



Standard Bank
Jersey Limited
Summary Financial Statements 2019

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General Information

Directors

P L Schlebusch (Chairman)
A E Astall
J C N Peake
W P T Thorp
G M Vogel
M Nienaber
P M Yates
C G Molteno (appointed on 7 June 2019)

The directors present the summary financial statements of Standard Bank Jersey Limited (the "Bank") for the year ended 31 December 2019. It is a summary of information contained in the Bank's audited financial statements for the year ended 31 December 2019 (the "full annual financial statements"), as approved by the Board of Directors on 11 February 2020, which have been audited and delivered to the Registrar of Companies in Jersey. The Independent auditor's report was not qualified in any respect.

The principal activities of the Bank are banking and related financial services activities.

Secretary

M G Fletcher

The information contained within these summary financial statements has been prepared in accordance with the requirements of the Banking Business (Jersey) Law 1991. Additional information to allow for a full understanding of the results of the Bank and state of affairs of the Bank has been submitted to the Jersey Financial Services Commission, as required by the Banking Business (Jersey) Law 1991. In accordance with the Banking Business (General Provisions) (Amendment) (Jersey) Order 1994, the Bank has decided to adopt the summarised form of financial statements.

Registered office

Standard Bank House
47-49 La Motte Street
St. Helier
Jersey JE2 4SZ
Channel Islands

The summary financial statements are derived from the Bank's full annual financial statements and do not contain the equivalent detailed note disclosures or additional information regarding the Bank's results and its state of affairs.

Contacts

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Copies of the full annual financial statements are available to depositors on request from the registered office of the Bank.

The Bank is a wholly owned subsidiary company of Standard Bank Offshore Group Limited which is incorporated in Jersey. The ultimate parent company is Standard Bank Group Limited, a company registered in the Republic of South Africa.

Copies of the financial statements of Standard Bank Group Limited are available on <http://reporting.standardbank.com>

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Financial Review For the year ended 31 December 2019

Performance commentary

The Bank showed a strong performance in 2019, with a net profit for the year of £21.2m (restated 2018: £17.5m). The increase year on year ("YoY") was due to revenue growth of 4.1% (£2.1m) and a decrease in operating expenses (including management charges) of 5.5% (£1.8m).

Revenue

Net interest income ("NII") accounted for 76.2% of the 4.1% revenue growth, increasing by 4.5% from £35.9m in 2018 to £37.5m in 2019. NII growth was driven by loan growth, average lending volumes were up £54m against prior year mainly due to the unwinding of sub-participated loans in December 2018, and balance sheet management initiatives which led to increased higher margin placements with Standard Bank South Africa ("SBSA"). Overall margins also benefitted from base rate rises in 2018, three in the US and one in the UK, with the full year impact realised in 2019.

Non-interest revenue ("NIR") increased by £0.5m YoY largely driven by increased client FX volume. NIR also included the benefit of better exchange rates on non-sterling revenues with GBP weakening on average 9% YoY against major currencies.

Expenses

Operating expenses decreased by 5.5% driven by better recovery for shared services costs incurred for other group companies. The cost to income ratio decreased from 62.2% to 56.5% YoY.

Loans and advances

Gross loans and advances to customers grew 11.8% YoY, due to the Bank's continued strategy to grow the loan book through improved pipeline conversion. Loans and advances to SBSA decreased by 13.0% YoY.

Capital, funding and liquidity

The Bank remains well capitalised. The Bank's Total Capital Ratio ("TCR") closed the year at 20.7% (2018: 20.5%) prior to capitalising the profits for 2019, well above the jurisdictional minimum regulatory requirement of 10.0%. The expected credit loss provision remained immaterial.

The Bank's liquidity position remained strong and within approved risk appetite and tolerance limits. The Bank's investment into liquid assets (treasury bills) reduced during the year and closed at £583m (2018: £607m).

Looking forward, the Bank's performance is anticipated to remain profitable and aligned with the Standard Bank Group's client proposition. The loans and deposits pipelines continue to show a healthy outlook.

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Summary Financial Statements For the year ended 31 December 2019

Summary statement of comprehensive income for the period ended 31 December

	2019 £'000	Restated 2018 £'000
Profit for the year after income tax	21 215	17 511
Total other comprehensive income	1 281	1 227
Total comprehensive income for the year	22 496	18 738

Summary statement of financial position as at 31 December

	2019 £'000	Restated 2018 £'000
Assets		
Loans and advances to banks – SBSA	933 746	1 073 016
Loans and advances to banks – Other	17 319	26 646
Loans and advances to customers	509 664	455 707
Financial assets at amortised cost	582 608	606 510
Derivative financial instruments	2 277	1 406
Equity instruments at fair value through OCI	3 235	2 181
Property, plant, equipment and right of use assets	4 533	2 238
Other assets	17 682	10 701
Retirement benefit asset	756	165
Total assets	2 071 820	2 178 570
Liabilities		
Deposits from banks	1 340	1 193
Deposits from customers	1 881 678	2 019 631
Derivative financial instruments	2 051	1 203
Deferred tax liability	76	17
Current tax liability	2 122	2 031
Other liabilities and provisions	29 977	22 435
Total liabilities, excluding shareholder's funds	1 917 244	2 046 510
Equity shareholders' funds		
Share capital	36 300	41 300
Share premium	7 734	–
Non-Cumulative Additional Tier 1 Capital Notes	21 270	21 270
Retained earnings	96 082	77 581
FVOCI reserve	3 235	2 181
Cashflow hedging reserve	923	–
Share option reserves	152	152
Post-employment benefits reserve	(11 120)	(10 424)
Equity shareholder's funds	154 576	132 060
Total liabilities and shareholder's funds	2 071 820	2 178 570

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Notes to the summary financial statements For the year ended 31 December 2019

1. Basis of compliance

The Bank's full annual financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

2. Merger of the Bank and Standard Bank International Investments Limited ("SBILL")

During the year, the board approved a merger between the Bank and SBILL, with the Bank as the surviving entity, pursuant to Part 18B of the Companies (Jersey) Law 1991.

As a re-organisation of entities falling under common control, this transaction is specifically outside of the scope of IFRS 3. For purposes of the audited financial statements, the merged company was presented as if the two companies had always been one company. All the assets, liabilities, capital and reserves, income and expenses of the two companies were added together on a line by line basis. Intragroup balances, transactions, income and expenses between these two companies were eliminated in full. The two companies had uniform accounting policies and the same reporting dates.

All the property and rights to which each of the companies was entitled immediately before the merger was completed became the property and rights of the merged company.

Comparative financial information has been restated to reflect the results and performance of the Bank and SBILL as one company, pursuant to Article 127FN (1) Companies (Jersey) Law 1991.

3. Equity instrument at FVOCI

Following the purchase of Visa Europe Limited by Visa Inc., in June 2016, among other consideration, the Bank received 2,188 Series B Visa Inc. Participating Preferred Stock ("Preferred Stock"). The Preferred Stock will be automatically converted to Class A Visa Inc. Common Stock no later than the twelfth anniversary of the transaction close date (21 June 2016). The eventual number of Class A Visa Inc. Common Stock shares to be received is dependent on the conversion factor on 21 June 2028. As of the reporting date, the conversion factor is 12.936 (2018: 12.939). The conversion factor is expected to reduce over the period to maturity based upon any costs or pay-outs associated with covered claims. Covered claims are certain legal claims, as defined in the Litigation Management Deed, dated 21 June 2016, that have been or will be made against Visa Inc. These covered claims will be borne by the members of Visa Europe Limited through a reduction in the conversion factor noted above.

Over the twelve-year period, the Bank has a right to Class A Visa Inc. Common Stock dividends based upon the conversion factor as of the close of business on the date immediately prior to the record date for the dividend.

Valuation approach: The Bank has used a discounted cash flow model to determine the fair value of the Preferred Stock. The projected future cash flows, the likely pay-out from covered claims and a projected disposal value of the Class A Visa Inc. Common Stock at the conversion date have been discounted to a net present value. For the purposes of performing the year end valuation, the 12th anniversary has been used as the projected conversion date.

Observability: Where possible, observable market inputs have been used, including the current share price of Visa Inc., as well as using the conversion factor based on publicly available information relating to covered claims. Due to the uncertainty around the quantum of the covered claims and the period of time to settlement, certain unobservable inputs have been used.

Equity instrument at FVOCI reserves

The following table outlines the Equity instrument at FVOCI reserve movements in the year and prior year:

	2019 £'000	2018 £'000
Balance at 1 January	2 181	1 969
Re-measurement of Preferred Stock	1 054	212
Balance at 31 December	3 235	2 181

Amounts recognised in the income statement

	2019 £'000	2018 £'000
Dividends received	12	13

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Notes to the summary financial statements (continued)
For the year ended 31 December 2019

4. Contingent liabilities and commitments

To meet the financial needs of customers the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they carry credit risk and are therefore part of the overall risk of the Bank.

(a) Guarantees

Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act. Guarantees and standby letters of credit carry the same credit risk as loans.

The total outstanding commitments and contingent liabilities are as follows:

	2019 £'000	2018 £'000
Financial guarantees	2 303	5 487

(b) Loan commitments

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent cash requirements.

However, the potential credit loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific standards. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

	2019 £'000	2018 £'000
Loan commitments		
Non-cancellable facilities	17 521	15 886

The Bank also had unconditionally cancellable facilities of £36m (2018: £60m).

5. Leases

The Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate as at 1 January 2019. This incremental borrowing rate was calculated for the Bank utilising the internal funding rate. Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

From 1 January 2019, all existing operating leases, which were either not less than 12 months or not deemed a low value asset, were recognised as a right of use asset and a corresponding lease liability.

The impact of the adoption of IFRS 16 on the transition date, 1 January 2019 was as follows:

	2019 £'000
Assets	
Right of use asset	3 581
Other assets	(9)
	3 572
Equity and Liabilities	592
Other liabilities and provisions	2 980
	3 572

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Notes to the summary financial statements (continued)
For the year ended 31 December 2019

5. Leases (continued)

Commitments under leases	2019 £'000	2018 £'000
Future minimum lease payments		
Commitments payable within one year	963	990
Commitments payable between one and five years	1 205	2 334
Total commitments payable	2 168	3 324

The above leases relate to the properties occupied by the Standard Bank group of companies in Jersey and its employees. These properties primarily include the registered office of the Bank and the Bank's disaster recovery site and its archive site. Rent payable in respect of the registered office and the archive site is determined using the market rent basis. Contingent rent payable for the disaster recovery site is payable on a Retail Price Index basis. The lease governing the rental of the registered office grants the Bank the right to extend the lease subject to specified conditions. There are no specific renewal terms outlined in the lease contracts for any of the other leased properties. All leased properties must be fully insured and maintained in a state of full repair under the terms of the leases.

6. Immediate and ultimate holding company

The Bank is a wholly owned subsidiary of Standard Bank Offshore Group Limited, a company incorporated in Jersey. The ultimate holding company is Standard Bank Group Limited, a company registered in the Republic of South Africa.

The summary financial statements on pages 4 to 6 are extracts from the full annual financial statements, which were approved by the board of directors on 11 February 2020 and were signed on its behalf on 25 February 2020 by C G Molteno and J C N Peake.

These summary financial statements were approved by:

C G Molteno
Director

J C N Peake
Director

For and on behalf of Standard Bank Jersey Limited on 13 May 2020.

Contacts

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