

Standard Bank Isle of Man Limited

Summary Financial Statements 2014

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Officers of the Company

Standard Bank Isle of Man Limited

Directors

C F Sweeney (Chairman)
C A Broadley
M Hucker
G F Karran
W P T Thorp
C E Till
T P Wild

Secretary

N D Cole

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: sbiom@standardbank.com
Website: www.standardbank.com/international

The directors present the summary financial statements of Standard Bank Isle of Man Limited (the "Bank") for the year ended 31 December 2014. It is a summary of information contained in the Bank's audited financial statements for the year ended 31 December 2014 ("the full annual financial statements"), as approved by the Board of Directors on 19 February 2015.

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 directors' report 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 on request from the offices of the Bank at Standard Bank House, One Circular Road, Douglas, Isle of Man IM1 1SB.

Summary financial statements

for the year ended 31 December 2014

Summary income statement for the year ended 31 December 2014	2014 £'000	2013 £'000
Profit for the year after tax	<u>11,023</u>	<u>7,238</u>
Summary statement of financial position as at 31 December 2014		
Assets		
Loans and advances to banks - group	1,233,399	1,151,593
Loans and advances to banks - other	24,593	15,878
Derivative financial instruments	25,797	25,312
Financial assets designated at fair value	319,818	150,809
Financial assets held to maturity	-	56,930
Loans and advances to customers	238,668	76,425
Property, plant and equipment	351	426
Deferred tax asset	122	103
Other assets	3,350	1,112
Total assets	<u><u>1,846,098</u></u>	<u><u>1,478,588</u></u>
Liabilities		
Deposits from banks	14,470	1,140
Derivative financial instruments	13,713	25,381
Deposits from customers	1,730,254	1,375,023
Current tax liability	1,220	792
Subordinated debt	10,550	10,550
Other liabilities and provisions	5,325	5,837
Retirement benefit obligations	1,223	1,031
Total liabilities, excluding shareholders' funds	<u>1,776,755</u>	<u>1,419,754</u>
Equity shareholders' funds		
Share capital	5,000	5,000
Retained earnings ¹	65,657	54,634
Share option reserve ¹	170	307
Post employment benefits reserve	(1,484)	(1,107)
Equity shareholders' funds	<u>69,343</u>	<u>58,834</u>
Total liabilities and shareholders' funds	<u><u>1,846,098</u></u>	<u><u>1,478,588</u></u>

¹ Prior year comparatives have been restated to reflect the impact of the adjustment made to the Bank's share option reserve as discussed on page 3

Notes to the summary financial statements

for the year ended 31 December 2014

Share options

Certain employees have been granted share options under the Standard Bank Group equity settled share based scheme. The statement of changes in equity has been restated to reflect the adjustment made to the share option reserve. A review of the share option reserve was conducted during the year to ensure that the reserve only represented active beneficiaries whose benefits had not yet vested. In accordance with the Bank's and Group's accounting policy, the reserves relating to the vested/settled benefits have been transferred to retained earnings, retrospectively.

The adjustment on share option reserves for the year is a credit of £137,000 (2013: charge of £41,000). The amount included in reserves relating to share option reserves is £170,000 (2013 as restated: £307,000) in relation to the SBG Scheme.

Depositors' Compensation Scheme ("DCS") provision

The majority of licensed deposit-taking institutions in the Isle of Man are members of the statutory Isle of Man Depositors' Compensation Scheme under the Compensation of Depositors Regulations 2010. These regulations superseded the Depositors' Compensation Scheme Regulations 2008 ("the 2008 Scheme").

The 2008 Scheme provided compensation to a maximum of 100% of the first £50k or currency equivalent of individual failure of a participant institution to meet its obligations to depositors. Such a failure triggered the payment of a levy by each participant calculated at 0.125% of average deposit liabilities over such period preceding the levying of the contribution as deemed appropriate by the 2008 Scheme Manager, with a minimum annual contribution of £35k and a maximum annual contribution of £350k. On 8 October 2008, the banking license granted to Kaupthing Singer and Friedlander (Isle of Man) Limited ("Kaupthing S&F") was suspended and on 27 May 2009 Kaupthing S&F was placed into liquidation, thus triggering the provisions of the 2008 Scheme, under the regulations as they stood in 2008.

The Bank contributed £1 million to the fund for three years up to 2011, but was advised by the 2008 Scheme Manager in 2011 that no further contributions would be required. In 2012 the Bank was advised that a large part of the contributions made in prior years will be refunded as it was no longer required. As a result, £0.2m was received in 2014 (2013: £0.2m) and recognised as income in the statement of comprehensive income.

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 outstanding commitments and contingent liabilities are as follows:

	2014 £'000	2013 £'000
Cash backed financial guarantees	11,352	1,833
Other financial guarantees	226	216
	<hr/>	<hr/>
	11,578	2,049
	<hr/>	<hr/>

Notes to the summary financial statements (continued)

for the year ended 31 December 2014

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 2014 is £6.8m (2013: £0.3m), which represent non-cancellable facilities.

The Bank also had unconditionally cancellable facilities of £10.7m (2013: £16.9m).

Commitments under operating leases	2014 £'000	2013 £'000
Total commitments under operating leases		
Future minimum lease payments		
Commitments payable within one year	576	576
Commitments payable between one and five years	2,033	2,304
Commitments payable after five years	28	333
Total commitments payable	2,637	3,213

The above operating 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 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.

Sub-participated loans

The banks within the group may sub-participate loans to their fellow subsidiaries (the "host bank") as part of their 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.

The Bank sub-participated loans from Standard Bank Jersey Limited, its fellow subsidiary. Total sub-participated loans recognised in the statement of financial position at 31 December 2014 amounted to £84,632,000 (2013: Nil).

Notes to the summary financial statements (continued)

for the year ended 31 December 2014

Investments in subsidiary companies	2014 £	2013 £
Standard Bank Nominees (Isle of Man) Limited Nominee company - in liquidation 2 ordinary shares of £1 each	2	2
Stott Nominees Limited Nominee company - in liquidation 5 ordinary shares of £1 each	5	5
	<u>7</u>	<u>7</u>

Investments in subsidiary companies have not been shown separately on the face of the summary statement of financial position as the statement of financial position is shown in £'000.

Both of the subsidiaries are wholly owned by the Bank and are registered in the Isle of Man and shown at cost. The directors consider the value of each investment to be not less than the value stated above. The subsidiaries do not trade and their assets and liabilities are insignificant.

Immediate and ultimate holding company

The Bank is a wholly owned subsidiary of Standard Bank Offshore Group Limited, a company incorporated in Jersey (previously Standard Bank Manx Holdings Limited - in liquidation). The ultimate holding company is Standard Bank Group Limited, a company registered in the Republic of South Africa. As part of the review, it was resolved that Standard Bank Manx Holdings be liquidated. The Bank's holdings was transferred to Standard Bank Offshore Group Limited, the immediate holding company of Standard Bank Manx Holdings on 31 October 2014.

The summary financial statements on pages 2 to 5 are extracts from the full audited financial statements, which were approved by the board of directors on 19 February 2015 and were signed on its behalf by:

Directors

C Till
W P T Thorp

The summary financial statements were approved by:

C Till
Director

W P T Thorp
Director

for and on behalf of Standard Bank Isle of Man Limited on 27 March 2015.

Independent auditor's report

for the year ended 31 December 2014

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

The accompanying summary financial statements, which comprise the Summary income statement for the year ended 31 December 2014, the Summary statement of financial position as at 31 December 2014 and related notes are derived from the audited financial statements of Standard Bank Isle of Man Limited for the year ended 31 December 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 23 February 2015. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Standard Bank Isle of Man Limited.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Services Act 2008 and the regulations ('the Financial Services Rule Book') made thereunder.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 Engagements to Report on Summary Financial Statements. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Rule 2.26 of the Financial Services Rule Book and for no other purpose.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Standard Bank Isle of Man Limited for the year ended 31 December 2014 are consistent, in all material respects, with those financial statements, in accordance with the applicable requirements of the Financial Services Act 2008 and the regulations made thereunder.

PricewaterhouseCoopers LLC

Chartered Accountants

Douglas, Isle of Man

27 March 2015

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

Isle of Man
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: sbiom@standardbank.com

Standard Bank Offshore
Website: www.standardbank.com/international

