



Sagicor Bank

Sagicor Bank Jamaica Limited

# Q2 2018 Performance

## DIRECTORS' STATEMENT

The Board of Directors of Sagicor Bank Jamaica Limited are pleased to present the Bank's unaudited financial results for the half year ended June 30, 2018.

## OUR PERFORMANCE

### Operating Revenue & Expenses

Sagicor Bank's financial performance for Q2 was strong, better than Q1 2018 and better than last year. The bank generated net profit after tax of \$772.3M for the six month period, which is \$304.9M or 65% more than the same period last year. This was primarily due to increased net interest income of \$403.5 million or 12% and fee-based income of \$225.4 million or 16% attributable to the bank's ongoing strategy to expand its Loans and Payments segments. Further, net trading income grew by \$290.5 million or 97% with foreign exchange activities contributing \$385.5 million which was off-set by capital losses on certain bonds. Operating expenses for the period increased by \$287.4 million or 7% over the corresponding prior period, resulting mainly

### GROWTH OVER JUNE 2017

Net Profit Attributable  
to Shareholders

**\$773.0M**

▲ 65%

Total  
Assets

**\$139.0B**

▲ 20%

Operating  
Income

**\$5.91B**

▲ 15%

Earnings Per  
Stock Unit

**\$0.18**

▲ 64%

from higher credit loss provisions under IFRS 9 for loans and investments and credit card balances.

As a result, earnings per stock unit increased by 65% to \$0.18 compared to \$0.11 in 2017.

Operating Results	Unaudited June 30, 2018 J\$' Billion	Unaudited June 30, 2017 J\$' Billion	Change %
Operating Income	5.91	5.16	15%
Operating Expenses, including asset tax	4.70	4.41	7%
Taxation	0.44	0.28	54%
Net Profit, attributable to Shareholders	0.77	0.47	65%

Profitability	Unaudited June 30, 2018 J\$	Unaudited June 30, 2017 J\$	Change %
Earnings per stock unit (EPS)	0.18	0.11	64%

### Balance Sheet

The balance sheet grew by 20% to \$139.0 billion compared to \$115.7 billion at June 2017 and by 11% compared to December 2017. Growth was primarily from our lending portfolio that increased by 18% to \$65.4 billion from \$55.5 million in prior year. Investment securities also increased by 18% to \$25.6 billion compared to \$21.7 billion in the prior year. The balance sheet growth is consistent with our strategies to grow the business and expand our client base. The growth was largely funded by increased customer deposits which grew by 25% to \$96.4 billion compared to \$77.2 billion as at June 2017.

Return on equity is 7.83% compared to 5.09% in 2017.

Profitability	Unaudited June 30, 2018	Unaudited June 30, 2017	Change %
Return on average Shareholders' Equity (ROE)	7.83%	5.09%	54%

We anticipate continued strong results in the second half of the year.

On behalf of The Board of Directors:



RICHARD BYLES  
Chairman

14 August, 2018



CHRISTOPHER ZACCA  
Director



We take pride in the way that we conduct our business and deliver our strategy

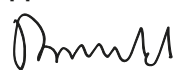
## Statement of Financial Position

As at June 30, 2018

(Expressed in thousands of Jamaican dollars)

	June 2018 Unaudited	June 2017 Unaudited	December 2017 Audited
<b>ASSETS</b>			
Cash and balances due from other financial institutions	15,397,241	12,038,773	12,455,836
Cash reserves at Bank of Jamaica	12,507,432	10,263,469	11,418,839
Financial assets at fair value through profit or loss	-	670,118	735,198
Securities purchased under agreements to resell	3,045,929	1,268,876	450,306
Investment securities	25,586,132	21,720,749	22,515,702
Loans, net of provision for credit losses	65,222,565	55,433,236	61,218,944
Lease receivables, net of provision for credit losses	153,380	68,032	102,412
Due from related companies	15,065	62,609	725
Intangible assets	1,217,686	1,340,440	1,301,347
Income tax recoverable	231,310	222,415	260,466
Property, plant and equipment	2,172,530	2,120,608	2,225,768
Deferred income tax assets	1,671,074	2,375,964	1,704,925
Post-employment benefit obligations	285,043	-	285,043
Other assets	11,498,564	8,096,514	10,571,337
<b>Total Assets</b>	<b>139,003,951</b>	<b>115,681,803</b>	<b>125,246,848</b>
<b>LIABILITIES</b>			
Customer deposits	96,415,647	77,189,583	84,279,661
Securities sold under agreements to repurchase	4,900,470	5,337,280	3,082,721
Due to banks and other financial institutions	4,728,312	4,256,516	4,675,684
Due to related companies	89,479	119,780	101,388
Post-employment benefit obligations	1,387,105	1,865,235	1,387,105
Provision	8,838,088	6,747,230	8,838,088
Other liabilities	3,096,506	1,807,133	2,961,945
<b>Total Liabilities</b>	<b>119,455,607</b>	<b>97,322,757</b>	<b>105,326,592</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8,400,000	8,400,000	8,400,000
Fair value reserve	(53,850)	(70,893)	181,775
Loan loss reserve	553,385	564,404	989,667
Reserve fund	2,291,968	2,025,483	2,291,968
Capital reserve	309,465	309,465	309,465
Retained earnings reserve	3,088,063	3,088,063	3,088,063
Merger reserve	3,759,440	3,759,440	3,759,440
Accumulated retained earnings	1,199,873	283,084	899,878
<b>Total Equity</b>	<b>19,548,344</b>	<b>18,359,046</b>	<b>19,920,256</b>
<b>Total Liabilities and Equity</b>	<b>139,003,951</b>	<b>115,681,803</b>	<b>125,246,848</b>

Approved for issue by the Board of Directors on August 14, 2018 and signed on its behalf by:



Richard Byles

Chairman



Christopher Zacca

Director

## Income Statement

Six Months Ended June 30, 2018

(Expressed in thousands of Jamaican dollars)

	Q2 2018 Unaudited	Q2 2017 Unaudited	June 2018 Year-to date Unaudited	June 2017 Year-to date Unaudited	December 2017 Full Year Audited
<b>Net Interest Income and Other Revenue</b>					
Interest income from loans and leases	1,910,292	1,703,168	3,730,463	3,352,462	6,811,394
Interest income from securities	380,702	367,009	704,014	755,622	1,554,364
Other interest income	41,771	16,305	80,757	24,726	82,970
Total interest income	2,332,765	2,086,482	4,515,234	4,132,810	8,448,728
Interest expense	(447,733)	(455,518)	(858,708)	(879,812)	(1,759,482)
Net interest income	1,885,032	1,630,964	3,656,526	3,252,998	6,689,246
Fees and commission income	830,916	721,252	1,648,264	1,422,883	3,129,559
Trading income	373,213	148,177	589,148	298,607	832,075
Other revenue	1,504	175,984	12,168	186,201	194,714
	1,205,633	1,045,413	2,249,580	1,907,691	4,156,348
	3,090,665	2,676,377	5,906,106	5,160,689	10,845,594
<b>Operating Expenses</b>					
Team member costs	810,730	740,130	1,491,199	1,657,485	2,983,490
Occupancy costs	112,689	106,415	219,441	218,750	470,005
Impairment charges	243,085	159,345	496,283	339,682	714,521
Other expenses	1,148,518	1,084,609	2,490,917	2,194,510	4,256,382
	2,315,022	2,090,499	4,697,840	4,410,427	8,424,398
<b>Profit/(Loss) before Taxation</b>	775,643	585,878	1,208,266	750,262	2,421,196
Taxation	(197,436)	(212,626)	(436,013)	(282,880)	(644,624)
<b>Net Profit</b>	578,207	373,252	772,253	467,382	1,776,572
<b>Earnings per stock unit for profit attributable to stockholders</b>					
Basic and Fully diluted	\$0.14	\$0.09	\$0.18	\$0.11	\$0.42

## Statement of Comprehensive Income

Six Months Ended June 30, 2018

(Expressed in thousands of jamaican dollars)

	Q2 2018 Unaudited	Q2 2017 Unaudited	June 2018 Year-to date Unaudited	June 2017 Year-to date Unaudited	December 2017 Full Year Audited
<b>Net Profit</b>	<u>578,207</u>	<u>373,252</u>	<u>772,253</u>	<u>467,382</u>	<u>1,776,572</u>
<b>Other comprehensive income -</b>					
<b>Item that will not be reclassified to profit or loss</b>					
Re-measurements of post-employment benefits	-	-	-	-	654,335
<b>Items that will be reclassified to profit or loss</b>					
Available-for-sale investments -					
Unrealised gains/(losses) on available-for-sale investments	(207,111)	129,263	(262,531)	84,971	488,967
Gains reclassified and reported in profit	7,187	(58,139)	11,564	(33,476)	(184,804)
	<u>(199,924)</u>	<u>71,124</u>	<u>(250,967)</u>	<u>51,495</u>	<u>304,163</u>
Total other comprehensive income, net of taxes	<u>(199,924)</u>	<u>71,124</u>	<u>(250,967)</u>	<u>51,495</u>	<u>958,498</u>
<b>Total Comprehensive Income</b>	<u><u>378,283</u></u>	<u><u>444,376</u></u>	<u><u>521,286</u></u>	<u><u>518,877</u></u>	<u><u>2,735,070</u></u>

## Statement of Changes in Equity

Six months ended 30 June 2018

(Expressed in thousands of Jamaican dollars)

	Share Capital	Fair Value Reserve	Loan Loss Reserve	Reserve Fund	Capital Reserve	Retained Earnings Reserve	Retained Earnings/	Merger Reserve	Total
<b>Period ended 30 June 2018</b>									
<b>Balance at 1 January 2018</b>	8,400,000	181,775	989,667	2,291,968	309,465	3,088,063	899,878	3,759,440	19,920,256
Cumulative transition adjustments on adoption of IFRS 9	-	15,342	(348,421)	-	-	-	(48,649)	-	(381,728)
<b>Restated balance as at 1 January 2018</b>	8,400,000	197,117	641,246	2,291,968	309,465	3,088,063	851,229	3,759,440	19,538,528
Total comprehensive income for the period	-	(250,967)	-	-	-	-	772,253	-	521,286
Dividends paid	-	-	-	-	-	-	(500,000)	-	(500,000)
Shares to fulfill stock options	-	-	-	-	-	-	(11,470)	-	(11,470)
Transfer to/(from) reserves	-	-	(87,861)	-	-	-	87,861	-	-
	-	-	(87,861)	-	-	-	76,391	-	(11,470)
<b>Balance at 30 June 2018</b>	8,400,000	(53,850)	553,385	2,291,968	309,465	3,088,063	1,199,873	3,759,440	19,548,344

	Share Capital	Fair Value Reserve	Loan Loss Reserve	Reserve Fund	Capital Reserve	Retained Earnings Reserve	Retained Earnings/	Merger Reserve	Total
<b>Period ended 30 June 2017</b>									
<b>Balance at 1 January 2017</b>	8,400,000	(122,388)	541,503	1,558,102	309,465	3,088,063	859,782	3,759,440	18,393,967
Total comprehensive income for the period	-	51,495	-	-	-	-	467,382	-	518,877
Dividends paid	-	-	-	-	-	-	(500,000)	-	(500,000)
Shares to fulfill stock options	-	-	-	-	-	-	(53,798)	-	(53,798)
Transfer to/(from) reserves	-	-	22,901	467,381	-	-	(490,282)	-	-
	-	-	22,901	467,381	-	-	(544,080)	-	(53,798)
<b>Balance at 30 June 2017</b>	8,400,000	(70,893)	564,404	2,025,483	309,465	3,088,063	283,084	3,759,440	18,359,046



## Statement of Cash Flows

Six months ended June 30, 2018

(Expressed in thousands of Jamaican dollars)

	June 2018 Year-to-date Unaudited	June 2017 Year-to-date Unaudited	December 2017 Full Year Audited
<b>Cash Flows from Operating Activities</b>			
Net profit	772,253	467,382	1,776,572
Adjustments for non-cash items	(2,534,637)	(2,452,397)	(4,034,938)
Changes in operating assets and liabilities	3,873,961	(4,220,006)	(4,268,595)
Interest received	4,431,548	4,186,771	8,401,614
Interest paid	(716,480)	(781,583)	(1,663,105)
Taxation paid	(231,061)	(486,132)	(420,279)
<b>Cash Flows from Operating Activities</b>	<b>4,823,331</b>	<b>(3,753,347)</b>	<b>(1,985,303)</b>
<b>Cash Flows from Investing Activities</b>			
Securities purchased under agreements to resell	(888,406)	-	-
Proceeds from sale of mortgages	-	5,275,360	4,365,457
Purchase of investment securities	(15,790,278)	(3,488,279)	(13,982,703)
Proceeds from sale of investment securities	15,498,847	7,357,292	18,323,334
Purchase of intangible assets	-	(248,204)	(294,245)
Purchase of property, plant and equipment	(80,518)	(99,549)	(325,076)
Proceeds from disposal of property plant and equipment	11,437	21	833
Net cash used in investing activities	<b>(1,248,918)</b>	<b>8,796,641</b>	<b>8,087,600</b>
<b>Cash Flows from Financing Activities</b>			
Due (to)/from related parties	(26,249)	72,996	116,488
Dividend paid	(500,000)	(500,000)	(1,000,000)
Proceeds from preference shares	7,641	2,032,750	2,040,518
Proceeds from due to banks and other financial institutions	(4,907,648)	7,419,116	7,267,605
Repayments from due to banks and other financial institutions	4,953,260	(7,225,951)	(6,659,068)
Net cash provided by financing activities	<b>(472,996)</b>	<b>1,798,911</b>	<b>1,765,543</b>
Effect of exchange rate changes on cash and cash equivalents	149,836	50,395	(95,388)
Net decrease in cash and cash equivalents	<b>4,023,506</b>	<b>7,359,982</b>	<b>9,549,024</b>
Cash and cash equivalents at beginning of year	11,130,973	1,581,949	1,581,949
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>15,154,479</b>	<b>8,941,931</b>	<b>11,130,973</b>
<b>Cash and Cash Equivalent</b>			
Cash and Balances due from other financial Institutions	15,396,176	11,839,890	12,454,410
Investment securities	3,000,000	-	999,097
Securities purchased under agreements to resell	2,148,918	1,268,876	450,000
Securities sold under agreements to repurchase	(4,900,000)	(3,371,909)	(2,366,700)
Items in the course of repayment	(490,615)	(794,926)	(405,834)
	<b>15,154,479</b>	<b>8,941,931</b>	<b>11,130,973</b>

## Explanatory Notes

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As at June 2018

### 1 Identification and Principal Activities

Sagicor Bank Jamaica Limited (the Bank) is incorporated and is domiciled in Jamaica. The Bank is licensed under the Banking Act, 1992. The registered office of the company is located at 17 Dominica Drive, Kingston 5. The principal activities of the company involve retail and corporate banking services, foreign exchange trading, investment management and provision of various credit facilities including loans and leases.

The Bank is a wholly owned subsidiary of Sagicor Group Jamaica Limited, which is incorporated and domiciled in Jamaica. Sagicor Group Jamaica Limited (the parent) is listed on the Jamaica Stock Exchange. The parent is 32.45% (2017 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. Sagicor Life Inc., which is incorporated in Barbados directly holds a 16.66% interest in the parent. The ultimate parent company is Sagicor Financial Corporation (SFC), which is incorporated and domiciled in Bermuda. SFC has an overall interest of 49.11% (2017 – 49.11%) in the parent. The other significant shareholder of the parent is Pan-Jamaican Investment Trust Limited with a 31.55% (2017 – 31.55%) holding.

The financial statements have been prepared in accordance with the provisions of the Banking Services Act 2014.

### 2 Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, unless otherwise noted. The condensed interim financial statements should be read in conjunction with the accounting policies as set out in Note 2 of the audited financial statements for the year ended 31 December 2017.

Effective January 1, 2018 the Bank adopted IFRS 15 “Revenue from Contracts with Customers.” The standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. The Bank has reviewed transactions which may be affected, and concluded that there was no material impact on adoption of IFRS 15.

Effective January 1, 2018, the Bank adopted IFRS 9 “Financial Instruments”. Prior period amounts are in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets and liabilities.

IFRS 9 introduces key changes in the following areas:

(i). Classification and Measurement - requiring asset classification and measurement based upon both business model and product characteristics.

There are three categories for the classification of financial assets:

- Amortised Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit & Loss (FVTPL)

There are two categories for the classification of financial liabilities:

- Amortised Cost
- Fair Value through Profit & Loss (FVTPL)

Initial measurement at fair value remains similar to IAS 39, however subsequent measurement and accounting is based on the new classifications.

(ii). Impairment – introducing an Expected Credit Loss (ECL) model, and forward-looking information which replaces the Incurred Loss Model under IAS 39. This results in earlier and more timely recognition of expected credit losses.

(iii). Hedge accounting – introducing changes to and wider eligibility criteria for hedging of financial instruments.



## Explanatory Notes (cont'd)

### 3 Cumulative transition adjustments on adoption of IFRS 9

#### (i). Reconciliation of Statement of Financial Position from IAS 39 to IFRS 9

The following table provides the impact from the transition to IFRS 9 on the Statement of Financial Position at transition at transition date January 1, 2018.

**Statement of Financial Position**  
**As at January 1, 2018**  
**(Expressed in thousands of Jamaican dollars)**

Unaudited	IAS 39 Carrying Amount	Allowance for Expected Credit Losses (ECL)	IFRS 9 Carrying Amount
<b>ASSETS</b>			
Cash and balances due from other financial institutions	12,455,836		12,455,836
Cash reserves at Bank of Jamaica	11,418,839		11,418,839
Financial assets at fair value through profit or loss	735,198		735,198
Securities purchased under agreements to resell	450,306		450,306
Investment securities- Available for Sale	17,525,807		17,525,807
Investment securities- Loans and Receivables	4,989,895	(49,960)	4,939,935
Loans, net of provision for credit losses	61,218,944	(347,689)	60,871,255
Lease receivables, net of provision for credit losses	102,412	(733)	101,679
Due from related companies	725		725
Intangible assets	1,301,347		1,301,347
Income tax recoverable	260,466		260,466
Property, plant and equipment	2,225,768		2,225,768
Deferred income tax assets	1,704,925	16,654	1,721,579
Post-employment benefit obligations	285,043		285,043
Other assets	10,571,337		10,571,337
<b>Total Assets</b>	<b>125,246,848</b>	<b>(381,728)</b>	<b>124,865,120</b>
<b>LIABILITIES</b>			
Customer deposits	84,279,661		84,279,661
Securities sold under agreements to repurchase	3,082,721		3,082,721
Due to banks and other financial institutions	4,675,684		4,675,684
Due to related companies	101,388		101,388
Post-employment benefit obligations	1,387,105		1,387,105
Provision	8,838,088		8,838,088
Other liabilities	2,961,945		2,961,945
<b>Total Liabilities</b>	<b>105,326,592</b>	<b>-</b>	<b>105,326,592</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8,400,000		8,400,000
Fair value reserve	181,775	15,342	197,117
Loan loss reserve	989,667	(348,421)	641,246
Reserve fund	2,291,968		2,291,968
Capital reserve	309,465		309,465
Retained earnings reserve	3,088,063		3,088,063
Merger reserve	3,759,440		3,759,440
Accumulated retained earnings	899,878	(48,649)	851,229
<b>Total Equity</b>	<b>19,920,256</b>	<b>(381,728)</b>	<b>19,538,528</b>
<b>Total Liabilities and Equity</b>	<b>125,246,848</b>	<b>(381,728)</b>	<b>124,865,120</b>

#### (ii). Reconciliation of Accumulated Expected Credit Losses from IAS 39 to IFRS 9

The following table reconciles the closing accumulated provision for Expected Credit Losses for financial assets in accordance with IAS 39 to the opening allowance under IFRS 9 as at January 1, 2018.

**Accumulated Expected Credit Losses**  
**As at January 1, 2018**  
**(Expressed in thousands of Jamaican dollars)**

	Accumulated Provision for Expected Credit Losses under IAS 39 as at December 31, 2017	Transition provision for Expected Credit Losses	Accumulated Provision for Expected Credit Losses under IFRS 9 as at January 1, 2018
Loans & leases, after allowance for credit losses	1,519,320	348,422	1,867,742
Investment securities at Amortised Cost	-	49,960	49,960
	<b>1,519,320</b>	<b>398,382</b>	<b>1,917,702</b>

Note : The ECL Allowance amounts are shown net of Other Loss Reserves and before taxes

## Disclosure of Stockholding

30 JUNE 2018

Directors	Stockholdings	Connected Party
Richard O. Byles	Nil	Nil
Monish K. Dutt	Nil	Nil
Peter K. Melhado	Nil	Nil
Dodridge D. Miller	Nil	Nil
Bruce R.V. James	Nil	Nil
Chorvelle Johnson	Nil	Nil
Lisa A. Soares Lewis	Nil	Nil
Paul A.B. Facey	Nil	Nil
Colin T. Steel	Nil	Nil
Christopher W. Zacca	Nil	Nil

### TOP 10 STOCKHOLDERS

ORDINARY SHAREHOLDER	NUMBER OF UNITS	PERCENTAGE HOLDING
Sagicor Group Jamaica Limited	4,241,886,728	100%

PREFERENCE SHAREHOLDERS - A	NUMBER OF UNITS	PERCENTAGE HOLDING
British Caribbean Insurance Company	150,000,000	23.1%
National Insurance Fund	150,000,000	23.1%
JCSD Trustee – Sigma Money Market Fund	150,000,000	15.6%
Jason Lee	25,000,000	3.8%
PanJam Investment Limited	20,000,000	3.1%
Pro-Hardware Limited	15,000,000	2.3%
Llewellyn Watson	11,000,000	1.7%
Derrick Spence	10,000,000	1.5%
COK Sodality	10,000,000	1.5%
Eileen Boxill	10,000,000	1.5%

PREFERENCE SHAREHOLDERS - B	NUMBER OF UNITS	PERCENTAGE HOLDING
JCSD Services – Sigma Solutions	350,000,000	24.7%
Victoria Mutual Building Society	150,000,000	10.6%
National Insurance Fund	150,000,000	10.6%
Superannuation Fund	100,000,000	7.0%
First Caribbean International – Retirement Fund	100,000,000	7.0%
Sagicor JPSCo Employee Fund	75,000,000	5.3%
PAM Pooled Equity	55,000,000	3.89%
PAM Lascelles DeMercardo Defined	50,000,000	3.5%
JCSD Services – Sigma Corporate	50,000,000	3.5%
Newport Mills	30,000,000	2.12%

Senior Management Team:	
Chorvelle Johnson	Chief Executive Officer
Michael Willacy	Vice President - Corporate Retail & SME Banking
Sabrina Cooper	Vice President - Payments
Jeffrey Chevannes	Vice President - Credit Risk
Terise Kettle	Assistant Vice President - Corporate Retail & SME Business Banking
Clinton Hunter	Assistant Vice President - Retail Banking
Tanya Allgrove	Assistant Vice President - Credit Risk
Annette Osborne	Assistant Vice President - Operations
Omar Brown	Assistant Vice President - Treasury

Corporate Secretary:
Gene M. Douglas