

PERFORMANCE REPORT 2021



DIRECTORS' STATEMENT

On behalf of the Board of Directors of Sagicor Group Jamaica Limited (SGJ or the Group) we present the report on the performance of our Group of companies for the financial year ended December 2021.

OVERVIEW –

The Group reported net profit attributable to stockholders of \$17.40 billion a 26% increase over the prior year, earnings per share of \$4.46 (2020: \$3.53) and return on equity of 16% (2020: 14%). In the final quarter of the year the group recorded net profits of \$4.37 billion, a 27% increase over the prior year. The Individual Life segment continued to report strong new business sales and portfolio growth. The commercial and investment banking segments benefitted from improvements in commercial activity as a result of economic growth. Our Employee Benefits segment experienced higher levels of claims during 2021 compared to prior year as COVID-19 continued to impact the overall health of our customers. The Group's market capitalization improved to \$227.5 billion (2020: \$195.1 billion), a 17% increase over the prior period, indicating continuing shareholder confidence.

FINANCIAL PERFORMANCE

Sagicor Group's consolidated net profit attributable to stockholders has been its highest to date and was generated from total revenues of \$102.56 billion, with growth of 21% or \$17.99 billion year over year. The Group recorded increases in realized and unrealized capital gains of \$7.14 billion over the corresponding period, primarily due to buoyancy of equity markets, improvements in debt security prices and increased market trading. Relative to the prior year, a slight upturn in the economic environment contributed to recoveries on loans and credit card facilities and accordingly, lower expected credit losses (ECL). Fee and other income increased compared to prior year, resulting primarily from increased capital market transactions, appreciation in value of assets under management and unrealized foreign currency gains. Net premium income of \$52.78 billion grew

HIGHLIGHTS

	Dec 2021 Audited	Dec 2020 Audited	% Change
OPERATING RESULTS (INCOME STATEMENT DATA):			
Net Profit, attributable to Stockholders - J\$ billions	17.40	13.78	26%
Total Revenue - J\$ billions	102.56	84.57	21%
FINANCIAL POSITION & STRENGTH (BALANCE SHEET DATA):			
Total Assets of Sagicor Group Jamaica - J\$ billions	527.99	490.69	8%
Total Assets under management - J\$ billions	936.31	905.28	3%
Stockholders' Equity - J\$ billions	114.82	106.38	8%
PROFITABILITY:			
Return on average Stockholders' Equity (ROE)	16%	14%	2%
Earnings per stock unit (EPS) - J\$	4.46	3.53	26%
OTHER MARKET INFORMATION:			
SGJ Share Price - J\$	58.25	49.95	17%
Market capitalization - J\$ billions	227.50	195.09	17%

NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS

\$17.40 B
▲ 26%

TOTAL REVENUE

\$102.56 B
▲ 21%

TOTAL ASSETS

\$527.99 B
▲ 8%

STOCKHOLDERS' EQUITY

\$114.82 B
▲ 8%

EARNINGS PER STOCK UNIT

\$4.46
▲ 26%

MARKET CAPITALIZATION

\$227.50 B
▲ 17%

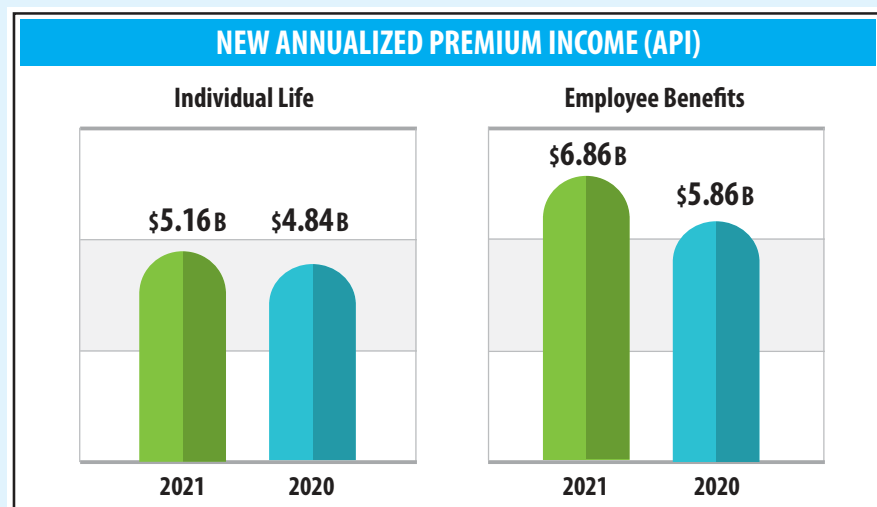
5% year over year. This was largely due to strong new business sales in both the Individual Life and Employee Benefits segments. Growth in the Group's interest earning asset base contributed to a 6% increase in net investment income from \$18.12 billion in 2020 to \$19.24 billion in the current year.

Rising medical costs and increased death claims were the primary contributors to the \$2.31 billion or 7% increase in net benefits expense.

Total Group assets as at December 2021 were \$527.99 billion, 8% up from \$490.69 billion as at December 2020. Total assets under management as at December 2021, including Group Assets, Pension Funds' assets managed on behalf of clients and Unit Trusts, were \$936.31 billion, a 3% increase over the December 2020. Stockholder's equity at December 2021 of \$114.82 billion was 8% higher than \$106.38 billion at December 2020.

Individual Insurance

The Individual Life segment continues to grow, improving net profits to \$8.95 billion for the year, a 13% increase over the prior year. Results in this segment were driven mainly by new business sales in Jamaica and Cayman which grew by 8% and 15% respectively compared to 2020. Total revenue grew by 34% or \$9.40 billion over the comparable period. The segment's results were impacted by a \$1.50 billion increase in death claims, with total policyholder benefits incurred of \$15.06 billion, being 4% higher than prior year. Actuarial reserves were impacted by the growth in policies due to new business sales and favourable morbidity and lapse experience.



Employee Benefits

The Employee Benefits segment recorded profits of \$3.67 billion, a 13% decline against prior year. The segment was impacted by rising medical inflation, due largely to the effect of the Covid-19 pandemic on the global supply chain. The segment experienced a 12% increase in group health benefits compared to the prior year, partially offset by robust new business sales of annuity, group life and group health products, which were 30% higher than 2020. This helped to grow net premiums to \$14.62 billion for the year. The segment's joint venture in Costa Rica contributed \$0.60 billion (2020: \$0.3 billion) to net profit for the period, indicating the company's position as a premier provider of insurance within that country.

Commercial Banking

The commercial banking segment ended 2021 with a net profit of \$3.27 billion, a 32% increase over 2020. The segment saw significant increases in transaction volumes and demand for credit cards along with significant loan loss recovery in 2021, resulting in lower ECL and loan provisions. The loan portfolio results are reflective of improvements in the credit quality. The segment's operating efficiency improved to 67% for December 2021 against 73% in the prior year.

The segment's total assets of \$175.87 billion grew 12% over December 2020, interest earning assets net of ECL provisions ended at \$93.02 billion (2020: \$87.42 billion). Customer deposit liabilities grew by 11% in comparison to December 2020 to close at \$136.40 billion.

Investment Banking

The Investment Banking segment recorded net profits of \$3.34 billion, 20% higher than 2020. Sagicor Investments Jamaica maintained its status as one of the premier investment brokers in Jamaica with over 25% of the trading value on the market. Overall, total revenues were \$7.34 billion (2020 \$6.50 billion). Net investment income of \$2.77 billion was driven by growth in interest earning assets. Fee income grew 27% due to expansion of its assets under management and increasing capital market activity.

LIQUIDITY AND SOLVENCY

The Group's net cash provided from operating activities at the end of the period December 2021, was \$3.03 billion against a comparative \$6.18 billion at December 2020. Net cash from investing activities of \$12.91 billion included \$13.60 billion in proceeds from sale of Playa. Net cash from financing activities reflected a dividend paid to shareholders of \$4.33 billion, significantly higher than prior year dividend of \$562.93 million. In 2020, the Bank of Jamaica (BoJ) had suspended the payment of dividends to shareholders, subsequently excluding shareholders holding less than 1% of ordinary shares of the Company. Cash and Cash Equivalents at the end of December 2021 was \$51.88 billion, up from \$37.23 billion at December 2020. Regulatory capital requirements continue to be met across all operating entities.

CAPITAL RATIOS				
Regulated Entities	Key Regulatory Ratios	Minimum Statutory Requirements	December 31, 2021	December 31, 2020
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	162.0%	183.1%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	14.1%	14.0%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	17.7%	15.2%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	287.1%	364.0%
Advantage General Insurance Company Limited	Minimum capital test ratio (MCT)	250.0%	328.9%	371.9%

CORPORATE SOCIAL RESPONSIBILITY

As an active corporate citizen committed to improving the lives of the people in the communities in which it operates, Sagicor Group Jamaica, primarily through its charitable arm – the Sagicor Foundation, continues to care, inspire, and serve its various stakeholders. In the 4th quarter of 2021, the Foundation executed numerous donations to a number of organisations and groups whilst supporting many yuletide activities during the festive season.

A major activity for the Group during the period was the hosting of the inaugural Sagicor Community Heroes Awards ceremony, which was held in December. The event celebrated and recognized fifty (50) 'everyday' Jamaicans who were nominated by members of the public for their selfless service and acts of kindness. Each recipient received a special commemorative plaque and a fifty thousand dollar stipend. The Sagicor Community Heroes Awards was launched in 2020 in honour of the Group's 50th anniversary celebration.

During the quarter, the close-out ceremonies for the 2020/2021 Sagicor Foundation's adopted schools were held, with major renovations completed at the three basic schools valued over \$21 million. The three schools that received major upgrades to their physical infrastructure were Beeston Spring Early Childhood Institution in Westmoreland, Cornwall Gardens Basic School in St. James, and Sligoville Early Childhood Development Centre in St. Catherine.

The new basic schools for the 2021/2022 Adopt-A-School programme were also selected during the period. The schools are Charles Town Basic School, Charles Town, Portland; Bermaddy Basic School, Linstead, St. Catherine, and John Anglin Basic School, Warsop, Trelawny. The schools are set to receive face-lifts with major renovations scheduled to start in the second quarter of 2022.

1. Kerry-Ann Frazer (left) teacher at Sligoville Early Childhood Development Centre, and Mischa McLeod-Hines, Vice President, Capital Markets, Sagikor Investments, unveil the newly installed school sign as the institution was officially handed over by the Sagikor Foundation on in October 2021. The St Catherine-based school was among three early childhood facilities that were adopted and renovated by the Sagikor Foundation's Adopt-A-School Programme for the 2020-2021 academic year.



2. Sagikor Life Financial Advisor, Ryan Brown, shares an elbow bump with Sylvia Banks Claire, Principal of the Boys Town Primary and Infant School while presenting a laptop computer to her on the school compound in October 2021. Sagikor Foundation donated two computers to the institution to assist teachers with online classes.



3. Debbie Bissoon (left), host, and Chelan Smith (centre), breast cancer survivor listen keenly as Dr Danielle Smellie, haematologist and medical oncologist speak about the various stages of breast cancer - from diagnosis to treatment and life after treatment at the Sagikor Foundation-powered Keeping Abreast Conversation and Concert.

4. Karen Richards (left), assistant vice-president, investment client services, Sagikor Investments Jamaica, on behalf of the Sagikor Foundation, presents grocery vouchers valued at more than \$700,000 as a Christmas gift to health-care workers at the Kingston Public Hospital (KPH), the 2022 Sagikor Sigma Run beneficiary. Dr Natalie Whyllie, acting CEO at KPH, receives the items on behalf of the team.

Another major activity that happened during the final quarter of 2021 was the announcement of the Sagikor Sigma Run 2022 beneficiary – the Kingston Public Hospital. As the newest beneficiary for the flagship charity event, the Sagikor Foundation treated the staff at the hospital to grocery vouchers and other goodies during the Christmas season. In recognition of the season, Sagikor Foundation also donated Christmas trees to the Kingston Public Hospital and past Sigma Run beneficiary hospitals – Annotto Bay Hospital, Port Antonio Hospital and Bustamante Hospital for Children.

During the month of October, in recognition of Breast Cancer Awareness month, the Sagikor Foundation as is customary was the title sponsor for the Jamaica Cancer Society's Keeping Abreast fundraising event. The hybrid 'Conversation and Concert' event was also streamed live on Sagikor's social media platforms for viewers to enjoy, as well as participate by donating to the Cancer Society.

The Group also continued its support for students and teachers in need of electronic devices to facilitate online learning by donating tablets and computers to schools.

OUTLOOK

As Jamaica and the world nears the two year anniversary of the Covid-19 pandemic, the future remains highly

uncertain. The pandemic continues to obscure the global view with recovery seeming fragile, as variants arise, and other geo-political risks escalate. Economic growth has been strong as developed countries open up, however, the supply-side has struggled to keep up with resurgent demand, the consequence being a sharp increase in inflation. In January 2022, the International Monetary Fund (IMF) projected the global economy to grow 5.9% in 2021 and 4.4% in 2022, an Omicron influenced 0.5% decline on October's projection, indicating the volatility induced by fears of continued disruption.

The growth in developing countries, such as Jamaica continued to be stymied by the pandemic and inflation. In a survey conducted by the Bank of Jamaica in November 2021, it indicated an expected point-to-point inflation of 8.7% as at December 2021, which was higher than the initial forecast of 4% to 6% over the next two years. In response, the BOJ increased its lending rate to 4%, the highest since 2017. In February 2022, the IMF projected a 4.7% growth in real GDP for Jamaica and 4.3% in 2022, pending the absence of any significant disruptors such as a renewed Covid-19 wave, prolonged inflationary pressures, or natural disasters. The Jamaican dollar has especially struggled over the calendar year, the average rate depreciating by 8.6%, a loss of \$12 to the US dollar.

On the first day of February 2022, the dollar had already lost \$2.51 with an average rate of \$156.43 from \$153.92 at 31 December 2021.

The Finance and Insurance industry showed promising growth in the third quarter, registering a Gross Domestic Product (GDP) of 2.3% over the prior period comparative quarter according to STATIN. This despite the burden of rising healthcare expenses, including the cost of medicines and hospital admission charges, among other factors in the insurance industry. Claims remain unpredictable, more so with the introduction of new variants and stressors added to individual's lives. Furthermore, a decline in economic activity of households continues to affect the financial sector and the likelihood of non-performing loans, which remained below 3% as at November 2021.

We also note the significant gains in employment and the relative buoyancy in the tourism sector as two positive factors that we expect to contribute to increased consumption and greater stability in the economy.

Sagikor Group Jamaica continues to monitor all of these macro variables in its management of the company and remains conservative in its outlook. The mental and physical wellbeing of our team, our clients and Jamaica as a whole, are as always at the forefront of what we do and who we are. Providing

a multidimensional solution to the preservation of health and mitigation of risk is how we will strive for business continuity.

ACKNOWLEDGEMENT

Our Team Members, Financial Advisors and Brokers are the heart and soul of Sagikor Group Jamaica and we would like to express our deepest gratitude for their tremendous work ethic in contributing to our customer experience, especially in these times of uncertainty. To our customers, thank you for the trust and confidence you repose in us; we are Sagikor Strong in our commitment to help you navigate these challenging times. Thank you to our supportive business partners and to our stockholders for the continued support and not least, our Directors for their diligence, wise counsel and continued guidance.

On behalf of The Board of Directors:

PETER MELHADO
Chairman

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

25 February 2022

