



Standard Bank
Jersey Limited

**Summary Financial
Statements for the year
ended 31 December 2021**

Standard Bank Jersey Limited
Summary financial statements for the year ended 31 December 2021

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Standard Bank Jersey Limited

Summary financial statements for the year ended 31 December 2021

General Information

Directors

P L Schlebusch (Chairman)
A E Astall
W P T Thorp
G M Vogel
M Nienaber
P M Yates
C G Molteno
J C N Peake (resigned on 23 February 2022)

Secretary

H Cullen (appointed on 29 January 2021)
J C N Peake (resigned as secretary on 29 January 2021)

Registered office

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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 2021. It is a summary of information contained in the Bank's audited financial statements for the year ended 31 December 2021 (the "full annual financial statements"), as approved by the Board of Directors on 22 February 2022. The full annual financial statements have been delivered to the Registrar of Companies and 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 for publication purposes.

The summary financial statements are derived from the Bank's full annual financial statements but 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 <https://reporting.standardbank.com>.

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Financial Review

For the year ended 31 December 2021

Performance commentary

The Bank recorded a net profit for year of £10.4m, down 5.5% compared to prior year of £11.0m. The decrease year-on-year ("YoY") was driven by decline in revenue of 4.1% (£2.3m) as a result of lower UK and US base interest rates and the impact of the credit rating downgrade of the Standard Bank of South Africa ("SBSA") as a consequence of the downgrade of South Africa ("SA") sovereign rating. This was partly offset by a 3% (£1.3m) reduction in expenses including management charges.

Income

Net interest income ("NII") accounted for a substantial proportion of the 4.1% decline in revenue, decreasing by 24.1% from £24.1m in 2020 to £18.3m in 2021. The decline was driven by a combination of lower interest rates as noted above and the balance sheet diversification requirement due to Moody's downgrade of the SBSA in November 2020 which led to lower overall asset margins.

Non-interest revenue ("NIR") grew by 11.7% (£3.8m) mainly due to higher investment management fees resulting from a 3% growth in portfolio assets under management, higher banking fee and commission revenues driven by increased transactional activity YoY and lower investment advisory fee expenses.

Expenses

Total expenses decreased by 3% driven by the capitalisation of costs related to the SAP Payments Engine software and higher intercompany recharges. The cost to income ratio marginally increased from 69.2% to 69.5% YoY.

Loans and advances

Gross loans and advances to customers grew 34.4% YoY due to the Bank's continued strategic focus to grow the loan book.

The client loan book remained strong with improved conversion, while loans and advances to SBSA decreased by 42.3% YoY. There was a reduction in placements with SBSA with a corresponding 56% increase in financial assets at amortised cost ("treasury bills") due to reduced exposure to SBSA following Moody's downgrade of SBSA.

Capital, funding and liquidity

The Bank remains well capitalised with Total Capital Ratio ("TCR") at year end of 14.9% (2020: 17.9%) prior to capitalising the profits for 2021, 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 in treasury bills increased during the year and closed at £1,492m (2020: £955m).

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Summary statement of comprehensive income for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the year after income tax	10,416	11,025
Total other comprehensive income	(394)	(431)
Total comprehensive income for the year	10,022	10,594

Summary statement of financial position as at 31 December 2021

Assets

Loans and advances to banks - Group	341,469	592,174
Loans and advances to banks - Other	89,929	28,436
Loans and advances to customers	771,145	573,978
Financial assets at amortised cost	1,492,099	954,612
Equity instruments at fair value through OCI	837	3,191
Derivative financial instruments	3,471	1,731
Intangible assets	2,276	-
Property, plant, equipment and right of use assets	8,075	8,964
Other assets	8,032	12,650
Retirement benefit asset	1,660	164
Total assets	2,718,993	2,175,900

Liabilities

Deposits from banks	957	1,324
Derivative financial instruments	4,262	2,693
Deposits from customers	2,490,839	1,989,249
Current tax liability	1,239	986
Deferred tax liability	161	2
Other liabilities and provisions	82,174	31,824
Retirement benefit liability	53	145
Total liabilities, excluding shareholder's funds	2,579,685	2,026,223

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	84,027	91,614
Share option reserves	-	152
Post-employment benefits reserve	(10,168)	(11,663)
Cashflow hedging reserve	(487)	1,079
Equity instruments at fair value through OCI	632	3,191
Equity shareholder's funds	139,308	149,677
Total liabilities and shareholder's funds	2,718,993	2,175,900

Notes to the summary financial statements
For the year ended 31 December 2021

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.

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 Bank completed the disposal of its common stock holding in Visa Inc. on 25 January 2021 following the first partial conversion of preferred stock.

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Notes to the summary financial statements (continued)
For the year ended 31 December 2021

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:

	2021 £'000	2020 £'000
Balance at 1 January	3,191	3,235
Re-measurement of Visa stock	(323)	(44)
Transfer to retained earnings	<u>(2,236)</u>	<u>-</u>
Balance at 31 December	<u><u>632</u></u>	<u><u>3,191</u></u>

Amounts recognised in the income statement

	2021 £'000	2020 £'000
Dividends received	<u>9</u>	<u>19</u>

3. Contingent liabilities and commitments

To meet the financial needs of customers the Bank enters into various irrevocable commitments and contingent liabilities. Although these obligations may not be recognised in the statement of financial position, they do contain 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:

	2021 £'000	2020 £'000
Financial guarantees	<u>2,717</u>	<u>7,094</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 since 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.

	2021 £'000	2020 £'000
Non-cancellable facilities	<u>15,608</u>	<u>27,410</u>

The Bank also had unconditionally cancellable facilities of £75m (2020: £72m).

Notes to the summary financial statements (continued)
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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:

	2021	2020
	£'000	£'000
Future minimum lease payments		
Current commitments	372	180
Non-current commitments	6,408	6,866
Total	6,780	7,046

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 22 February 2022 and were signed on its behalf on 22 February 2022 by J C N Peake and C G Molteno.

The summary financial statements for the year ended 31 December 2021 were approved by:

C G Molteno
Director

W P T Thorp
Director

For and on behalf of Standard Bank Jersey Limited on 19 April 2022.

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