



Standard
Bank

Jersey Limited

Summary Financial Statements 2016

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Officers of the Company

Directors

C A Broadley (Chairman)
A E Astell
J G Davies
J C N Peake
J P Speck
W P T Thorp
G M Vogel

Secretary

M G Fletcher

Secretary

N D Cole

Registered office

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Contacts

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Contacts

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The principal activities of the company are banking and related financial services activities including stockbroking, asset management, investment management and custodian services.

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 company and state of affairs of the company 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, Standard Bank Jersey Limited has decided to adopt the summarised form of financial statements.

Standard Bank Jersey Limited 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 request.

The directors present the summary financial statements of Standard Bank Jersey 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, as approved by the Board of Directors on 1 March 2016. Those financial statements have been audited and delivered to the Registrar of Companies in Jersey. The Auditors' report was not qualified in any respect.

The summary financial statements are derived from the Bank's audited 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 audited financial statements are available to depositors on request from the offices of the Bank at Standard Bank House, 47-49 La Motte Street, St. Helier, Jersey JE2 4SZ, Channel Islands.

Financial Review

For the year ended 31 December 2016

Performance commentary

The Bank's financial performance has shown positive growth in 2016. The Bank's headline earnings increased from £6.5m in prior year to £11.7m. There was revenue growth from prior year as a result of the growth in the balance sheet along with higher United States ("US") Dollar interest income received following the US Federal Reserve increasing interest rates and improved deposit pricing from Standard Bank South Africa ("the Group") from July 2016 leading to net interest income showing an increase to £18.5m from prior year's £16m. Foreign exchange ("FX") income also showed growth this year due to an increase in client driven FX transactional income. Other income in the year includes a consideration received in May 2016 of £2.8m in relation to the Bank's available-for-sale financial asset as discussed below. The Bank's balance sheet continued to show a significant growth with client deposits closing at £2.3b (2015: £2b), representing a 17% increase. Loans and advances to Group closed at £1.44b (2015: £1.35b), representing a 6% increase. Loans to customers remained flat at £371m, which includes £54m (£2015: £49m) of loans sub-participated to a fellow subsidiary, Standard Bank Isle of Man Limited ("SBIOM"). The overall balance sheet growth was impacted by exchange rate movement which increased the value of the Bank's non-sterling denominated balances.

The Bank's investment in United Kingdom ("UK") and US treasury bills have shown growth during the year and closed at £566m from £317m in prior year. This is aligned to the Bank's strategy to diversify its portfolio as part of its ongoing risk mitigation as a result of the downgrade of the South African sovereign. The Bank's risk asset ratio ("RAR") closed at 14.70% (2015: 13.11%) compared to the regulatory minimum requirement of 11%, and prior to capitalising the profits for 2016. The loan loss provision remained insignificant. Looking forward, the Bank's growth and success looks positive and well aligned with the Group's client proposition. The loan and deposit pipelines continue to show a healthy outlook.

Personnel expenses of £17.3m increased by 5% from prior year (2015: £16.5m). There was also an increase in other operating expenses related to projects and information technology costs which contributed to the overall increase of 7% in total expenses compared to prior year. Cost control measures continued to be one of the focus areas and has positively contributed to the increase in headline earnings. The Bank's normalised cost-to-income ratio of 76% was below 81% in prior year as a result of this.

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 to SBIOM, its fellow subsidiary. Total sub-participated loans derecognised in the statement of financial position at 31 December 2016 amounted to £54m (2015: £49m).

Available-for-sale financial asset

Following the closure of the sale of Visa Europe Limited to Visa Inc. in 2016, the value of the final consideration to be received by SBIOM and its sponsored member was estimated as €8,906k (£7,427k), with the various components detailed below:

- €10 for the one ordinary share in Visa Europe Limited;
- Upfront cash of €7,631k ("Upfront Cash");
- 5,470 Series B Visa Inc. preferred stock ("Preferred Stock") valued at €485k¹; and
- Deferred cash to be received shortly after the third anniversary of the transaction close date ("Deferred Cash") valued at €790k.

1. Valued at 10% of the advised value to account for the lock-in period and estimated Covered Claims.

Consistent with provisions of the Visa Europe Limited membership rules that each Principal Member agrees how to share the consideration with its sponsored members, SBIOM entered into an agreement with the Bank, its only sponsored member, to transfer 40% of the rights to the final consideration received. The rights within this agreement meet the de-recognition criteria under IAS 39 and consequently 40% of the final consideration above has been recognised in the financial statements of the Bank.

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Summary Financial Statements
For the year ended 31 December 2016

Results for the year ended 31 December 2016

	2016 £'000	2015 £'000
Net interest income after impairment charges	18 546	16 012
Other income	25 321	20 132
Expenses	(31 178)	(29 018)
Profit before income tax	<u>12 689</u>	<u>7 126</u>
Income tax	(936)	(594)
Retained profit for the year after tax	<u>11 753</u>	<u>6 532</u>

Summary statement of financial position as at 31 December 2016

	2016 £'000	2015 £'000
Assets		
Loans and advances	1 813 532	1 724 691
Financial assets designated at fair value	569 258	320 802
Available-for-sale financial asset	272	-
Other assets	21 443	8 682
Total assets	<u>2 404 505</u>	<u>2 054 175</u>
Liabilities		
Deposits	2 294 715	1 956 907
Financial liabilities designated as fair value	2 256	2 225
Other liabilities and provisions	19 170	17 757
Subordinated debt	21 270	21 270
Total liabilities, excluding shareholders' funds	<u>2 337 411</u>	<u>1 998 159</u>
Equity shareholders' funds	67 094	56 016
Total liabilities and shareholders' fund	<u>2 404 505</u>	<u>2 054 175</u>

Contacts

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Jersey

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