



Standard Bank
Jersey Limited
Summary Financial Statements 2018

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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
J G Davies (resigned 30 March 2018)
J P Speck (resigned 13 February 2018)

Secretary

M G Fletcher

Registered office

Standard Bank House
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Contacts

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The directors present the summary financial statements of Standard Bank Jersey Limited (the “Bank”) for the year ended 31 December 2018. It is a summary of information contained in the Bank’s audited financial statements for the year ended 31 December 2018 (the “full annual financial statements”), as approved by the Board of Directors on 12 February 2019, 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.

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.

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 2018

Performance commentary

The Bank has shown a strong performance in 2018, with a profit for year of £16.7m (2017: £9.0m). The increase in net profit compared to the prior year is largely attributable to an increase in the interest income as a result of higher balances in the loan book over 2018 and an increase in net interest margins.

Revenue

Net interest income (NII) increased by 82% underpinned by a growth in the loan book, a reduced term deposit base (and related interest expense) during the year and margin expansion arising from USD and GBP base rate increases. Additionally, interest income arising from treasury bills was previously classified in 'fair value gains' prior to the adoption of IFRS 9. The adoption of IFRS 9 resulted in the classification of treasury bills as assets held at amortised cost and consequently, the related income is classified as NII for the current year and going forward.

Other income declined by 17.2% year-on-year. This was a reflection of the reclassification of interest income on the treasury bills, previously classified as fair value gains as well as an increase in the fee and commission expense.

Operating expenses

Operating expenses increased by 9.4%. This was mainly driven by personnel expenses as headcount increased during the year. Another driver of this increase was IT costs as the business invested in IT projects in order to improve operational efficiencies as well as reduce operational risk. The Bank's cost-to-income ratio of 53.9% was lower than that of 66.3% for the prior year.

Loans and advances

Gross loans and advances to customers grew 15.4% year-on-year, due to the Bank's continued strategy to grow the loan book through responding to client demand. Loans and advances to Standard Bank South Africa ("SBSA") increased by 18.1% year-on-year.

Capital, funding and liquidity

The Bank remains well capitalised. The Bank's risk asset ratio ("RAR") closed the year at 20.5% (2017: 14.1%) prior to capitalising the profits for 2018, well above the minimum regulatory requirement of 11.0%. During the year the Bank repaid the subordinated debt previously held and issued Additional Tier 1 Capital Notes of equivalent amount. The expected credit loss provision remained immaterial.

The client deposits decreased by 5.4% from prior year due to reduced term funding. This was in order to reduce the carry cost of surplus funding. 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) reduced during the year and closed at £607m (2017:£890m). The decrease was driven by changes in the Bank's asset diversification following a lower risk assessment of SBSA.

Looking forward, the Bank's performance is anticipated to remain positive 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 2018

Results for the year ended 31 December 2018

Summary statement of comprehensive income

	2018 £'000	2017 £'000
Profit for the year after income tax	16,697	9,026
Total other comprehensive income	1,227	1,894
Total comprehensive income for the year	17,924	10,920

Summary statement of financial position as at 31 December 2018

	2018 £'000	2017 £'000
Assets		
Loans and advances to banks – Group	1,073,016	908,308
Loans and advances to banks – Other	26,646	70,206
Loans and advances to customers	455,707	394,975
Financial assets at amortised cost	606,510	–
Financial assets designated at fair value through profit or loss	–	889,632
Derivative financial instruments	1,406	1,454
Equity instrument at FVOCI	2,181	–
Available-for-sale financial asset	–	1,969
Property, plant and equipment	2,238	1,321
Deferred tax asset	–	237
Other assets	9,363	7,386
Retirement benefit asset	165	–
Total assets	2,177,232	2,275,488
Liabilities		
Deposits from banks	1,193	1,148
Deposits from customers	2,025,935	2,140,661
Derivative financial instruments	1,203	1,273
Deferred tax liability	17	–
Current tax liability	1,958	732
Other liabilities and provisions	22,018	22,160
Subordinated debt	–	21,270
Retirement benefit obligations	–	2,372
Total liabilities	2,052,324	2,189,616
Equity shareholders' funds		
Share capital	36,300	36,300
Additional Tier 1 Capital	21,270	–
Retained earnings	75,429	58,890
Available-for-sale reserves	–	1,969
FVOCI reserve	2,181	–
Share option reserves	152	152
Post employment benefits reserve	(10,424)	(11,439)
Total shareholder's funds	124,908	85,872
Total liabilities and shareholders' funds	2,177,232	2,275,488

Standard Bank Jersey Limited

Notes to the summary financial statements
For the year ended 31 December 2018

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. Equity instrument at FVOCI (previously Available-for-sale financial asset under IAS 39)

	2018 £'000	2017 £'000
Preferred Stock in Visa Inc.	<u>2,181</u>	<u>1,969</u>

The Preferred Stock held will be automatically converted to Class A Visa Inc. Common Stock on the 12th anniversary of the transaction closing date. In accordance with the Preferred Stock deed 441 Trust Company Limited, which is responsible for overseeing the interests of all Preferred Stock holders, has the ability, depending on the certainty of outstanding claims, to consider converting all the Preferred Stock to Class A Visa Inc. Common Stock on the 4th, 6th, 8th, 10th, 11th and 12th anniversaries of the transaction closing date, on the basis of any significant existing claims or any other pending claims.

The Preferred Stock is carried at fair value as estimated by management using the discounted cashflow model. The share price of the underlying Visa Inc. shares increased from USD114.02 to USD130.94 over the year, coupled with a favourable outcome on already covered claims and a reduction in the expected future pay-outs of any outstanding claims. As a result, the fair value increased by £212,000 during the year ended 31 December 2018.

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.

(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:

	2018 £'000	2017 £'000
Financial guarantees	<u>5,487</u>	<u>7,913</u>

(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.

	2018 £'000	2017 £'000
Loan commitments		
Non-cancellable facilities	<u>15,886</u>	<u>14,867</u>

The Bank also had unconditionally cancellable facilities of £60m (2017: £38m).

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Notes to the summary financial statements (continued)
For the year ended 31 December 2018

3. Contingent liabilities and commitments (continued)

	2018 £'000	2017 £'000
(c) Commitments under operating leases		
Future minimum lease payments		
Commitments payable within one year	990	964
Commitments payable between one and five years	2,334	3,175
Commitments payable between one and five years	-	60
Total commitments payable	3,324	4,199

The above operating 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.

4. Sub-participated loans

The banks within the Standard Bank Group may sub-participate loans to their fellow subsidiaries (the "host bank") as part of capital and liquidity management. The loan participation agreement entails full payment by the host bank of the sub-participated loan principal amount to the originating bank. The originating bank assumes an obligation to pay all cash flows received from the sub-participated loans, in full and without material delay, to the host bank under a "pass through" arrangement, effectively transferring substantially all risks and rewards of the loans sub-participated to the host bank. The terms of the agreement provide that the originating bank is not obligated to pay the host bank any amounts that have not been received (for example: in case of customer default). Sub-participated loans are derecognised from the statement of financial position of the originating bank. The host bank recognises the loan and the corresponding income.

During the year the Bank sub-participated loans to Standard Bank Isle of Man Limited, a fellow subsidiary. There were no sub-participated loans derecognised from the statement of financial position at 31 December 2018 (2017: £68.7m).

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 6 are extracts from the full annual financial statements, which were approved by the board of directors on 12 February 2019 and were signed on its behalf on 19 February 2019 by W P T Thorp and J C N Peake.

These summary financial statements were approved by:

W P T Thorp
Director

J C N Peake
Director

For and on behalf of Standard Bank Jersey Limited on 26 April 2019.

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