



Standard
Bank
Isle of Man Limited
Summary Financial Statements 2015

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Officers of the Company

Directors

S I M Braudo (Chairman)
C A Broadley
I W Hamilton
G F Karran
J C N Peake
C E Till

Secretary

N D Cole

Registered office

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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 2015. It is a summary of information contained in the Bank's audited financial statements for the year ended 31 December 2015 ("the full annual financial statements"), as approved by the Board of Directors on 1 March 2016. 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 2015

	2015 £'000	2014 £'000
Summary income statement for the year ended 31 December 2015		
Profit for the year after tax	15,166	11,023
	2015 £'000	2014 £'000
Summary statement of financial position as at 31 December 2015		
Loans and advances to banks - group	1,465,955	1,233,399
Loans and advances to banks - other	33,247	24,593
Derivative financial instruments	19,421	25,797
Financial assets designated at fair value	389,982	319,818
Available-for-sale financial asset ¹	2,587	-
Loans and advances to customers	246,773	238,668
Property, plant and equipment	279	351
Deferred tax asset	97	122
Other assets	615	3,350
Total assets	2,158,956	1,846,098
Liabilities		
Deposits from banks	16,467	14,470
Derivative financial instruments	10,489	13,713
Deposits from customers	2,025,627	1,730,254
Current tax liability	1,658	1,220
Subordinated debt	10,550	10,550
Other liabilities and provisions	5,996	5,325
Retirement benefit obligations	971	1,223
Total liabilities, excluding shareholders' funds	2,071,758	1,776,755
Equity shareholders' funds		
Share capital	5,000	5,000
Retained earnings	81,005	65,657
Other reserves ¹	2,602	170
Post employment benefits reserve	(1,409)	(1,484)
Equity shareholders' funds	87,198	69,343
Total liabilities and shareholders' funds	2,158,956	1,846,098

¹ Other reserves as at 31 December 2015 includes the remeasurement of an available-for-sale financial asset of £2,586,985 recognised in other comprehensive income during the year. Refer to page 4 for a detailed discussion on this financial asset.

Notes to the summary financial statements

for the year ended 31 December 2015

Available-for-sale financial asset

The Bank as a shareholder and principal member of Visa Europe, recognised an available-for-sale asset attributable to this investment during the year at its fair value of £2,586,985 with the corresponding remeasurement recognised in Other Comprehensive Income.

The remeasurement was triggered by the announcement of the sale of Visa Europe to Visa Inc. subject to regulatory approvals and a principal member communication from Visa Europe advising the indicative consideration due to be paid to the bank upon closure of the sale expected in the second quarter of 2016.

The indicative consideration due to be received by the bank as advised by Visa Europe comprised an upfront consideration in cash and preferred stock with an estimated value of £8,733,937 (€11,897,805). It also includes a potential earn-out payable in cash following the end of the 16th financial quarter post-closing of the transaction, subject to terms of the earn-out and continued membership during the four year earn-out period.

The remeasured value was calculated by applying a 50% discount to cash component of the advised indicative upfront consideration with an estimated value of £5,173,970 (€7,048,138). This discount is representative of the following uncertainties:

- the definitive closing of the transaction, subject to approvals by European authorities; and
- the definitive breakdown of the sale price between principal members with potential impact on consideration due to each.

The preferred stock and the earn-out components of the indicative consideration of €4,849,667 were not taken into account in the remeasurement of the available-for-sale financial asset considering the overall uncertainty of the transaction and specific risks associated to each of the components below:

- Preferred stock - Illiquidity, based on the advised four to twelve year lock-in period before conversion to Visa Inc. common stock as well as uncertainty over the conversion ratio which remains subject to potential reduction for certain litigation losses incurred by Visa Europe; and
- Potential additional earn-out - uncertainty on the quantum of the earn-out and how it will be shared out to members, as well as it being contingent on the performance of Visa Europe in the four years following the completion of the acquisition; and the Bank remaining a principal member.

The most significant unobservable inputs to the valuation are the discounts applied to the fair value. The potential fair value of the investment in Visa Europe could be up to £6,147,000 (€8,373,736) greater, if no discounts were assumed on the total upfront consideration as discussed above.

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.

	2015 £'000	2014 £'000
Cash backed financial guarantees	10,859	11,352
Other financial guarantees	121	226
	10,980	11,578

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 2015 are £2.5m (2014: £6.8m), which represent non-cancellable facilities.

The Bank also had unconditionally cancellable facilities of £29.1 m (2014: £10.7m).

Notes to the summary financial statements (continued)

for the year ended 31 December 2015

	2015 £'000	2014 £'000
Commitments under operating leases		
Total commitments under operating leases		
Future minimum lease payments		
Commitments payable within one year	576	576
Commitments payable between one and five years	1,485	2,033
Commitments payable after five years	-	28
Total commitments payable	2,061	2,637

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 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 2015 amounted to £49,197,000 (2014: £84,632,000).

	2015 £	2014 £
Investments in subsidiary companies		
Standard Bank Nominees (Isle of Man) Limited Nominee company - liquidated		
2 ordinary shares of £1 each	-	2
Stott Nominees Limited Nominee company - liquidated		
5 ordinary shares of £1 each	-	5
	-	7

Investments in subsidiary companies as at 31 December 2014 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 were wholly owned by the Bank and are registered in the Isle of Man and shown at cost. Both of the subsidiaries have been liquidated during the year.

Notes to the summary financial statements (continued)

for the year ended 31 December 2015

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 3 to 6 are extracts from the full audited financial statements, which were approved by the board of directors on 1 March 2016 and were signed on its behalf by:

Directors

C Till
J C N Peake

The summary financial statements were approved by:

C Till	J C N Peake
Director	Director

for and on behalf of Standard Bank Isle of Man Limited on 21 April 2016.

Independent auditor's report

for the year ended 31 December 2015

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 2015, the Summary statement of financial position as at 31 December 2015 and related notes are derived from the audited financial statements of Standard Bank Isle of Man Limited for the year ended 31 December 2015. Our opinion on the financial statements dated 2 March 2016 was not qualified but included an emphasis of matter regarding the inherent uncertainty of the valuation basis for the available-for-sale asset in Visa Europe as explained in the note on page 4. 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 2015 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
22 April 2016

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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