapa.

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Stokvel blames lawyers

(58) Sowetan 21/12/95

'We would have planned differently if we'd had proper legal advice'

By Musa Zondi
Consumer Reporter

SUN MULTISERVE, registered as South Africa's largest stokvel scheme, yesterday blamed their legal adviser for not explaining to them that its assets could not exceed R9,9 million as stipulated by the Banks Act

The stokvel group, whose assets of R50 million were frozen by the Reserve Bank last week, told the Press yesterday that if they had been given proper legal advice by their lawyers, they would have planned differently.

Mr David Mogashoa, technical adviser to the group, said they had since changed their legal team. They are now negotiating with the registrar of the Reserve Bank proposals that would ensure the scheme continue. "Both parties presented constructive proposals on the future status of SMS and its funds. We will be forwarding these proposals to the membership for a further mandate," said the statement.

Multiserve officials refused to divulge the contents of the proposals, saying they would have to put them to their members first at a series of meetings planned for the weekend.

Other members of the group hit back at those accusing them of running a scam, saying that the banks were envious of the kind of service and support SMS received from ordinary people who invested huge amounts. They claimed the scheme was banned and its funds frozen because most people had taken their money out of banks.

"This has become a racial thing. To us, SMS is a cultural thing – *mogodisano* – and this is our way of uplifting each other. Now they are saying they are concerned that people will lose their money. Since when have white people been concerned about our well-being?" said Mr Terence Mpofu, SMS regional manager in Mabopane.

Mpofu said what made this scheme successful and different was that decisions were not made by an individual but taken by the committee or the board of directors.

"We have 29 branches and it is people who request that we set up branches in their areas. We do not just go in".

SMS had also planned to set a bank in future that would make loans to people who were turned away from conventional financial institutions.

But for the time being, lofty plans would be shelved until the impasse with the Reserve Bank is resolved.

Wiese gives fund 5-day deadline to close down

(58)

Lukanyo Mnyanda BD 22/12/95

THE Registrar of Banks has given Sun Multi Serve five days to close down and hand over all its documents, amid the fund's continued defiance of the closure orders made earlier this week.

Registrar Christo Wiese, who on Wednesday threatened to send police to the fund's offices, said the scheme's management had agreed to comply by December 27.

Fund manager Tim Store would take over the management reins on that day, and begin recovering investors' cash of more than R50m.

Officials from the fund were unavailable for comment yesterday, but a spokesman — who refused to be named — dismissed Wiese's ultimatum.

"How can we close down our Tswana business," he said, "and give it to a man who didn't form it and doesn't know anything about it?" He said Sun Multi Serve was not aware of the December 27 deadline and that the fund would stay open.

He conceded that the fund could not take in new investments until its bank account was unfrozen.

Wiese ordered Sun Multi Serve's closure earlier this week after investigations disclosed the fund had contravened the Banks Act. The legal asset limit for stokvels is R9,9m. The fund also offered its 53 000 investors returns of 3 000%.

He said Sun Multi Serve was not a stovkel, but a "quick money scheme" generally aimed at tricking "unsuspecting, trusting people into investing money. Stokvels stem from the culture of the people and are based on good faith and trust between members."

Sun Multi Serve's operations were too large and had, he said, lost the most important element of a stokvel, namely "a common bond among members".

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BUSINESS PERSONALITY

Lizo the watchful eagle eyes SA's youth investment

Special Section W/E Arg. 23/24/12/95

38

ALIDE DASNOIS
Business Editor

LIZO Ngcokoto of Ukhozi Investments, student activist turned businessman, now devotes much of his energy to persuading other business people to invest in South Africa's youth.

He is one of the driving forces behind the Crossroads Education Fund launched by Deputy President Thabo Mbeki last month.

The fund, which now stands at about R795 000, aims to offer free tertiary education to "the poorest of the poor" — students from Crossroads and other squatter areas.

Students interested in engineering and science will be given first access to the money.

Cape Town companies which have provided funds include listed electronics group Plessey, Grinaker and Nasionale Pers.

"Our plan is to create high-calibre black scientists, engineers and technicians," says Mr Ngcokoto.

"We want to catapult black men and especially black women from the poorest areas into the role of captains of industry."

He vividly remembers his own parents' struggle to bring up and educate their seven children.

Educated at Xolani Primary School and Sizamile High in Nyanga, he matriculated at the Rosebank House College and went to the University of Cape Town on a bursary to study history.

An active member of the Young Christian Workers (YCW) and publicity secretary of the Congress of South African Students (Cosas) while at school, he joined the Azanian Students' Organisation (later to be renamed the South African National Students Congress) at university.

He was detained during the 1986 state of emergency and spent seven weeks in solitary confinement during the 1986 emergency.

Armed with his UCT history honours degree, Mr Ngcokoto enrolled at the University of London, graduating with a master's degree in 1991, with a thesis on black newspapers in South Africa at the turn of the century.

Back in South Africa, he worked as a research consultant for Wesgro, the Small Business Development Corporation, Zille Shandler and the Surplus People's Project.

He then joined the Independent Development Trust as assistant to chief executive Wiseman Nkhulu and was appointed Western Cape regional manager until his resignation in September to work full time on Ukhozi Investments.

Ukhozi — "eagle" in Xhosa and Zulu — was founded in February as an investment vehicle for black companies in the Western Cape.

Shareholders are prominent black business people including property developer Zitulele Combi, Nomzamo Cuba of Guguletu Meat Entreprises, Moegamat Isaacs, Khayelithsa retailer Mzamo Kalo, Nabe director Beatrice Mboya, motor dealer Innes Murudker, Nafcoc and Wesgro director Yousuf Pahad, Commlife head Frederick Robertson and transport company chief Patricia Gorvalla.

As investment opportunities are identified, they will raise the funds needed, says Mr Ngcokoto.

Listed investments bought by the company — which has no connection with the recently listed Durban-based property group of the same name — include Automakers, Norwich and Plessey.

The company is on the lookout for opportunities in the western Cape, whether listed company investments, joint ventures or small businesses.

"We don't want to reinvent the wheel. In electronics, for instance, it would take us a decade or so to develop black executives of high calibre; we have been disadvantaged for so long.

"We must rather benefit from companies with expertise and develop joint ventures with companies like Plessey."

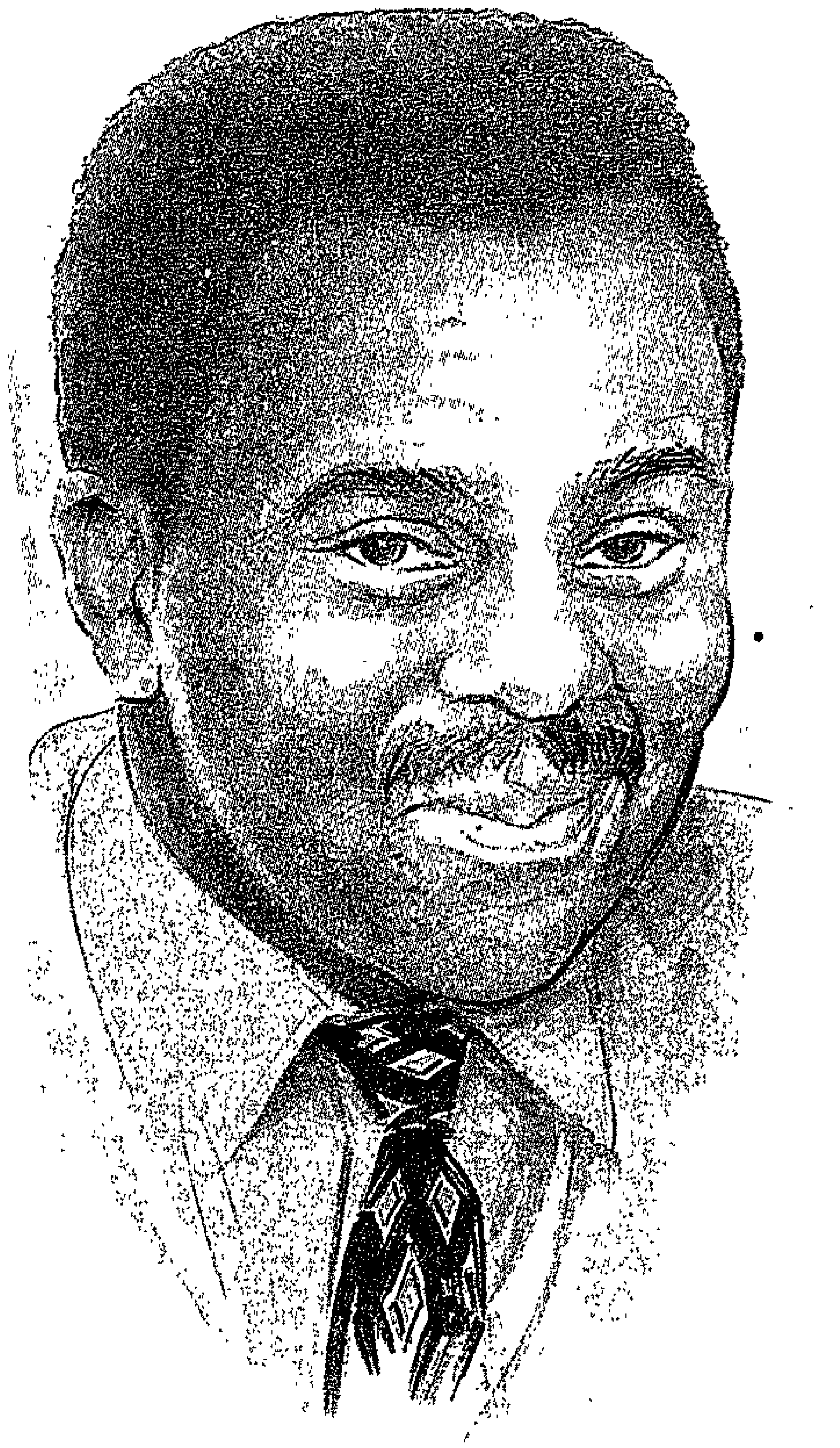
One of Ukhozi's goals is to to broaden the country's shareholder base by mobilising savings generated by black South Africans through pension funds, stokvels and trade union subs.

"We already have an investment culture in the black community," says Mr Ngcokoto, "with the stokvels and savings clubs.

"Now we have to open the way to investment by ordinary people on the stock exchange."

ARG B/Supp. 23/24/12/95

BUSINESS PERSONALITY



□ **EAGLE EYE:** Student activist turned businessman, Lizo Ngcokoto and his partners founded Ukhozi Investments with a view to empowering blacks in Cape Town. Ukhozi — "eagle" in Zulu and Xhosa — plans to mobilise people's savings to invest in Johannesburg Stock Exchange-listed companies, joint ventures and small businesses.

● Interview: page 3.

Bertrad slice losses

58

Business Editor

BERGERS Trading Holdings (Bertrad) slashed after-tax losses to R7,4 million in the six months ended September, compared to R17 million a year ago.

The April-to-September 1994 figures are published for the first time, because the company has changed its year-end from December 31 to March 31.

The interest bill has been cut from R1,9 million to R315 000.

Control of the struggling clothing retailer was taken over by German investor Claus Daun in April this year, after the near-collapse of the group at the end of 1994.

MD Joe Wolfson said losses should drop further in the current six months.

The results were rewarding since Bertrad had difficulty re-stocking in the first quarter of the year, because most suppliers had been reluctant to deliver.

Turn-over dropped slightly because of the closure of 12 non-profitable stores and the sale of the Hilton Weiner chain in January.

Three new outlets had been opened, Mr Wolfson said, and three more were due to open in the first half of 1996.

A total of 97 stores would be refurbished.

Capital spending of R2,6 million — to be funded by finance leases — had been approved.

Mr Wolfson said the launch of the Bergers private label credit card in June had been successful, but most customers still paid in cash. This was unlikely to change, he said.

Pay back millions, bank chief orders

CP 24/12/95 (58)

By DESMOND BLOW and SIFELANI MLAMBO

THE REGISTRAR of Banks Christo Wiese this week ordered Sun MultiServe to repay R50 million back to thousands of investors who had been hoodwinked into a "get rich quick" scheme that promised them three times their investments within weeks.

He said if they did not comply he would prosecute them.

However, it would appear that most of the investors, most of whom are illiterate rural people, will not recover all their money – because much of it has already been paid out to a few selected investors.

Sun MultiServe is believed to have branches in several towns, including Johannesburg, Kempton Park, Pretoria, Carletonville and Rustenburg, and also in the North West.

Multiserve uses its investors to recruit other people into the scheme.

Police spokesman Inspector Andy Pieke said the schemes were illegal and warned that most investors would lose their money when the schemes collapsed.

The Gauteng headquarters of MultiServe is at the Corner House Building in Central Street, Kempton Park.

MultiServe demanded a fee of R80 to become a member and promised to pay R1 200 for a R360 minimum investment and R120 000 for a R30 000 investment.

It also promised "bonuses" to people who formed syndicates and invested large amounts as a group.

It is not clear at this stage if the people behind the schemes can be prosecuted when investors do not get all their money back.

Wiese said he was handling the matter with "velvet gloves" because many of the investors were adamant that they were not being swindled and have accused the police of stopping them from gaining riches.

He repeated his warning that people should not

'Pay back millions'

(58) CP 24/12/95

From Page 1

invest in these schemes that were sweeping the country.

Although the schemes were passed off as stokvels, they did not operate in the same way, and most investors would eventually lose their money, he said.

He was acting under the Banks Act which forbade organisations other than registered banks to control investments of more than R9,9 million.

Wiese said organisations such as Sun MultiServe controlled assets of up to R50 million.

Although police action has so far only been taken in the Free State, Wiese's warning applies to organisations operating in other provinces.

In at least two cases the organisers have made no attempt to pay any of their investors and have simply scarpered with the money.

These cases are different and the fraud squad, not the gambling units, are investigating them.

Police have started a nationwide search for one organiser, who claimed to be a minister of religion, who allegedly in five days defrauded residents of the small Free State dorp of Bultfontein of a hugh amount of money, estimated by some authorities as R7 million and others as R17 million.

The confidence trickster, who introduced himself to the people of Bultfontein as "Pastor" J R Sello, took advantage of the crazy "get-rich quick" pyramid scheme that had swept the country to get people to invest money in a similar scheme.

But unlike the operators of the other schemes, where a few people have trebled their investments at the expenses of thousands of others, "Sello" made no effort to pay anyone.

He simply left town.

The glib-talking "Sello" gave the name of his company as the "Thuso/Usizi Society" and the address of the business as 30 Voortrekker Street, Vereeniging.

But inquiries by City Press this week revealed that neither Sello nor the Thuso/Usizi Society was known at that address.

Unlike the other schemes where a few people have trebled their investments and scores have lost, Sello is not being investigated under the Gambling and Lottery Act, but for straight-forward fraud.

Investors in his scheme say he told them a foreign government had injected large sums of money into his scheme, and that for every R4 441 invested a repayment of R12 000 would be repaid days later.

But when the investors went to reclaim their investments and huge profits they found he had flown the coop.

24 SUNDAY TIMES, Business Times, December 24 1995

Stokvel warns of mass action after closure

(58) ST(BT) 24/12/95

By THABO KOBOKOANE and MARCIA KLEIN

THREATS of mass action have followed the Registrar of Banks' decision to shut down Sun Multi Serve, the "super-stokvel" holding R50-million of investors' funds.

Sun Multi Serve has dismissed claims by Christo Wiese, the Registrar of Banks, that it is a get-rich-quick scheme, saying the Reserve Bank's actions are "racially motivated".

Mr Wiese, however, says Sun Multi Serve has contravened the Banks Act through illegal deposit-taking.

Earlier this week, Mr Wiese ordered the closure of the stokvel for contravening the Banks Act by holding well in excess of the R9-million allowed stokvels.

He appointed Tim Store, an accountant with Deloitte & Touche, to manage the fund's affairs and recoup investors' money.

David Mogashoa, a spokesman for Sun Multi Serve, says the "Reserve Bank cannot and has no reason to close us down", but admits the stokvel has stopped taking money from investors.

"White people know absolutely nothing about stokvels and therefore will not understand how it works," says Mr Mogashoa. He says none of the investors have complained about the stokvel except white people and white institutions threatened by its success.

Mr Mogashoa says the members of Sun Multi Serve, which started in February this year, have threatened mass action and will "not rule out the use of force" if they are closed down.

Mr Wiese says it had become clear that Sun Multi Serve was conducting the business of a bank, and banks must meet specific requirements designed to protect investors.

"The activities of Sun Multi Serve do not remotely resemble the business of a stokvel in that its operations are too large.

"It has lost the most important element of a stokvel, namely that of a common bond between its members."

He warns investors that quick-money schemes do not invest the money raised in any viable way which can produce the promised returns.

Mr Wiese says Mr Store will get hold of Sun Multi Serve's bank accounts and put the funds into assets which earn interest.

"We do not know how many investors there are or what their claims are, but the nature of the scheme suggests there will be a shortage."

Clampdown on credit to farmers

58

SPECIAL CORRESPONDENT

ST 27/12/95

PRETORIA: Farmers enter the New Year facing a huge financial crisis as banks, state financial institutions and co-operatives clamp down on extending credit to them.

The government's Agricultural Credit Board (ACB) has virtually doubled its interest rates on old and new loans and banks are taking a hard look at the creditworthiness of farmers who have traditionally obtained huge loans.

The move follows the implementation of the RDP agricultural policy, which stipulates that financial and other services had to concentrate on small and resource-poor farmers.

Already hard-hit by drought, farmers owe a collective R20 billion accumulated over the past 25 years.

Angry investors 'to be unleashed'

Lukanyo Mnyanda BD 27/12/97

(58)

SELF-proclaimed stokvel Sun Multi Serve raised the stakes in its row with the Registrar of Banks yesterday, threatening to unleash 30 000 angry investors on the registrar's offices unless officials bow to its demands.

Spokesman Caswell Maribeng said yesterday the fund would transport investors to Pretoria on Friday from its 28 branches across SA to "demand our money" from registrar Christo Wiese.

Wiese last week ordered the fund's closure, and appointed Deloitte & Touche to recover at least R50m taken from the fund's investors. He has given Sun Multi Serve until today to hand over its files and management control.

But Maribeng said investors had unanimously agreed at a meeting at the weekend that Sun Multi Serve should administer any recovery of funds. The fund regarded Wiese's ultimatum as a proposal, Maribeng said.

Wiese was unavailable yesterday.

Maribeng said investors had made a number of resolutions on the scheme's future at the weekend and these would be made public later today. The fund would not close but would operate under a different structure and might even change its name.

The scheme's branches were likely to become independent with their own bank accounts, which would nullify Wiese's charge that Sun Multi Serve was too large to be a stokvel. The fund would also apply for membership of the National Stokvels' Association of SA.

Stokvels threatens to disrupt two banks

(58)

Adrienne Giliomee

SUN Multi Serve would decentralise its 28 branches into individual stokvels with independent bank accounts if the registrar of banks did not unfreeze its bank accounts, Sun Multi Serve technical adviser David Mogashoa said yesterday.

Members would disrupt business at Standard Bank and Absa branches in areas where Sun Multi Serve operated if registrar Christo Wiese did not respond to its demands by January 5. "It was United Bank and Standard Bank which started this onslaught against us when they realised they were losing business to us. If they do not want us to continue with our operations, we will do the same to them," he said.

Mogashoa said 28 000 fund members attended a special meeting on Sat-

BD 28/12/95

Continued on Page 2

Stokvel

Continued from Page 1

urday where they rejected the court order Wiese had obtained to freeze the fund's accounts and his decision to refund investors. "Members resolved to demand the return of funds to Sun Multi Serve by Wiese as they have never mandated him to confiscate these funds." Mogashoa said members had decided Wiese should divide the fund's assets of R50m among its 28 branches, on the basis of membership figures, and deposit these amounts in their new bank accounts.

Sun Multi Serve would press ahead with plans to march to the Reserve Bank tomorrow to hand its demands to Wiese and to call for "economic liberation for blacks", he said.

However, Wiese's office said he was on leave until next week.

Mogashoa said Sun Multi Serve members planned to barricade the fund's headquarters in Rustenburg to prevent investigating officials from entering to obtain documentation. "The membership of Sun Multi Serve has vowed not to co-operate with Wiese or his appointees."

This follows an order by Wiese last week giving the fund until yesterday to hand over to a task team its files and management control.

Deloitte & Touche fund manager Tim Store — who heads the team — said there had been a successful meeting between members of the task team and appointed representatives from Sun Multi Serve at Deloitte & Touche's Johannesburg offices. "Things went well and the investigation is still on track. We are getting good co-operation from them and do not foresee any problems in the near future."

Picture: Page 3

'Super stokvel' wants its money back now

Star 28/12/95 (58)

BY BRUNO JUBASI

Sun Multi-Serve, the "super stokvel" holding more than R50-million of investor funds recently frozen by the Registrar of Banks, said yesterday tens of thousands of its members will march to the Reserve Bank tomorrow to demand the return of the money to the stokvel.

David Mogashoa, a spokesman for Sun Multi-Serve, said thousands of investors had held a meeting at Rustenburg's Tlhabane Stadium where they had rejected the decision by Registrar Christo Wiese to freeze the stokvel's account.

They had also rejected Wiese's undertaking to refund investors, he said.

"The members resolved to demand the return of the funds to Sun Multi-Serve by Wiese as they have never mandated him to confiscate these funds," he said.

Mogashoa said their investors would not cooperate with accountants Deloitte & Touche, appointed by Wiese to manage the stokvel's finances.

He said Sun Multi-Serve had asked for urgent meetings with top Government officials and had also decided on "a broad programme of mass action to involve our investors in resolving the problem".

Loan clamp bodes ill for cash-strapped farmers

(58) Star 28/12/95

By Norman Chandler
Pretoria Bureau

Farmers go into the new year facing a huge financial crisis as a result of banks, State financial institutions and co-operatives clamping down on extending credit to them.

The Government's Agricultural Credit Board (ACB) has virtually doubled its interest rates on old and new loans while banks are taking a hard look at the creditworthiness of many commercial farmers who have traditionally obtained huge loans.

The move follows the implementation of the Reconstruction and Development Programme (RDP) agricultural policy, which stipulates that financial and other services had to concentrate on small and resource-poor farmers.

This has meant that expensive support for farmers by the Land Bank and ACB, which together provide 30% of all agricultural financing, is no longer allowed. ACB interest rates have jumped from 8% to 14%. Other financing comes from commercial banks (30%), co-operatives (25%), private institutions (8%) and other sources (7%).

Already hard-hit by drought, farmers, who owe a collective R20-billion accumulated over the past 25 years, now face a bleak financial future even though good rains have fallen over many areas, giving them the opportunity to begin ploughing sunbaked lands in anticipation of good crops in 1996.

Transvaal Agricultural Union president Dries Bruwer said from his Northern Province farm: "It is incomprehensible. Farmers and their banks and co-operatives have always been partners in the past."

It had come to his attention that financial institutions were "apparently no longer willing to extend credit", in particular to farmers in drought-prone areas – in reality, most of the Northern Province, Mpumalanga, North West Province and the Free State.

The decision means that it would be difficult for them to obtain credit at co-operatives for the buying of agricultural inputs such as seed and fertiliser, tractors, implements and fuel.

Chiefly a response to RDP demands

It could also have a further impact on the level of unemployment in rural areas as, this year, farm workers have lost their jobs in Northern Province alone due to the drought. There has also been massive unemployment in other provinces, although official figures are not yet to hand, while many farmers have left their properties to search for jobs.

One example of the credit clamp is that tractor sales this year have already dropped by more than 12%, according to latest statistics, and this is put down to debt as well as uncertainty on the farms over whether or not rain would fall, and fears of land restitution claims.

The three biggest commercial banks involved in the farming sector – Volkskas, First National and Standard – told The Star that as far as they were concerned, stepping up action against uncreditworthy farmers was chiefly a government response to the RDP stipulations.

"Banks look at each farmer's creditworthiness and any decisions taken about that farmer is purely in the interests of our business," one spokesman said. He admitted however that "certain farmers are not in a position to get any finance as they are unable to repay their loans".

Such a farmer could apply for a one-off government subsidy of up to R50 000 "and we could then look at the situation once again, but if a farmer can0not pay, then a decision has to be taken".

A spokesman for another bank said there were "definitely farmers who are in trouble" as a result of credit clampdowns, and said that over the past 18 months, 900 of the country's 9 500 maize farmers closed.

A spokesman for the regional banking division of Standard Bank said that, to his knowledge, the bank did not follow a policy in regard to clamping down on credit to farmers.

A warning to farmers was given earlier this year by Dr Andre Louw, chief agricultural economist for ABSA and Volkskas.

He told the Agri-Tech 95 conference that commercial banks were facing "the challenge of making sound, economic decisions". Only economic and financially viable undertakings and farmers could be financed.

Stokvels association review after inquiry

(58)

Adrienne Giliomee BD 29/12/95

THE National Stokvels Association of SA (Nasasa) would look into its entrance requirements after the Registrar of Banks commissioned an inquiry into self-proclaimed stokvels Sun Multi Serve.

A Nasasa official said yesterday that although Sun Multi Serve was a Nasasa member, the association had not given the investment fund its seal of approval. "Nasasa can only grant membership and does not become involved with the workings of a stokvels. The association does not take responsibility for any project and distances itself from any venture that has gone ahead without the consent of the executive committee."

To register as a stokvels with Nasasa, members had to meet regularly and have a common goal in mind. "Sun Multi Serve adheres to this definition but strictly speaking it is a pyramid structure as it relies on incoming money from new investors," the official said. A characteristic of a stokvels was its dynamic structure, he said. "Sun Multi Serve is a more permanent structure and is therefore strictly speaking not a stokvels."

He had already suggested that the entrance requirements be reviewed with a possible limit on funds invested in a stokvels. Currently the Banks Act limited the legal assets of stokvels to R9,9m.

Sun Multi Serve technical adviser David Mogashoa conceded at a news conference on Wednesday that the organisation was reliant on new investors "to some extent". But he said those who called the scheme a pyramid structure would have to label all stokvels as pyramid structures. "We have modernised the idea of a stokvels. We have a proven track record among our members, so we are angered when people call us a pyramid structure."

He said if all the fund's members called in their investments, the fund would not be able to pay all investors back, but it would raise a loan for this purpose. "It works on the same principle that if all the clients of a bank called in their deposits, the bank would not be able to refund everyone."

Minister meets stokvel managers

ARG 30/12/95 (58)

PRETORIA. — Minister of Finance Chris Liebenberg and a representative of the Reserve Bank have met managers of the Sun Multi Serve "stokvel" (savings and buying club) in Pretoria, his ministry said.

Afterwards, Mr Liebenberg said the talks had been very cordial and constructive and he had undertaken to meet the managers of the troubled stokvel again within a week.

More than 1 000 protesting members of the stokvel had earlier refused to leave the Union Buildings in Pretoria before they were allowed to hand a memorandum to Mr Liebenberg.

Police spokesman Moses Nonyane said the gathering was illegal as the protesters had permission only to march from Brown street to the Reserve Bank building.

The protesters handed a similar memorandum to Reserve Bank acting registrar Errol Kruger earlier yesterday, demanding that R50 million in assets siezed by the registrar be distributed among SMS's 28 branches.

Police were negotiating with protesters to disperse, superintendent Nonyane said.

However, the marchers said they would rather be arrested than leave without seeing Mr Liebenberg.

Police and troops kept a close watch on the marchers.

SMS's accounts were frozen almost two weeks ago after an investigation suggested it had contravened the Banks Act.

The Act states a stokvel may not control assets in excess of R9,9 million.

Registrar of Banks Cobus Wiese ordered the closure of SMS last week and gave the fund until Wednesday to hand over management control.

A memorandum addressed to President Mandela was later handed to a representative of the president's office, Lucky Dlamini. — Sapa.

Liebenberg meets stokvel management

PRETORIA. — Finance Minister Chris Liebenberg met investment group Sun Multi Serve management yesterday to discuss an order by the Registrar of Banks for the concern to close its doors.

Finance ministry spokeswoman Jennifer Wilson said the talks, which were also attended by a representative of the registrar, were "cordial and constructive". (58)

"The minister has undertaken to meet the management again within a week in order to try and find a solution," Ms Wilson said.

Registrar Christo Wiese ordered Sun Multi Serve to close its doors to the public last week and appointed a fund manager to work to secure its assets for the benefit of investors.

Industry sources alleged the group had taken at least R50 million from investors after promising returns of up to 3 000 percent.

Police said more than 1 000 demonstrators opposed to the firm's closure marched through Pretoria. They were granted permission to march to the Reserve Bank, but then some members of the crowd decided to go on to the government offices.

Police then held discussions with the organisers, and accepted three memorandums, which they promised to forward to Mr Liebenberg, Mr Wiese and President Nelson Mandela, before the demonstrators dispersed peacefully. — Reuter.

ARGUS 30/12/95

Mixed reaction to govt move on farming loans

BD 5/12/95

(58)

Louise Cook

GOVERNMENT's move to raise interest rates 6% on certain Agricultural Credit Board loans received a mixed reception from agricultural unions, ranging from acceptance to calls for an urgent review of the Agricultural Credit Act.

Agriculture Deputy Minister Thoko Didiza announced at the weekend the interest rate on all short-term loans would be raised to 14%, and farmers still in arrears with repayments on medium- and long-term loans by April, would be liable for an interest rate hike to 14% from the current 8%.

Beginner farmers accessing the state's R150m production-loan scheme set up in August would be liable for the higher rate. Under the scheme loans of up to R50 000 could be granted to beginner farmers, with a repayment period of two years.

The National African Farmers' Union (Nafu), representing 700 000 black farmers, said the rate was raised at a time when beginner farmers were eligible to benefit from state help.

"There should have been affirmative action for a fixed period to give African farmers similar benefits to those given to white farmers since the inception of the Agricultural Credit Act 29 years ago."

Nafu called on government to review the Act urgently as there were still many assistance schemes which black farmers were unable to access.

The Northern Cape Agricultural Union, which represents 5 000 farmers, described the hike on medium- and long-term loans as reasonable.

Union GM Johan van Rensburg said the move was in line with normal business practice. Farmers in arrears with repayments should try to catch up to avoid the increase.

But Northwest Agricultural Union GM Rudi Malan said the "dramatic increase" was disappointing and would ruin those commercial farmers in financial difficulties.

Malan said the union would talk to the agriculture department to dissuade it from increasing the rates.

Banks welcomed government's move, saying that without market-related rates there was no incentive to repay loans.

Comment: Page 16

Stokvel members march over freezing of accounts

(58) Star 30/12/95

About 1 000 members of the Sun Multi Serve stokvel marched in Pretoria yesterday demanding that the Reserve Bank release about R50-million of their investments.

In a memorandum handed to Reserve Bank acting registrar Errol Kruger, Sun Multi Serve demanded that the R50-million be distributed among its 28 branches. It gave the bank seven days to respond to the memorandum, adding that failure to comply would result in further action.

The protesters were to present a similar memorandum to finance ministry representatives at the Union Buildings.

Sun Multi Serve's accounts were frozen almost two weeks ago after an investigation suggested it had contravened the Banks Act. The act states that a stokvel may not control assets in excess of R9,9-million.

Registrar of Banks Cobus Wiese ordered the closure of Sun Multi Serve last week and gave the fund until December 27 to hand over control. – Sapa

Fed-up BMW sets up own car insurance

(58)

ST (BT) 31/12/95

By DON ROBERTSON

BMW South Africa plans to slash comprehensive insurance premiums for owners of its cars by introducing its own insurance scheme.

Chris Moerdyk, general manager of public affairs at BMW, says some insurance companies "persist in basing ridiculously high premiums on unfounded and often exaggerated car theft and hijacking statistics".

For BMW, the only way to counter this "insurance hysteria" is to demonstrate its understanding of the situation by offering insurance cover of its own.

While some insurance companies are offering reasonable cover of 5%-6% of the retail value of a BMW, others are quoting annual premiums of as much as 10% or 20% of the value.

"In spite of our own well-researched vehicle crime statistics as well as those from the police and independent research, this enormous discrepancy in insurance costs has convinced us that more than just a few players in the industry seem determined to squeeze as much as possible from our customers.

"The most plausible explanation is that some insurance companies are taking advantage of public fear about theft and hijacking. When one considers that, at best, only 50% of car owners can afford insurance, it is not surprising that some companies are targeting wealthy owners of higher priced models."

Mr Moerdyk says insurance companies have taken R20-million in premiums this year from the drivers of 1 000 Three Series convertibles, but paid out only R3-million for six stolen cars.

From Tuesday, BMW will offer insurance cover for theft and hijacking on all 1996 models for a period of 12 months. Additional cover for accident damage, third party liability and householder insurance will also be offered.

BMW will offer fully comprehensive cover on a 316i manual for R5 168 a year compared with Mutual & Federal's top rate of R11 576. Similar savings can be achieved on the Five and Seven Series ranges.

By keeping the theft and hijacking insurance components separate, customers may ask their existing insurers to provide additional cover. Insurance companies say almost half of the insurance premium is for theft and hijacking, with the balance for accident damage. Customers will have a stolen car replaced with a new one within the period of cover.

The cover will apply to all BMW cars registered in 1996, but the company is investigating offering the scheme to existing owners.

INSURANCE PREMIUMS

BMW Model	Retail price	Mutual & Federal	General Accident	BMW Insurance Scheme
315i M	R108 800	R11 576	*R8 376	R5 168
525i A	R216 600	R22 592	*R16 699	R10 289
740i A	R385 300	R39 868	*R28 529	R18 302

Survey based on 1995 prices, 30 year-old driver, privately owned cars, Gauteng area, 3 year no-claim.

* Premium subject to installation of security device