



Standard Bank
Isle of Man Limited

**Summary Financial
Statements 2020**

Standard Bank Isle of Man Limited / Summary Financial Statements 2020

Contents

	Page
General information	2
Financial review	3
Summary financial statements	4 – 7
Independent auditor's report	8
Contacts	9

General Information

Directors

P L Schlebusch (Chairman)
I W Hamilton
J C N Peake
W P T Thorp
C E Till
M Nienaber
I M McArdle
A A J Doherty
G M Vogel

Secretary

H Cullen

Registered office

Standard Bank House
One Circular Road
Douglas
Isle of Man
IM1 1SB

Contacts

Telephone: +44 (0) 1624 643643
Facsimile: +44 (0) 1624 643800
E-mail: personalbanking@standardbank.com
Website: www.international.standardbank.com

The directors present the summary financial statements of Standard Bank Isle of Man Limited (the "Bank") for the year ended 31 December 2020 which have been prepared in accordance with the applicable requirements of the 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 2020 ("the full annual financial statements"), as approved by the Board of Directors on 24 February 2021. The independent auditor has issued an unqualified report on the full annual financial statements. Their 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 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 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>.

Financial Review For the year ended 31 December 2020

Performance commentary

The Bank recorded a 55.8% decline in net profit for the year from £45.9m to £20.3m. The decrease year-on-year ("YoY") was driven by decline in revenue of 36.6% (£26.7m) 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 8.3% (£1.8m).

Income

Net interest income ("NII") accounted for a substantial proportion of the 36.6% decline in revenue, decreasing by 48.7% from £56.2m in 2019 to £28.8m 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. As a result, SBIOM's average interest yield reduced from 175bps in 2019 to 84bps in 2020.

Non-interest revenue ("NIR") grew by 4.4% (£0.7m) due to 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.

Expenses

Total operating expenses increased 8.3% YoY (£1.8m) mainly due to management charges increasing by 56.4% from £7.7m to £12.0m YoY on account of a review aimed at bringing the costing up to date in line with the services, this was partly offset by other operating expenses decreasing, mainly on account of lower activity due to COVID-19, by 17.8% (£2.5m). The cost-to-income ratio increased from 30.0% to 51.3% YoY.

Loans and advances

Gross loans and advances to customers grew 22.8% 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 41.6% 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 a Total Capital Ratio ("TCR") at year end of 19.5% (2019: 22.5%) prior to capitalising the profits for 2020, well above the minimum jurisdictional regulatory requirement of 10%. 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) increased during the year and closed at £2,403m (2019: £1,640m). The increase was driven by the diversification as result of the credit ratings downgrades of SBSA during the reporting period.

Standard Bank Isle of Man Limited / Summary Financial Statements 2020

Standard Bank Isle of Man Limited

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	20,312	45,949
Total other comprehensive income	(544)	2,013
Total comprehensive income for the year	19,768	47,962

Summary statement of financial position as at 31 December 2020

Assets

Loans and advances to banks - Group	849,442	1,455,582
Loans and advances to banks - Other	29,201	34,935
Derivative financial instruments	25,352	34,462
Financial assets at amortised cost	2,402,943	1,639,540
Equity instruments at fair value through OCI	4,786	4,852
Loans and advances to customers	521,036	424,440
Property, plant, equipment and right of use assets	5,186	1,677
Deferred tax asset	31	13
Other assets	446	975
Total assets	3,838,423	3,596,476

Liabilities

Deposits from banks	17,822	28,333
Derivative financial instruments	22,995	30,947
Deposits from customers	3,560,367	3,302,466
Current tax liability	2,247	5,062
Other liabilities and provisions	19,579	14,098
Retirement benefit obligation	309	133
Total liabilities, excluding shareholder's funds	3,623,319	3,381,039

Equity shareholder's funds

Share capital	5,000	5,000
Non-Cumulative Additional Tier 1 Capital Notes	10,550	10,550
Retained earnings	197,364	197,153
Cashflow hedging reserve	1,162	1,353
Equity instruments at fair value through OCI	4,370	4,436
Share option reserves	17	17
Post-employment benefits reserve	(3,359)	(3,072)
Equity shareholder's funds	215,104	215,437
Total liabilities and shareholder's funds	3,838,423	3,596,476

Standard Bank Isle of Man Limited

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 3 282 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 20 940 units of Visa Inc. common stock to the Bank, with the conversion factor of its residual holding of 3 282 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 20 940 units of Visa Inc. common stock (2019: nil).

Standard Bank Isle of Man Limited

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	4,436	2,856
Re-measurement of Visa stock	(66)	1,580
Balance at 31 December	<u>4,370</u>	<u>4,436</u>

Amounts recognised in the income statement

	2020 £'000	2019 £'000
Dividends received	<u>29</u>	<u>18</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>2,928</u>	<u>3,335</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.

Total loan commitments as at 31 December 2020 amount to £55.6m (2019: £3.0m), which represent non-cancellable facilities. The Bank also had unconditionally cancellable facilities of £84m (2019: £28m).

Standard Bank Isle of Man Limited

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

4. Leases

The leases relate to the properties occupied by the Standard Bank group of companies in 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.

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

	2020 £'000	2019 £'000
Future minimum lease payments		
Commitments payable within one year	172	484
Commitments payable between one and five years	4,570	571
Total	<u>4,742</u>	<u>1,055</u>

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 25 February 2021 by I W Hamilton and C E Till.

The summary financial statements were approved by:

I W Hamilton
Director

C E Till
Director

For and on behalf of Standard Bank Isle of Man Limited on 15 April 2021.

Standard Bank Isle of Man Limited

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

Opinion

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

Summary financial statements

The Bank's summary financial statements derived from the audited financial statements for the year ended 31 December 2020 comprise:

- the summary statement of financial position as at 31 December 2020;
- the summary statement of comprehensive income for the year then ended;
- the related notes to the summary financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary 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 statements 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 1 March 2021.

Directors' responsibility for the summary financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary 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
Sixty Circular Road
Douglas, Isle of Man

19 April 2021

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

Standard Bank Isle of Man Limited
Standard Bank House
One Circular Road
Douglas Isle of Man IM1 1SB
Telephone: +44 (0)1624 643643
Facsimile: +44 (0)1624 643800
E-mail: personalbanking@standardbank.com
Website: www.international.standardbank.com