



Sagcor Group Jamaica

Q3 2020

Performance Report



The Group generated very strong net profit attributable to stockholders of \$5.97 billion for the quarter compared to \$2.47 billion for the June quarter and \$4.47 billion for the quarter ended September 2019.

DIRECTORS' STATEMENT

On behalf of the Board of Directors of Sagcor Group Jamaica Limited (SGJ or the Group) we present the report on the performance of our Group of companies for the nine-months ended September 2020.

OVERVIEW –

The global economic impact of the COVID-19 pandemic has been described by many as a crisis “like no other”. For tourism-dependent countries like Jamaica, the effects have been significant. Despite the challenging environment, the Group’s Insurance businesses have continued to show strong performance, evidenced by net premium income being 10% higher than prior year. We have seen healthy new business sales and portfolio growth that continues to drive core results. The key metrics of our Commercial and Investment banking businesses have also performed satisfactorily and are expected to continue to improve as the economy shows greater activity.

The Group generated very strong net profit attributable to stockholders of \$5.97 billion for the quarter compared to \$2.47 billion for the June quarter and \$4.47 billion for the quarter ended September 2019. For the nine-month period, profits were \$10.33 billion showing a 5% decline compared to prior year. Profits before results attributed to Associate show a 14% improvement compared to prior year. Total revenue decreased by 11% or \$7.27 billion, a decrease of 4% (\$2.95 billion) when adjusted for unrealized capital losses. Travel-related revenue continues to be impacted by the worldwide collapse of the tourism market, resulting in declines in the valuations of our holdings in this segment. The Group’s earnings per share was \$2.65 compared to \$2.79 in the prior year.

HIGHLIGHTS

	Sep 2020 Unaudited	Sep 2019 Unaudited	% Change	Dec 2019 Audited
OPERATING RESULTS (INCOME STATEMENT DATA):				
Net Profit, attributable to Stockholders - J\$ billions	10.33	10.86	-5%	15.65
Total Revenue - J\$ billions	60.25	67.51	-11%	92.67
FINANCIAL POSITION & STRENGTH (BALANCE SHEET DATA):				
Total Assets of Sagcor Group Jamaica - J\$ billions	481.36	457.93	5%	456.00
Total Assets under management - J\$ billions	889.08	868.20	2%	928.17
Stockholders' Equity - J\$ billions	101.21	88.38	15%	91.25
PROFITABILITY:				
Return on average Stockholders' Equity (ROE)	15%	18%	-17%	19%
Earnings per stock unit (EPS) - J\$	2.65	2.79	-5%	4.01
OTHER MARKET INFORMATION:				
SGJ Share Price - J\$	46.49	73.95	-37%	77.95
Market capitalization - J\$ billions	181.57	288.82	-37%	304.44

NET PROFIT ATTRIBUTABLE
TO STOCKHOLDERS

\$10.33 B

2019: \$10.86 B

TOTAL
REVENUE

\$60.25 B

2019: \$67.51 B

TOTAL
ASSETS

\$481.36 B

2019: \$457.93 B

STOCKHOLDERS'
EQUITY

\$101.21 B

2019: \$88.38 B

EARNINGS PER
STOCK UNIT

\$2.65

2019: \$2.79

As the pandemic's effects continue to influence financial markets, our results remain impacted by:

- Unrealized capital losses driven by the broad decline in bond and equity prices earlier in the year. In recent months, the local markets have rebounded somewhat and the impact of this has been reduced on a year to date basis;
- Unrealized IFRS 9 Expected Credit Losses (ECL) on loan portfolios and investment securities;
- Travel restrictions' effect on our investments in hotel operations, which has led to the Group recognizing:
 - i. A significant share of loss and impairment charge from its investment in associate (Playa) and
 - ii. An impairment charge relating to the Goodwill that arose on the acquisition of the X-Fund Group in 2018

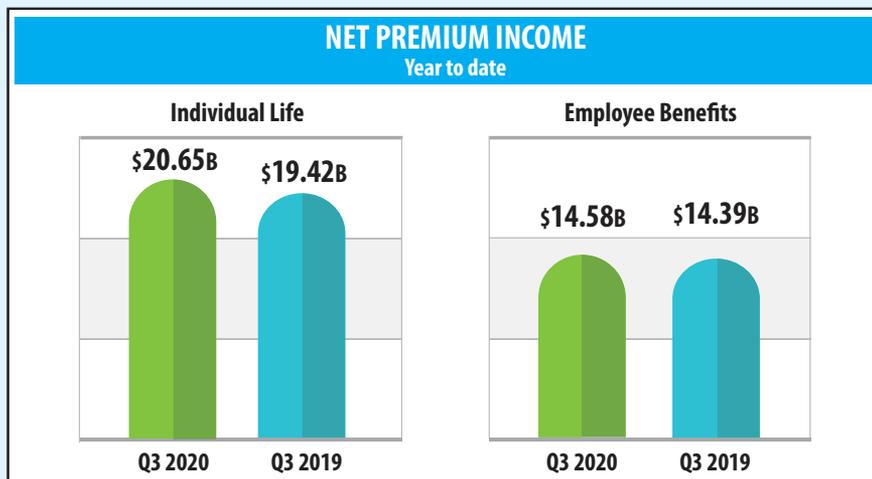
Despite these adverse effects, the operating cash flow of the company has increased by \$2.62 billion and the Group continues to maintain strong liquidity, improving its cash position by \$11.19 billion year on year.

FINANCIAL PERFORMANCE

The consolidated net profit attributable to stockholders of \$10.33 billion was generated from total revenues (including unrealized capital losses of \$4.32 billion) of \$60.24 billion. When compared to the prior year period, profit attributable to stockholders declined by 5% (an increase of 21% when impairment charges are excluded). The annualized return on stockholders' equity was 15% as against 18% for 2019.

Net premium income of \$37.25 billion increased 10% over 2019, an increase of 4% when normalized for premiums from Advantage General Insurance Company (AGIC) which was acquired in September 2019. Net investment income of \$13.35 billion was 7% better than last year.

The Group has recorded substantial Expected Credit Losses (ECL) on its portfolios of loans and domestic and international investment securities. The Group has continued to strengthen its provisions on loans and investments given the slow economic recovery projected. The value of our equity investments has shown improvement since the first quarter of 2020.



Fee and other income of \$10.32 billion fell 2% compared to prior year, primarily from the slowing of consumer activity and the decline in corporate financing deals closed during the period.

The Group recognized impairment charges of \$2.80 billion, resulting from the lower valuations of our investments in hotel operations, a direct result of the uncertainty surrounding the expected impact of travel restrictions caused by COVID-19.

Despite the effect of unrealized losses on investment securities, the Group's assets showed a 5% increase since December 2019 and prior year.

Stockholders' equity of \$101.21 billion as at September 2020 increased by 15% or \$12.83 billion over the prior year. There were large unrealized foreign currency gains of \$3.76 billion taken through Other Comprehensive Income resulting from translation of our foreign operations.

Individual Insurance

The Individual Life segment posted improved net profits of \$5.91 billion compared to \$3.78 billion in 2019. Net premium income of \$20.65 billion was 6% higher than the comparative 2019 period. This was driven

by new policy sales, both in Jamaica and Cayman, with significant improvement seen in Q3, resulting in a 3% growth of the portfolio year-to-date to 613,092 policies. There were large unrealized capital losses related mainly to our Segregated Funds and an increase of \$1.96 billion in benefits to policyholders. The increase in benefits is mainly due to withdrawals from Segregated policy funds, primarily driven by a change in the investment stance of our clients. The actuarial liabilities continue to be positively influenced by improvements in mortality, morbidity and lapse experience.

Employee Benefits

The Employee Benefits segment produced profits of \$3.29 billion, being 3% more than in 2019. Net Group Insurance and annuity premiums earned of \$14.58 billion were ahead of last year. The segment capitalized on market opportunities during the period and showed improvement in its net investment income. There have also been improvements in claims ratios when compared with prior year. The increase in actuarial liabilities is higher than prior year primarily driven by annuities business written during the current year.

Commercial Banking

Sagicor Bank contributed net profits of \$1.50 billion for the current period, a 23% reduction when compared to 2019. The results were impacted by higher ECL on loans as a result of the impact of COVID-19 on Tourism, Entertainment and Energy sector loans and the slower than expected recovery of the economy. The Bank has continued to strengthen its provisions for Credit Card and Retail Loans & Overdrafts. Fee based income of \$2.89 billion was 2% less than prior year, Payments channels, Loans and Credit Cards business have slowed appreciably in 2020 as a direct result of the decline in consumer activity caused by COVID-19.

Total assets of \$156.00 billion were 12% above September 2019 and 9% higher than the December 2019 amount. Loans and advances, net of provision for loan losses, were \$87.47 billion, 8% higher than the September 2019 balance and \$2.81 billion or 3% ahead of December 2019. Customer deposit liabilities of \$121.45 billion shows growth of 18% over prior year.

Investment Banking

The Investment Banking segment showed strong profitability during the period, contributing \$2.19 billion (excluding the share of AGIC earnings) to the Group, 9% higher than prior year. This segment has benefited from the increased market activity in the last quarter, recording higher trading gains and improvement in its net investment income, contributing to total revenue of \$5.00 billion, being 11% above 2019. Fee income was down compared to the similar period in prior year as less corporate financing deals were closed and asset management fees were reduced in line with the reduction in value of assets under management. This quarter there has been a steady rise in market values causing a significant increase in management fees over prior quarter.

LIQUIDITY AND SOLVENCY

Group consolidated cash generated from operating activities was \$14.46 billion compared to \$11.84 billion in 2019. The liquidity of the Group remained strong with Cash and Cash Equivalents at the end of September 2020 being \$31.03 billion (2019: \$19.84 billion). The Group has maintained its strong capital position and continues to exceed regulatory capital requirements across all entities.

CAPITAL RATIOS

Regulated Entities	Key Regulatory Ratios	Minimum Statutory Requirements	Sep 30, 2020	Sep 30, 2019
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	190.1%	180.9%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	13.5%	13.4%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	17.2%	16.6%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	345.4%	536.4%
Advantage General Insurance Company Limited	Minimum capital test ratio (MCT)	250.0%	356.0%	345.9%



1. Carla Drummond, Sagikor Bank Manager, Savanna-la-mar, looks at learning materials displayed on the newly built storage shelf in the new classroom at the Petersville Early Childhood Institution in Whitehouse, Westmoreland. The school benefited from the investment of \$18 million as part of the Sagikor Foundation's 2019/2020 Adopt-A-School programme.

2. Mischa McLeod Hines (left), Assistant Vice President, Capital Markets, Sagikor Investments and Alicia Bogues (right), Head of Marketing and Regional Development, CB Foods, join Debbie Dunn-Ferguson, Administrator for the Maxfield Park Children's Home, for a photo-op during the presentation of educational supplies and personal care items donated by Sagikor

Foundation to the Home as part of the Jamaica Food and Drink Festival "JFDF Cares" initiative.

3. Nishel Pryce (left), Principal of Pryce Pre-School & Kindergarten in Westmoreland, accepts donations of automatic hand sanitizer dispensers and a teacher's desk and chair, from Carla Drummond, Manager, Sagikor Bank Jamaica, Savanna-la-mar branch.

4. Michelle-Ann Letman (left), Manager, Public Relations and Corporate Social Responsibility, Sagikor Group Jamaica, assists Eda Golding, Principal of Prime Time Early Childhood Institution (ECI), as she cuts the ribbon to officially open a newly-built restroom at Prime Time ECI, one of three schools in the 2019/20 Sagikor Foundation Adopt-a-School Programme.



CORPORATE SOCIAL RESPONSIBILITY

During the third quarter of 2020, Sagikor Group Jamaica executed several corporate social responsibility (CSR) initiatives, particularly through donation in cash and kind in support of the education and health sectors.

Donations during the period included the provision of new classroom furniture, as well as automatic hand sanitizer dispensers to the Pryce Pre-School in Savanna-la-Mar, Westmoreland. Townhead Primary School in Westmoreland also received automatic hand sanitizer dispensers. These donations continue to form part of our commitment in the fight of the COVID-19 pandemic, as we assist various institutions with items to mitigate in the spread of the virus.

Other CSR contributions included a \$100,000 donation to Children First Agency towards their Guiding Young Ambitious Ladies campaign; \$800,000 in care packages to four Homes as part of the Jamaica Food and Drink Festival "JFDF Cares" initiative.

Additionally, a donation of US\$2,000 was made to the Creative Language-Based Learning initiative which provides meaningful support to children with language-based disabilities. During the period over \$1 million in book vouchers were donated to several back to school initiatives.

The three 2019/2020 Sagikor Foundation adopted schools were also completed and officially handed over to the schools' administrators during the period; over \$18 million was invested in this initiative.

OUTLOOK

The Jamaican economy is forecasted to contract sharply this year due to the hit from the global pandemic, however recent fiscal stimulus offered by the Government in its second supplementary budget should soften the impact somewhat. The current estimated contraction of GDP is between 6-8% in 2020 and reflects global declines in output. The economy is expected to recover in 2021 as domestic and foreign demand gradually return.

Across the globe, Government spending has shown significant increases where heavy investments in health infrastructure and economic stimulus packages to support affected businesses have become commonplace. The Jamaican Government has also responded with the largest programme in its history aimed at sustaining economic activity and supporting the needy. The diverse and frequent innovations seen locally must be noted, with the recent focus being on digitization and local consumption of goods and services, as our country grapples with the effects of the pandemic.

A high degree of uncertainty continues to persist with many developed countries seeing the beginnings of a second wave of infection. We continue to carefully monitor and assess the economic conditions. We remain committed to the health and wellness of our team, clients and stakeholders by implementing a multidimensional approach to safeguard health, minimize risk and ensure business continuity. Sagikor Group Jamaica remains cautiously optimistic about the future but feels it prudent to take a conservative view of the potential impact of COVID-19 and manage our businesses accordingly.

ACKNOWLEDGEMENT

We would like to express our deep gratitude to our Team members, Financial Advisors and Brokers for being able to adapt to serving our customers in these difficult times and continuing to embody Sagikor's Values. To our customers for the trust and confidence they have placed in us, we will continue to protect you during these difficult times. Thank you to our supportive business partners and to our stockholders for their continued confidence. Particularly in these difficult times, we recognize our Directors for their diligence and wise counsel.

On behalf of The Board of Directors:

PETER MELHADO
Chairman

CHRISTOPHER ZACCA, C.D., J.P.
President & CEO

30 October 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

 as at 30 September 2020
 (Expressed in thousands of Jamaican dollars)

	September 2020 Unaudited	September 2019 Unaudited	December 2019 Audited
ASSETS:			
Cash resources & Cash reserve at Central Bank	33,016,635	24,518,307	25,106,232
Financial investments	194,760,978	195,843,432	188,707,833
Derivative financial instruments	-	41,461	35,005
Loans & leases, after allowance for credit losses	87,893,861	80,957,392	84,996,376
Pledged assets	92,304,600	76,468,631	80,167,044
Investment properties	1,430,626	3,217,887	3,355,590
Investment in joint venture	578,924	429,335	436,493
Investment in associated company	20,509,684	26,655,459	24,509,615
Intangible assets	6,874,651	8,471,815	8,275,993
Property, plant and equipment	18,235,476	21,547,704	20,133,831
Right-of-use assets	2,636,121	1,194,503	2,910,614
Retirement benefit assets	863,643	183,351	863,638
Deferred income taxes	1,492,903	1,211,033	848,631
Taxation recoverable	2,289,994	2,780,574	2,264,183
Other assets	18,470,174	14,413,511	17,387,946
TOTAL ASSETS	481,358,270	457,934,395	459,999,024
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to:			
Stockholders' of the parent company			
Share capital	8,816,901	8,702,043	8,848,274
Equity reserves	14,345,877	11,007,200	13,570,398
Retained earnings	78,045,208	68,669,496	68,832,882
	101,207,986	88,378,739	91,251,554
Non-controlling interests	24,394,359	31,174,185	29,672,714
Total Equity	125,602,345	119,552,924	120,924,268
Liabilities			
Deposit and security liabilities	202,501,552	190,364,432	180,170,778
Derivative financial instruments	-	41,461	35,005
Lease liabilities	2,900,907	1,232,294	3,081,573
Loans payable	10,671,102	10,152,356	14,375,012
Deferred income taxes	1,200,541	1,070,407	1,605,692
Taxation payable	1,359,186	49,476	135,054
Retirement benefit obligations	3,344,839	3,362,392	3,344,834
Other liabilities	16,683,326	14,030,215	19,335,837
Policyholders' Funds			
Life and health insurance contracts liabilities	89,122,061	98,202,718	91,441,962
Investment contracts liabilities	16,810,926	14,532,357	14,531,020
Property and casualty insurance contracts and other policy liabilities	11,161,485	5,343,363	11,017,989
	117,094,472	118,078,438	116,990,971
Total Liabilities	355,755,925	338,381,471	339,074,756
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	481,358,270	457,934,395	459,999,024


 PETER MELHADO
 Chairman
 30 October 2020


 CHRISTOPHER ZACCA, C.D., J.P.
 President & CEO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

 for the nine-months ended September 2020
 (Expressed in thousands of Jamaican dollars)

	Q3 2020 Unaudited	Q3 2019 Unaudited	September 2020 Year-to-date Unaudited	September 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Net (loss)/profit for the period	4,156,069	4,173,636	5,002,778	11,303,245	15,463,626
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Fair value reserve:					
Unrealised gains/(losses) on securities designated as FVTOCI bonds	2,488,544	1,525,387	2,066,656	7,212,146	8,758,394
Share of joint venture and associate unrealised gains on securities designated as FVTOCI	-	-	-	-	28,537
	2,488,544	1,525,387	2,066,656	7,212,146	8,786,931
Currency translation	836,645	1,460,673	3,755,658	2,893,053	1,748,249
Gains/(losses) recycled to the Income Statement on sale and maturity of FVTOCI securities	(555,640)	(15,182)	(2,312,249)	171,883	(897,904)
Provision for expected credit losses on securities designated as FVTOCI	19,079	406,637	563,225	550,443	742,264
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	(36,036)	(939,357)	(81,065)	(1,232,290)	(1,523,248)
Change in actuarial liabilities recognised in other comprehensive income	(315,609)	(34,877)	(109,734)	(1,176,315)	(1,495,784)
Share of fair value gains/(losses) on interest rate swap of associate company	51,472	-	(182,515)	-	(410,058)
	(836,734)	(582,779)	(2,122,338)	(1,686,279)	(3,584,730)
Items that will not be subsequently reclassified to profit or loss					
Owner-occupied properties (OOP):					
Unrealised (losses)/gains on OOP	(1,639,318)	-	(1,621,128)	-	558,307
Share of unrealised losses on OOP of associate and joint venture	(558,226)	(6,706)	(529,163)	(393,233)	(742,763)
	(2,197,544)	(6,706)	(2,150,291)	(393,233)	(184,456)
Unrealised gains on FVTOCI equities	-	-	-	2,241	2,241
Re-measurements of retirement benefits obligations	-	-	(27,890)	-	571,628
Re-measurements of retirement benefits obligations of associate	9,446	-	8,276	-	(16,676)
Total other income recognised directly in stockholders' equity, net of taxes	300,357	2,396,575	1,530,071	8,027,928	7,323,187
Total Comprehensive Income	4,456,426	6,570,211	6,532,849	19,331,173	22,786,813
Attributable to:					
Stockholders' of the parent company	7,478,755	6,031,647	11,624,321	17,476,803	22,737,047
Non-controlling interests	(3,022,329)	538,564	(5,091,472)	1,854,370	49,766
	4,456,426	6,570,211	6,532,849	19,331,173	22,786,813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

 for the nine-months ended September 2020
 (Expressed in thousands of Jamaican dollars)

	Share Capital	Equity Reserves	Retained Earnings	Equity Owners' Total	Non-controlling Interests Total	Total Stockholders' Equity Unaudited
Period ended September 30, 2020:						
Balance as reported December 31, 2019	8,848,274	13,570,398	68,832,882	91,251,554	29,672,714	120,924,268
Prior year adjustment - Fair Value of Advantage General Insurance acquisition Balance Sheet	-	-	-	-	(15,334)	(15,334)
Restated opening balance at December 31, 2019	8,848,274	13,570,398	68,832,882	91,251,554	29,657,380	120,908,934
Total comprehensive income/(loss) for the period	-	1,312,527	10,311,794	11,624,321	(5,091,472)	6,532,849
Transactions with owners -						
Dividends paid to non-controlling interests	-	-	-	-	(171,549)	(171,549)
Dividends paid to owners of the parent	-	-	(280,000)	(280,000)	-	(280,000)
Dividends accrued to owners of the parent	-	-	(1,282,254)	(1,282,254)	-	(1,282,254)
Treasury shares	(31,373)	-	(71,969)	(103,342)	-	(103,342)
Total transactions with owners	(31,373)	-	(1,634,223)	(1,665,596)	(171,549)	(1,837,145)
Transfers between retained earnings and reserves	-	(537,048)	534,755	(2,293)	-	(2,293)
Balance as at September 30, 2020	8,816,901	14,345,877	78,045,208	101,207,986	24,394,359	125,602,345
Period ended September 30, 2019:						
Balance as reported December 31, 2018	8,863,302	4,286,773	61,189,933	74,340,008	27,354,811	101,694,819
Total comprehensive income for the period	-	6,614,633	10,862,170	17,476,803	1,854,370	19,331,173
Transactions with owners -						
Acquisition of Advantage General Insurance	-	-	-	-	1,965,004	1,965,004
Dividends paid to owners of the parent	-	-	(3,085,454)	(3,085,454)	-	(3,085,454)
Treasury shares	(161,259)	-	(191,359)	(352,618)	-	(352,618)
Total transactions with owners	(161,259)	-	(3,276,813)	(3,438,072)	1,965,004	(1,473,068)
Transfers between retained earnings and reserves	-	105,794	(105,794)	-	-	-
Balance as at September 30, 2019	8,702,043	11,007,200	68,669,496	88,378,739	31,174,185	119,552,924

CONSOLIDATED INCOME STATEMENT

 for the nine-months ended September 2020
 (Expressed in thousands of Jamaican dollars)

	Q3 2020 Unaudited	Q3 2019 Unaudited	September 2020 Year-to-date Unaudited	September 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Revenue:					
Net premium revenue	11,892,817	12,722,622	37,254,504	33,794,879	46,514,095
Net investment income	4,300,500	4,313,225	13,347,646	12,417,569	16,846,139
Realised and Unrealised gains/(losses)	1,625,217	2,544,688	(759,911)	6,454,887	10,935,031
Credit losses on loans and investment securities	(141,150)	561,416	(1,775,271)	455,211	(799,179)
Hotel revenue	356,214	1,074,875	1,850,760	3,874,373	5,274,284
Fees and other income	3,355,126	3,704,415	10,322,068	10,512,857	13,898,953
Total revenue, net of reinsurance, interest expense and credit losses	21,388,724	24,921,241	60,239,796	67,509,776	92,669,323
Benefits and Expenses:					
Net insurance benefits incurred	8,403,266	8,049,067	24,409,730	21,178,325	29,107,540
Net movement in actuarial liabilities	(2,834,314)	3,559,302	(5,045,384)	8,598,887	8,947,285
Administration expenses	5,657,475	5,075,815	17,002,798	14,899,625	21,591,517
Hotel expenses	418,152	1,105,093	1,614,790	3,160,575	4,139,370
Commissions and sales expenses	1,441,787	1,365,799	4,652,090	4,239,035	6,093,805
Amortization of lease liabilities	147,890	126,536	443,623	387,352	557,631
Amortization of intangible assets	170,722	179,489	615,851	556,265	787,001
Other taxes and levies	2	152	746,746	641,760	643,539
Total benefits and expenses	13,404,980	19,461,253	44,440,244	53,661,824	71,867,688
Profit before Associates and Joint Venture	7,983,744	5,459,988	15,799,552	13,847,952	20,801,635
Impairment of investment in associate	(9,525)	-	(1,795,191)	-	-
Impairment of goodwill	(150,000)	-	(1,003,500)	-	-
Share of profit/(loss) from joint venture	44,501	3,465	193,014	(8,625)	14,624
Share of (loss)/profit from associate	(1,466,827)	(229,756)	(3,394,045)	680,053	(98,662)
Loss arising from dilution of interest in associate	(7,406)	-	(388,153)	-	-
Profit before Taxation	6,394,487	5,233,697	9,411,677	14,519,380	20,717,597
Taxation	(2,238,418)	(1,060,061)	(4,408,899)	(3,216,135)	(5,253,971)
Net Profit	4,156,069	4,173,636	5,002,778	11,303,245	15,463,626
Net Profit attributable to:					
Stockholders' of the parent company	5,972,937	4,474,871	10,328,525	10,862,170	15,650,304
Non-controlling interests	(1,816,868)	(301,235)	(5,325,747)	441,075	(186,678)
	4,156,069	4,173,636	5,002,778	11,303,245	15,463,626

Earnings per stock unit for profit attributable to the stockholders' of the parent company:

	Q3 2020	Q3 2019	September 2020	September 2019	December 2019
Basic and fully diluted	\$1.53	\$1.15	\$2.65	\$2.79	\$4.01

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

 for the nine-months ended September 2020
 (Expressed in thousands of Jamaican dollars)

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Unaudited September 2020 Group
Operating results:							
External revenues	18,334,657	20,768,223	5,053,273	9,374,350	6,709,293	-	60,239,796
Inter-segment revenues	9,214	-	(50,581)	8,486	(100,586)	133,467	-
Total revenue	18,343,871	20,768,223	5,002,692	9,382,836	6,608,707	133,467	60,239,796
Benefits and expenses	(16,942,953)	(14,793,078)	(1,556,449)	(6,206,034)	(7,281,823)	274,904	(46,505,433)
Change in actuarial liabilities	6,702,473	(1,907,197)	-	-	-	250,108	5,045,384
Depreciation - property, plant and equipment	(47,927)	(25,538)	(15,439)	(197,389)	(845,502)	-	(1,131,795)
Amortisation of right-of-use assets	(104,583)	(59,593)	-	(110,916)	(168,531)	-	(443,623)
Amortisation of intangibles	(13,470)	(38,673)	(69,232)	(150,398)	(344,078)	-	(615,851)
Amortisation of loan costs	-	-	-	-	(42,180)	-	(42,180)
Other taxes	-	-	-	-	(163)	-	(163)
Asset tax	(115,312)	(33,172)	(196,523)	(326,855)	(74,721)	-	(746,583)
Total benefits and expenses	(10,521,772)	(16,857,251)	(1,837,643)	(6,991,592)	(8,756,998)	525,012	(44,440,244)
Impairment of investment in associate	-	-	-	-	(1,795,191)	-	(1,795,191)
Impairment of goodwill	-	-	-	-	(1,003,500)	-	(1,003,500)
Share of profit from joint venture	-	-	-	-	193,014	-	193,014
Share of loss from associate	-	-	-	-	(3,394,045)	-	(3,394,045)
Share of loss arising from dilution of interest in associate	-	-	-	-	(388,153)	-	(388,153)
Profit before taxation	7,822,099	3,910,972	3,165,049	2,391,244	(8,536,166)	658,479	9,411,677
Investment and corporation taxes	(1,910,222)	(621,462)	(970,637)	(890,110)	(16,468)	-	(4,408,899)
Net Profit	5,911,877	3,289,510	2,194,412	1,501,134	(8,552,634)	658,479	5,002,778
Segment assets:							
Unallocated assets -	65,581,359	77,920,787	110,310,857	154,304,232	62,529,006	(12,733,125)	457,913,116
Investments in joint venture	-	-	-	-	-	-	578,924
Investments in associate	-	-	-	-	-	-	20,509,684
Deferred income taxes	-	-	-	-	-	-	1,492,903
Retirement benefit assets	-	-	-	-	-	-	863,643
Total assets							481,358,270
Segment liabilities:							
Unallocated liabilities -	52,286,408	64,004,000	87,891,423	129,966,204	31,334,591	(14,272,081)	351,210,545
Deferred income taxes	-	-	-	-	-	-	1,200,541
Retirement benefit obligations	-	-	-	-	-	-	3,344,839
Total liabilities							355,755,925
Other Segment items:							
Capital expenditure: Computer software	-	-	-	-	-	-	140,279
Property, plant and equipment	-	-	-	-	-	-	720,415

	Jamaica	Cayman Islands	United States of America	Other	Total Group
Revenue	54,830,163	3,558,873	1,850,760	-	60,239,796
Total assets	414,461,439	27,443,672	38,874,235	578,924	481,358,270

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Unaudited September 2019 Group
Operating results:							
External revenues	25,811,203	20,401,600	4,536,919	9,873,423	6,886,631	-	67,509,776
Inter-segment revenues	17,545	-	(33,651)	(2,949)	(499,424)	518,479	-
Total revenue	25,828,748	20,401,600	4,503,268	9,870,474	6,387,207	518,479	67,509,776
Benefits and expenses	(14,728,241)	(15,052,412)	(1,367,001)	(6,126,274)	(5,385,430)	221,008	(42,438,350)
Change in actuarial liabilities	(6,148,760)	(1,683,035)	-	-	-	(767,092)	(8,598,887)
Depreciation - property, plant and equipment	(48,080)	(24,742)	(10,621)	(192,753)	(739,019)	-	(1,015,215)
Amortisation of right-of-use assets	-	(10,881)	-	(119,252)	(257,219)	-	(387,352)
Amortization of intangibles	(10,971)	(67,715)	(50,459)	(152,673)	(274,447)	-	(556,265)
Amortization of loan costs	-	-	-	(8,319)	(15,676)	-	(23,995)
Other taxes	-	-	-	-	(379)	-	(379)
Asset tax	(97,364)	(33,166)	(180,907)	(281,264)	(48,680)	-	(641,381)
Total benefits and expenses	(21,033,416)	(16,871,951)	(1,608,988)	(6,880,535)	(6,720,850)	(546,084)	(53,661,824)
Share of loss from joint venture	-	-	-	-	(8,625)	-	(8,625)
Share of profit from associate	-	-	-	-	680,053	-	680,053
Profit before taxation	4,795,332	3,529,649	2,894,280	2,989,939	337,785	(27,605)	14,519,380
Investment and corporation taxes	(1,017,479)	(348,346)	(886,115)	(1,041,480)	77,285	-	(3,216,135)
Net Profit	3,777,853	3,181,303	2,008,165	1,948,459	415,070	(27,605)	11,303,245
Segment assets:							
Unallocated assets -	65,233,099	70,094,067	98,776,410	138,371,762	67,209,849	(10,229,970)	429,455,217
Investments in joint venture	-	-	-	-	-	-	429,335
Investments in associate	-	-	-	-	-	-	26,655,459
Deferred income taxes	-	-	-	-	-	-	1,211,033
Retirement benefit assets	-	-	-	-	-	-	183,351
Total assets							457,934,395
Segment liabilities:							
Unallocated liabilities -	54,390,486	56,098,369	85,683,996	114,889,819	34,643,697	(11,757,695)	333,948,672
Deferred income taxes	-	-	-	-	-	-	1,070,407
Retirement benefit obligations	-	-	-	-	-	-	3,362,392
Total liabilities							338,381,471
Other Segment items:							
Capital expenditure: Computer software	-	-	-	-	-	-	184,086
Property, plant and equipment	-	-	-	-	-	-	306,670

	Jamaica	Cayman Islands	United States of America	Other	Total Group
Revenue	60,138,149	3,497,254	3,874,373	-	67,509,776
Total assets	386,378,264	24,313,043	46,813,753	429,335	457,934,395

CONSOLIDATED STATEMENT OF CASH FLOWS

 for the nine-months ended September 2020
 (Expressed in thousands of Jamaican dollars)

	September 2020 Year-to-date Unaudited	September 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Cash Flows from Operating Activities:			
Net Profit	5,002,778	11,303,245	15,463,626
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	(318,855)	(5,046,912)	(8,378,474)
Changes in other operating assets and liabilities	8,622,144	19,683,636	(4,934,131)
Net investment purchases	(9,284,408)	(22,149,240)	(22,428,746)
Interest and dividends received	18,182,180	17,053,767	21,097,987
Interest paid	(3,617,446)	(3,731,530)	(4,932,875)
Income taxes paid	(4,125,376)	(5,274,351)	(6,304,769)
Net cash generated from/(used in) operating activities	14,461,017	11,838,615	(10,417,382)
Cash Flows from Investing Activities:			
Net cash outflows on acquisition of Advantage General Insurance Company and Bailey Williams Limited	-	(3,956,072)	(4,355,569)
Disposal/(purchase) of investment property, net	1,607,515	(7,728)	166,571
Purchase of property, plant and equipment, net	(582,871)	(241,615)	(171,704)
Purchase of intangible assets, net	(140,279)	(184,076)	(392,414)
Net cash generated from/(used in) investing activities	884,365	(4,389,491)	(4,753,116)
Cash Flows from Financing activities:			
Redemption of preference shares	-	-	(1,414,700)
Deposits and securities liabilities	-	-	24,082,586
Finance lease repayment	(349,795)	(353,918)	(386,673)
Purchase of treasury shares, net	(103,342)	(352,618)	(207,496)
Dividends paid to non-controlling interests	(171,549)	-	-
Dividends paid to stockholders	(1,562,254)	(3,085,452)	(5,624,115)
Net cash used in financing activities	(2,186,940)	(3,791,988)	16,449,602
Cash and cash equivalents:			
Effect of exchange rate on cash and cash equivalents	667,396	656,403	397,843
Increase in cash and cash equivalents	13,825,838	4,313,539	1,676,947
Cash and cash equivalents at beginning of year	17,205,528	15,528,581	15,528,581
Cash and cash equivalents at end of period	31,031,366	19,842,120	17,205,528
Comprising:			
Balances with Banks	22,119,960	12,636,362	13,390,883
Short - Term Deposits	2,571,987	569,017	426,414
USA Government Treasury Bills and BOJ CD's	1,871,220	3,903,573	2,688,274
Securities purchased under resale agreements	4,635,877	3,235,858	1,439,884
Bank overdraft	(167,678)	(502,690)	(739,927)
	31,031,366	19,842,120	17,205,528

Explanatory Notes
1. Identification and Principal Activities

Sagikor Group Jamaica Limited (SGJ), the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2018 – 32.45%) owned by LOJ Holdings Limited (LOJH) which is also incorporated and domiciled in Jamaica and 16.66% owned by Sagikor Life Inc. (SLI) which is domiciled in Barbados. Both LOJH and SLI are wholly owned by Sagikor Financial Company Limited (Sagikor), the ultimate parent company, which is incorporated and domiciled in Bermuda. Sagikor has an overall interest of 49.11% (2018 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 30.20% (2018 – 31.55%) holding.

The registered office of the Sagikor Group Jamaica Limited is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

Sagikor Group Jamaica comprises many companies offering a wide range of financial products and services. These include life and health insurance; property and casualty insurance; annuities; pensions administration; investment services; commercial banking; investments banking; captives management; property management and real estate sales and rentals.

2. Basis of preparation

These condensed consolidated financial statements should be read in conjunction with the accounting policies and other disclosures as set out in the full audited financial statements with disclosure notes for the year ended 31 December 2019.

3. Impairment of Goodwill

The containment of COVID-19 has been a global priority, resulting in quarantine measures, travel bans and border closures worldwide. The outbreak has brought the international tourism sector to a standstill, causing a sharp drop in tourist arrivals and significant loss in revenues. These factors, coupled with the high level of uncertainty surrounding the virus, triggered the impairment assessment.

For the period ended 30 September 2020, the Group recorded impairment charges of \$1 billion in respect of goodwill arising on consolidation of the X-Fund Group. These impairment charges are recognized in the consolidated income statement. The recoverable amount used for X-Fund's cash generating units (CGUs) was based on the higher of fair value less cost of disposal and value in use.

Assumptions used in determining the recoverable amounts of the CGUs of the X-Fund Group included discount rates, projected capital expenditure, growth rates and management forecasts as well as the ability to obtain sufficient funding to remain as going concerns.

4. Accounting estimates and judgements

Certain amounts recorded in these unaudited consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates and assumptions made. Interim results are not necessarily indicative of full year results.

The carrying value of our Investment in Associate has been impacted by issuance of US\$204 million of additional debt financing and the sale of US\$20 million of its ordinary shares in a private transaction.

5. Impact of COVID-19

Since the start of 2020, bond yields, equity prices and oil prices have fallen sharply and on the local side, so too has the Jamaica Stock Exchange (JSE) combined index. Key sectors of the Jamaican economy particularly, tourism, remittances, manufacturing, transportation, logistics and related sectors have experienced significant disruption. Sagikor Group Jamaica continues to experience the impact from the economic downturn. These financial results have been adversely impacted in multiple areas including: ECL, unrealized capital losses, hotel operations and impairment of goodwill.