



Standard Bank **Isle of Man Limited**

Summary Financial Statements 2017

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General Information

Directors

P L Schiebusch (Chairman)
I W Hamilton
G F Karran
M Nienaber
J C N Peake
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M G Fletcher

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The directors present the summary financial statements of Standard Bank Isle of Man Limited (the "Bank") for the year ended 31 December 2017, which have been prepared in accordance with the applicable requirements of the Isle of Man Financial Services Act 2008 and the regulations (the Financial Services Rule Book) made thereunder. It is a summary of information contained in the Bank's audited financial statements for the year ended 31 December 2017 (the "full annual financial statements"), as approved by the Board of Directors on 13 February 2018. The independent auditor has issued an unqualified report on the full annual financial statements. The independent auditor's report on the full annual financial statements contained no statement under the Isle of Man Financial Services Act 2008 – Financial Services Rule Book, Section 127.4 of the Isle of Man Companies Act 1931 and Sections 15.4 and 15.6 of the Isle of Man Companies Act 1982.

The summary financial statements which are derived from the Bank's full annual financial statements do not contain sufficient information to allow for a full understanding of the Bank's results and its state of affairs.

Copies of the full annual financial statements are available 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 holding 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 2017

Performance commentary

The Bank has shown a strong performance in 2017, with a profit for year of £23.65m (2016: £21.80m).

Revenue

Net interest income (NII) increased by 12.5% underpinned by a stable deposit base during the year and margin expansion arising from USD and GBP interest rate policy changes, partially offset by an increased holding of lower yielding treasury bills.

Other income increased by 12.4% year-on-year. This was as a result of an increase in the interest earned on the treasury bills as the bank invested in more of these during the year ended 31 December 2017 and general increased transactional fees.

Expenses

Expenses (operating, personnel and management) increased by 19.5% mainly driven by personnel expenses as the headcount increased during the year, IT costs as the business invested in IT projects in order to improve operational efficiencies as well as reduce operational risk. Consequently, the Bank's normalised cost-to-income ratio of 39.9% was higher than that of the prior year (37.6%).

Loans and advances

Gross loans and advances to customers grew 11.5% year-on-year, due to the Bank's continued strategy to grow the loan book through improved pipeline conversion. Loans and advances to Standard Bank South Africa ("SBSA") decreased by 26.7% year-on-year, reflecting the Bank's asset diversification strategy as part of the SBSA downgrade contingency plan implemented ahead of the credit ratings downgrade of SBSA by Fitch to BB+ from BBB.

Capital, funding and liquidity

The Bank remains well capitalised. The Bank's risk asset ratio ("RAR") closed the year at 13.7% (2016: 17.4%) well above the minimum regulatory requirement of 10%, and prior to capitalising the profits for 2017. The loan loss provision remained insignificant.

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) grew during the year and closed at £1,461m (2016: £610m). The increase was driven by the Bank's asset diversification requirements to mitigate potential risk arising from the credit ratings downgrade of SBSA as disclosed above.

Looking forward, the Bank's performance looks positive and well aligned with the Standard Bank Group's client proposition. The loans and deposits pipelines continue to show a healthy outlook.

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Standard Bank Isle of Man Limited

Summary Financial Statements For the year ended 31 December 2017

	2017 £'000	2016 £'000
Summary statement of comprehensive income		
Profit for the year after income tax	23 646	21 796
Total other comprehensive income / (loss)	2 418	(3 336)
Total comprehensive income for the year	<u>26 064</u>	<u>18 460</u>
Summary statement of financial position as at 31 December 2017		
	2017 £'000	2016 £'000
Assets		
Loans and advances to banks – Group	1 229 556	1 677 867
Loans and advances to banks – Other	88 295	56 119
Derivative financial instruments	22 791	23 801
Financial assets designated at fair value through profit or loss	1 461 120	610 070
Available-for-sale financial asset	2 954	408
Loans and advances to customers	326 390	292 653
Property, plant and equipment	216	227
Deferred tax asset	94	161
Other assets	1 566	873
Total assets	<u>3 132 982</u>	<u>2 662 179</u>
Liabilities		
Deposits from banks	19 994	21 411
Derivative financial instruments	21 174	14 471
Deposits from customers	2 935 361	2 500 990
Current tax liability	2 436	2 058
Subordinated debt	–	10 550
Other liabilities and provisions	10 827	5 432
Retirement benefit obligations	935	1 608
Total liabilities, excluding shareholders' funds	<u>2 990 727</u>	<u>2 556 520</u>
Equity shareholders' funds		
Share capital	5 000	5 000
Non-Cumulative Additional Tier 1 Capital Notes	10 550	–
Retained earnings	126 428	102 801
Available-for-sale reserves	2 538	(8)
Share option reserves	17	16
Post-employment benefits reserve	(2 278)	(2 150)
Equity shareholders' funds	<u>142 255</u>	<u>105 659</u>
Total liabilities and shareholders' funds	<u>3 132 982</u>	<u>2 662 179</u>

Standard Bank Isle of Man Limited

Notes to the summary financial statements
For the year ended 31 December 2017

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. Available-for-sale financial asset

	2017 £'000	2016 £'000
Preferred Stock in Visa Inc.	2 954	408

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 USD78.02 to USD114.02 over the year, coupled with a favourable outcome on already covered claims and a reduction in the expected future payouts of any outstanding claims. As a result, the fair value increased by £2,546,000 during the year ended 31 December 2017.

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:

	2017 £'000	2016 £'000
Cash backed financial guarantees	954	11 025
Other financial guarantees	133	146
	1 087	11 171

(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.

	2017 £'000	2016 £'000
Loan commitments		
Non-cancellable facilities	1 779	1 115

The Bank also had unconditionally cancellable facilities of £63m (2016: £27m).

Standard Bank Isle of Man Limited

Notes to the summary financial statements (continued)
For the year ended 31 December 2017

3. Contingent liabilities and commitments (continued)

(c) Commitments under operating leases	2017 £'000	2016 £'000
Future minimum lease payments		
Commitments payable within one year	592	576
Commitments payable between one and five years	340	908
Total commitments payable	932	1 484

The above operating leases relate to the properties occupied by the Standard Bank group of companies in the Isle of Man and its employees. These properties primarily include the registered office of the Bank and the Bank's disaster recovery site. Rent payable in respect of the registered office and the disaster recovery 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 risk and rewards of the loans 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.

Standard Bank Jersey Limited, a fellow subsidiary, sub-participated loans to the Bank totalling £68,655,000 as at 31 December 2017 (2016: £53,933,000).

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 13 February 2018 and were signed on its behalf on 22 February 2018 by C E Till and J C N Peake.

These summary financial statements were approved by:

C E Till
Director

J C N Peake
Director

For and on behalf of Standard Bank Isle of Man Limited on 26 April 2018.

Standard Bank Isle of Man Limited

Report of the independent auditor on the abridged financial statements to the member of Standard Bank Isle of Man Limited

Our opinion

In our opinion, the abridged financial statements of Standard Bank Isle of Man Limited (the "Company") are consistent, in all material respects, with the audited financial statements, in accordance with the basis described in 'General information of the Company'.

Abridged financial statements

The abridged financial statements are derived from the audited financial statements of the Company for the year ended 31 December 2017 and comprise:

- the summary statement of financial position as at 31 December 2017;
- the summary statement of comprehensive income for the year then ended; and
- the related notes.

The abridged financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the abridged financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and auditor's report thereon. The summary financial statements and the audited financial statement do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 23 February 2018.

Directors' responsibility for the abridged financial statements

The directors are responsible for the preparation of the abridged financial statements in accordance with the basis described in 'General information of the Company'.

Auditor's responsibility

Our responsibility is to express an opinion on whether the abridged financial statements are consistent in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

This report, including the opinion, has been prepared for and only for the Company's member in accordance with Rule 2.22 of the Financial Services Rule Book and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
27 April 2018

Notes:

- (a) The maintenance and integrity of the Standard Bank Isle of Man Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website.
- (b) Legislation in the Isle of Man governing the preparation and dissemination of summary financial statements may differ from legislation in other jurisdictions.

Contacts

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