'Cost-shy' Standard Bank bounces back, Africa's results sharp

By Issa Sikiti da Silva: @sikitimedia

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The Standard Bank of South Africa (SBSA), Africa's largest bank in market capitalisation and assets, has posted headline earnings of R6.637 billion for the six-month period ended 30 June 2011, R423 million of which was generated from its Africa's operations and R125 million from Ugandan operations alone, according to the unaudited financial results released yesterday, Thursday 11 August 2011, in Johannesburg.

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The headline earnings - an increase of 11% on the corresponding period last year - and headline earnings per share of 418.4 cents (up 10%), represent a major victory for the SA-based financial services provider, which put in place a rigorous cost-cutting exercise last year, as it aims to stay 'alive and well' in the current volatile economic environment.

Return on equity (ROE) stands at 14.5%, slightly better compared to 12.5% for the same period last year, and a dividend per ordinary share of 141 cents has been declared, the results show.

"Costs have been our main focus since last year, and I'm glad that this exercise has started to bear fruit," SBSA Group CEO Jacko Maree told the audience at the Standard Bank Leadership Centre in Morningside, Sandton.

"Cost efficiency has become an increasingly important management tool for banks worldwide as the outlook for revenues remains uncertain," he added.

Banks worldwide have, for some time, been operating in a very tight environment, where they are forced to restructure businesses to improve profitability.

Bloomberg reported this week that the biggest global banks, including HSBC, Credit Suisse and Bank of America, have disclosed plans to cut 60 000 jobs since 1 January.

Persistent low interest rates, stagnant loan growth and new rules for debit cards will crimp US bank earnings this year, according to Bloomberg.

However SBSA, whose electronic banking transactions and cellphone banking users increased by 12% and 119% respectively, relishes a half-year of positive growth in banking penetration, longer duration deposits and liabilities, overall loan (including home loans), investment banking, and personal business banking franchise, among others.

SBSA has experienced in-country higher ROEs in its mature African franchises, which include Uganda (43%), Lesotho (38%), Malawi (32%), Swaziland (23%) and Namibia (19%), according to the financial results.

There were also some encouraging ROEs in countries where the bank is building for scale, namely Botswana (44%), Zambia (31%), Mozambique (26%), Ghana (22%), Tanzania (20%) and Kenya (7%), SBSA's Ben Kruger revealed.

"Uganda is an example of a successful universal bank," Kruger announced, adding that the Eastern African country is the market leader with a top customer base, a mature branch network (79 branches), good growth in business network, and a further growth potential across all products in both business units.

"Africa is at the core of our refined strategy," Maree said, adding that his organisation has a good platform from which to expand.

"We have the capacity to grow organically, so we are not compelled to make any acquisitions despite not being at sufficient scale in key regions, and we are looking for acquisition opportunities in Africa," he concluded.

Standard Bank has 9.3 million retail consumers, over 700 points of representations, 6 900 ATMs and 8 200 bank shops in SA, SBSA's Sim Tshabalala said.

Standard Bank is building a new office development in Rosebank, Johannesburg, at a cost of R1.6 billion. The premises will house 5 600 of its employees, Moneyweb reported this week.

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Issa Sikiti da Silva is a winner of the 2010 SADC Media Awards (print category). He freelances for various media outlets, local and foreign, and has travelled extensively across Africa. His work has been published both in French and English. He used to contribute to Bizcommunity.com as a senior news writer.

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