



Standard Bank
Jersey Limited

**Summary Financial
Statements 2020**

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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

The directors present the summary financial statements of Standard Bank Jersey Limited (the "Bank") for the year ended 31 December 2020. It is a summary of information contained in the Bank's audited financial statements for the year ended 31 December 2020 (the "full annual financial statements"), as approved by the Board of Directors on 24 February 2021, which have been audited and delivered to the Registrar of Companies in Jersey. The Independent auditor's report was not qualified in any respect.

Secretary

H Cullen

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

Registered office

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

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.

Contacts

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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.

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 2020

Performance commentary

The Bank recorded a net profit for year of £11.0m, down 48.0% compared to prior year of £21.2m. The decrease year-on-year ("YoY") was driven by decline in revenue of 12.9% (£8.4m) as a result of lower UK and US base interest rates as a consequence of the COVID-19 monetary policy response and the impact of the credit rating downgrade of the Standard Bank of South Africa ("SBSA"). Additionally, the operating expenses (including management charges) grew by 6.9% (£2.8m).

Income

Net interest income ("NII") accounted for a substantial proportion of the 12.9% decline in revenue, decreasing by 35.7% from £37.5m in 2019 to £24.1m in 2020. The decline was driven by a combination of US Federal Reserve and Bank of England rate cuts in 2020 and balance sheet diversification requirement due to the Moody's downgrades of the SBSA in March 2020 and November 2020.

Non-interest revenue ("NIR") grew by 18.9% (£5.2m) due to higher revenue resulting from net increased FX volumes partially offset by lower banking fee and commission revenues. The lower banking fee and commission revenues were driven by lower YoY client transactional activity while FX transaction volumes were driven by the volatile environment forecast.

Expenses

Operating expenses increased by 6.9% driven by increases in information technology and consultancy costs of £3.9m, partly offset by a decline in travel and entertainment costs of £1.05m. The cost to income ratio increased from 56.5 % to 69.2% YoY.

Loans and advances

Gross loans and advances to customers grew 12.6% YoY due to the Bank's continued strategy to grow the loan book. The client loan pipeline remained strong with improved conversion while loans and advances to SBSA decreased by 36.6% YoY. There was a reduction in placements with SBSA with a corresponding increase in Treasury bills due to higher Downgrade Contingency Plan ("DCP") diversification as result of the credit ratings downgrades of SBSA during the reporting period.

Capital, funding and liquidity

The Bank remains well capitalised with Total Capital Ratio ("TCR") at year end of 17.9% (2019: 20.7%) prior to capitalising the profits for 2020, 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 and floating rate negotiable certificates of deposit) increased during the year and closed at £955m (2019: £583m).

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Summary Financial Statements For the year ended 31 December 2020

Summary statement of comprehensive income for the year ended 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit for the year after income tax | 11,025 | 21,215 |
| Total other comprehensive income | (431) | 1,281 |
| Total comprehensive income for the year | 10,594 | 22,496 |

Summary statement of financial position as at 31 December 2020

Assets

| | | |
|--|------------------|------------------|
| Loans and advances to banks - Group | 592,174 | 933,746 |
| Loans and advances to banks - Other | 28,436 | 17,319 |
| Loans and advances to customers | 573,978 | 509,664 |
| Financial assets at amortised cost | 954,612 | 582,608 |
| Derivative financial instruments | 1,731 | 2,277 |
| Equity instruments at fair value through OCI | 3,191 | 3,235 |
| Property, plant, equipment and right of use assets | 8,964 | 4,533 |
| Other assets | 12,650 | 17,682 |
| Retirement benefit asset | 164 | 756 |
| Total assets | 2,175,900 | 2,071,820 |

Liabilities

| | | |
|---|------------------|------------------|
| Deposits from banks | 1,324 | 1,340 |
| Deposits from customers | 1,989,249 | 1,881,678 |
| Derivative financial instruments | 2,693 | 2,051 |
| Deferred tax liability | 2 | 76 |
| Current tax liability | 986 | 2,122 |
| Other liabilities and provisions | 31,824 | 29,977 |
| Retirement benefit liability | 145 | - |
| Total liabilities, excluding shareholder's funds | 2,026,223 | 1,917,244 |

Equity shareholder's funds

| | | |
|--|------------------|------------------|
| Share capital | 36,300 | 36,300 |
| Share premium | 7,734 | 7,734 |
| Non-Cumulative Additional Tier 1 Capital Notes | 21,270 | 21,270 |
| Retained earnings | 91,614 | 96,082 |
| Equity instruments at fair value through OCI | 3,191 | 3,235 |
| Cashflow hedging reserve | 1,079 | 923 |
| Share option reserves | 152 | 152 |
| Post-employment benefits reserve | (11,663) | (11,120) |
| Equity shareholder's funds | 149,677 | 154,576 |
| Total liabilities and shareholder's funds | 2,175,900 | 2,071,820 |

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Notes to the summary financial statements For the year ended 31 December 2020

1. Basis of compliance

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

2. Equity instrument at FVOCI

Preferred stock

Following the purchase of Visa Europe Limited by Visa Inc. on 21 June 2016, among other consideration for its interest in Visa Europe, the Bank received 2 188 Series B Visa Inc. participating preferred stock ("Preferred stock"). The preferred stock is restricted and not tradeable. Restrictions will be lifted and the preferred stock will be eligible for conversion to tradeable Class A Visa Inc. common stock no later than 21 June 2028, the twelfth anniversary of the transaction close date.

The eventual number of units of Class A Visa Inc. common stock to be received on 21 June 2028 will depend primarily on:

- *Covered claims recovered against the shares:*
Covered claims are certain legal claims, as defined in the Litigation Management Deed that have been or will be made against Visa Inc. in relation to competition law breaches by Visa Europe. These covered claims will be borne by the members of Visa Europe Limited through a reduction in the conversion ratio for their preferred stock to Visa Inc common stock.
- *Partial conversion prior to the twelfth anniversary of the sale transaction:*
The Certificate of Designations of the preferred stock provides for Visa Inc. in consultation with an independent Visa Europe litigation management committee to make assessments for partial conversion to common stock on: 21 June 2020, 21 June 2022, 21 June 2024, 21 June 2025, 21 June 2026, 21 June 2027 and 21 June 2028. Following a partial conversion assessment which started on 21 June 2020, On 1 September 2020, Visa Inc. provided a notice of partial conversion of the preferred stock into tradeable Visa Inc. common stock. The partial conversion awarded 13 960 units of Visa Inc. common stock to the Bank, with the conversion factor of its residual holding of 2 188 units of preferred stock reducing to 6.368 (2019: 12.936).

Valuation approach

The Bank has used a discounted cash flow model to determine the fair value of the preferred stock using the following inputs:

- Duration of the remaining restriction period;
- Covered claims to be paid over the remaining restriction period;
- Partial conversions during the remaining restriction period;
- Visa common stock share price growth through the remaining restriction period;
- Dividends to be received on the preferred stock during the remaining restriction period; and
- Interest rate assumptions for cashflow discounting purposes.

Observability

Where possible, observable market inputs have been used. Due to the uncertainty around the quantum and timing of the covered claims as well as the duration of the remaining restriction period, certain unobservable inputs have been used. The impact of the estimates used for the unobservable inputs have not been considered material to the valuation outcome, hence valuation sensitivity has not been performed for the estimates.

Common stock

The first partial conversion of preferred stock to common stock provided for in the Certificate of Designations of the preferred stock took place during the year. As at 31 December 2020, the Bank held 13 960 units of Visa Inc. common stock (2019: nil).

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Notes to the summary financial statements (continued)
For the year ended 31 December 2020

2. Equity instrument at FVOCI (continued)

Equity instrument at FVOCI reserves

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

| | 2020 £'000 | 2019 £'000 |
|------------------------------|---------------|---------------|
| Balance at 1 January | 3,235 | 2,181 |
| Re-measurement of Visa stock | <u>(44)</u> | <u>1,054</u> |
| Balance at 31 December | <u>3,191</u> | <u>3,235</u> |

Amounts recognised in the income statement

| | 2020 £'000 | 2019 £'000 |
|--------------------|---------------|---------------|
| Dividends received | <u>19</u> | <u>12</u> |

3. 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.

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 financial guarantees are as follows:

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| Cash backed financial guarantees | <u>7,094</u> | <u>2,303</u> |

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.

| | 2020 £'000 | 2019 £'000 |
|----------------------------|---------------|---------------|
| Non-cancellable facilities | <u>27,410</u> | <u>17,521</u> |

The Bank also had unconditionally cancellable facilities of £72m (2019: £36m).

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Notes to the summary financial statements (continued) For the year ended 31 December 2020

4. Leases

The following 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, 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.

The future minimum payments under non-cancellable leases are as follows:

| | 2020 | 2019 |
|--|--------------|-------|
| | £'000 | £'000 |
| Future minimum lease payments | | |
| Commitments payable within one year | 180 | 963 |
| Commitments payable between one and five years | 6,866 | 1,205 |
| Total | 7,046 | 2,168 |

5. 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 7 are extracts from the full annual financial statements, which were approved by the board of directors on 24 February 2021 and were signed on its behalf on 24 February 2021 by C G Molteno and J C N Peake.

The 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 15 April 2021.

Contacts

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