

Sunday Times (South Africa)

October 24, 2004

Economy, Business & Finance; Pg. 4

Absa certainly won't be painting the town red

RICHARD STOVIN-BRADFORD

BANK NOTES

Absa certainly won't be painting the town red

IT may not be the most obvious investment call, but surely it's time that an astute analyst put out a "buy" recommendation on Barloworld in response to Barclays' potential offer for Absa - which some say we might even see this side of Christmas?

After all, one of the best-known brands in the Barloworld portfolio is paint manufacturer Plascon. Surely it must be in line for a sizeable paint order as either Absa paints itself a Barclays shade of turquoise, or First National Bank relinquishes its oh-so-familiar turquoise livery.

FNB's thorn tree logo, famed in banking-circle jokes for its symbolism of branches and their finger-piercing consequences, looks set to stay. But will its Barclays' colours?

It was fascinating to learn last week that Barclays plans to boost profits and cut costs in its core UK operations. These deliver half the bank's profit but are the slowest-growing part of the bank.

Small wonder that the British bank should want to top up its return on equity with a healthy dose of South African earnings.

Elsewhere one could not help noticing that credit provider African Bank Investments Limited (Abil) was mulling a preference share issue to facilitate the entry of an empowerment group into its dividend-rich equity base.

It is noteworthy firstly because Abil has tended to make skilful use of capital-market funding instruments in its recent history and is something of a trendsetter, and secondly because, at last, Abil appears to be giving serious consideration to an empowerment structure - though it assures us a deal is not imminent.

Knowing how well incentivised Abil staffers are, it would be entirely in keeping if the credit bank's staff came in for a nicely empowering dollop of equity. Perhaps regular borrowers with good credit behaviour should be rewarded with a few shares too, to help along the increasingly fashionable but hard-to-pinpoint broad-based empowerment thing.

Abil has taken its time embracing group level empowerment. But knowing how its spirited management team thinks, it is likely to do something very different from its larger peers in the banking sector.

Bear in mind too that Abil already has about 30000 empowerment shareholders as a result of the New Africa Investments Limited unbundling a couple of years ago.

And now for something completely different. Tomorrow we must welcome an interesting phenomenon in the shape of the specially created national bank account, Mzansi.

Mzansi, which translates literally as "South", will be co-branded by its launch participants, including the big four banks plus Meeg Bank in the Eastern Cape and PostBank.

Several times in the past year Mzansi looked to have gone south itself as it encountered obstacles in officialdom, but it now looks as though there is real political will to make it happen.

Mzansi will offer basic deposit, withdrawal and debit card functions as a minimum, but each participating bank will set its own fee structure. Some participants, including PostBank, may offer debit orders as well.

The overriding and entirely noble aim is to create an easy-to-

understand and easy-to-use account for the country's hitherto **unbanked**.

If there is demand for them at all, take-up of Mzansi accounts will help government and private-sector banks understand just how relevant and sensible the financial sector charter targets for access and affordability are in practice.

At least the banks will be able to say they have tried once again to bank the **unbanked** - and hopefully that will be the end of attempts to prescribe what they should do in fulfilment of the government's social agenda.

Barclays' shareholders might also want reassurance that their bank is not about to invest heavily in a somewhat distorted market.