Standard Bank refines strategy, reallocates responsibilities

During the Standard Bank Group's annual results presentation for 2010, the group's chief executive Jacko Maree announced that the group has refined its strategy and reallocated responsibilities between its three deputy group chief executives, Ben Kruger, Sim Tshabalala and Peter Wharton-Hood, who will continue to report to Maree.

Kruger will assume responsibility for both major banking business lines, corporate & investment banking and personal & business banking. He will be responsible for optimising client relationships and revenue generation across the banking group.

Tshabalala will continue as the chief executive of the Standard Bank of South Africa (SBSA), the group's largest banking operation. Its South African base remains the springboard for its expansion and he will continue to ensure that the requisite level of attention is paid to preserving and growing the franchise in the bank's home market.

Wharton-Hood will maintain his accountability for operations and IT across the banking group. In addition, he will be assuming responsibility for the effective and efficient operation of all banks outside South Africa.

Speaking at the presentation, Maree said, "We are well capitalised, profitable and have a clear growth path, despite an uncomfortable cost-to-income ratio of 61.7% and an ROE of 12.5%. We have therefore, over and above the necessary action taken on costs, looked very carefully at our business strategy and refined our strategy to align it to changes in the group's operating environments. After extensive debate, we believe that a fundamental revision of the strategy is unwarranted, but that some refinement and tightening of strategic focus is required.

Strategy for Africa

"Africa is at our core and the bank will continue to build first-class, on-the-ground banking franchises in chosen markets in Africa, investing in people, branch networks and systems. Our rapid pace of investment in those countries has not been vindicated by recent revenue trends. Nevertheless, we are confident that future revenue flows will justify these investments in infrastructure. As we create stronger annuity revenue streams and customer relationships in our domestic operations, these will provide greater opportunity to leverage our cross-border investment banking and global markets capabilities."

It no longer has ambitions to buy or build additional domestic businesses in markets outside of Africa. However, it will connect other selected emerging markets to Africa and to each other, applying its sector expertise, particularly in natural resources, globally.

The bank's long standing natural resources franchise will retain its importance and remains a key focus area. It will continue to improve its sector coverage, expand its activities across the entire commodity value chain and put more of its people closer to its clients in the countries in which they operate.

China continues to be critical to Standard Bank's strategy. It will continue building robust banking systems for Chinese clients in Africa and positioning the group to service the growing trade and investment flows between China and other emerging markets.

"In the context of our refocused strategic ambitions, tight capital management is fundamental. Now that we have more clarity on the proposed Basel 3 requirements, we have a clearer framework for optimising the deployment of capital across the group. This will be addressed from 2011 and over time will result in lower amounts of capital being allocated outside Africa."

Europe out, sub-Saharan Africa in

Signs are that the global economy will continue to recover slowly, but the combined threats of increasing inflation in developing economies and budget deficits in Europe pose risks to economic growth.

In sub-Saharan Africa, Standard Bank expects domestic demand to remain strong given rising real incomes and sustained private and public investment. In addition, exports are expected to benefit from the reorientation of trade toward the faster-growing markets in Asia. Africa is firmly in the company of the emerging markets outperforming the global economy in the medium term. However, growth will remain contingent on the improving health of the global economy and while there is certainly appetite for investment-led growth, there are a number of African countries facing significant political risk in the coming year.

"Strategically we are well positioned and our capital adequacy is strong. After two extremely difficult years we are focusing on improving our ROE through revenue generation and cost containment," said Maree.

"We have taken decisive action to address our cost base, improve operational efficiency and close poorly performing business areas. We believe these initiatives, combined with an ongoing decline in credit impairments, will have a positive impact on our financial performance and ensure that we are well-positioned to resume growth in earnings," he concluded.