



Standard Bank
Jersey Limited
Summary Financial Statements 2017

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General Information

Directors

P L Schlebusch (Chairman)
A E Astall
J G Davies
J C N Peake
J P Speck
W P T Thorp
G M Vogel
M Nienaber
P M Yates

Secretary

M G Fletcher

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The directors present the summary financial statements of Standard Bank Jersey Limited (the “Bank”) for the year ended 31 December 2017. 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. Those financial statements 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 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 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 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 the year of £9.03m (2016: £11.75m). The reduction in net profit compared to the prior year is driven by a one-off item in 2016, realised gain on Visa Europe Limited holding of £2.79m, not repeated in 2017.

Revenue

Net interest income (NII) increased by 6.1% 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 declined by 7.5% year-on-year. This was a reflection of the non-recurrence of exceptional items recognised in the prior year, namely the Visa Europe Limited consideration realised.

Operating expenses

Operating expenses increased by 7.1% 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 66.3% was higher than 58.0% for the prior year

Loans and advances

Gross loans and advances to customers grew 6.5% 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 33.1% 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 14.1% (2016: 14.7%) well above the minimum regulatory requirement of 11.0%, 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 £890m (2016: £566m). 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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Summary Financial Statements
For the year ended 31 December 2017

Results for the year ended 31 December 2017

	2017 £'000	2016 £'000
Summary statement of comprehensive income		
Profit for the year after income tax	9 026	11 753
Total other comprehensive income / (loss)	1 894	(717)
Total comprehensive income for the year	10 920	11 036

Summary statement of financial position as at 31 December 2017

	2017 £'000	2016 £'000
Assets		
Loans and advances to banks – Group	908 308	1 356 740
Loans and advances to banks – Other	70 206	86 084
Loans and advances to customers	394 975	370 708
Financial assets designated at fair value through profit or loss	889 632	565 825
Derivative financial instruments	1 454	3 433
Available-for-sale financial asset	1 969	272
Property, plant and equipment	1 321	952
Deferred tax asset	237	502
Other assets	7 386	19 989
Total assets	2 275 488	2 404 505
Liabilities		
Deposits from banks	1 148	3 057
Deposits from customers	2 140 661	2 291 658
Derivative financial instruments	1 273	2 256
Current tax liability	732	691
Other liabilities and provisions	22 160	14 541
Subordinated debt	21 270	21 270
Retirement benefit obligations	2 372	3 938
Total liabilities	2 189 616	2 337 411
Equity shareholders' funds		
Share capital	36 300	28 500
Retained earnings	58 890	49 864
Available-for-sale reserves	1 969	272
Share option reserves	152	94
Post-employment benefits reserve	(11 439)	(11 636)
Total shareholders' funds	85 872	67 094
Total liabilities and shareholders' funds	2 275 488	2 404 505

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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	2017 £'000
Preferred Stock in Visa Inc.	1 969	272

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 pay-outs of any outstanding claims. As a result, the fair value increased by £1,697,000 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	2017 £'000
Financial guarantees	7 913	4 523

(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	14 867	16 606

The Bank also had unconditionally cancellable facilities of £38m (2016: £39m).

Standard Bank Jersey 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	2017 £'000
Future minimum lease payments		
Commitments payable within one year	964	980
Commitments payable between one and five years	3 175	3 743
Commitments payable after five years	60	434
Total commitments payable	4 199	5 157

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.

The Bank sub-participated loans to Standard Bank Isle of Man Limited, a fellow subsidiary. Total sub-participated loans derecognised from the statement of financial position at 31 December 2017 amounted to £68.66m (2016: £53.93m).

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 19 February 2018 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 29 March 2018.

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