




Sagcor Group Jamaica

Q2 2023

PERFORMANCE REPORT

DIRECTORS' STATEMENT

On behalf of the Board of Directors of Sagcor Group Jamaica Limited (SGJ or the Group) we present our performance report for the period ended June 2023.

OVERVIEW –

The Group recorded a net profit attributable to shareholders of \$5.6 billion, a 65% increase against the comparative period's restated profit of \$3.39 billion. The Insurance Service result improved by 35% and investment income net of insurance finance charges showed an improvement of 27% compared to prior year. The prior year's restated results now include the impact of increases in interest rates and volatility of securities prices through the profit or loss upon the adoption of IFRS 17. The Group's insurance sales continue to show growth along the majority of its product offerings and the Group has continued to experience growth in its banking loan portfolios. Unstable market conditions experienced throughout 2022 have ameliorated somewhat in the current period but continue to provide challenges, particularly to our Investment Banking businesses as our net interest margin continues to be challenged by higher interest rates on customer funds.

The Group ended the quarter with earnings per share of \$1.43 (2022: \$0.87) and an improved Return on Equity of 13.2% (2022: 8.4%).

FINANCIAL PERFORMANCE

The Group continued to see strong growth in its core operating revenues with year over year growth in Net insurance service results, Net interest income and Fee income. Both Long-term and Short-term insurance lines continue to experience strong

HIGHLIGHTS			
	Jun 2023 Unaudited	Restated Jun 2022 Unaudited	% Change
OPERATING RESULTS (INCOME STATEMENT DATA):			
Net Profit, Attributable to Stockholders - J\$ billions	5.60	3.39	65%
Insurance Service Results - J\$ billions	2.33	1.73	35%
Contractual Service Margin (CSM) - J\$ billions	2.50	2.07	21%
FINANCIAL POSITION & STRENGTH (BALANCE SHEET DATA):			
Total Assets of Sagcor Group Jamaica - J\$ billions	536.67	509.94	5%
Total Assets Under Management - J\$ billions	953.78	965.35	-1%
Stockholders' Equity - J\$ billions	87.23	76.28	14%
Adjusted Stockholders' Equity (+ CSM) - J\$ billions	125.24	109.01	15%
PROFITABILITY:			
Return on Average Stockholders' Equity (ROE)	13%	8%	5%
Earnings Per Share (EPS) - J\$	1.43	0.87	64%
OTHER MARKET INFORMATION:			
SGJ Share Price - J\$	48.99	55.49	-12%
Market Capitalization - J\$ billions	191.34	216.72	-12%

NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS	INSURANCE SERVICE RESULT	TOTAL ASSETS
\$5.6B	\$2.33B	\$536.67B
▲ 65%	▲ 35%	▲ 5%
ADJUSTED STOCKHOLDERS' EQUITY	CONTRACTUAL SERVICE MARGIN	EARNINGS PER SHARE
\$125.24B	\$2.5B	\$1.43
▲ 15%	▲ 21%	▲ 64%

new business sales and improving claims ratios. Net investment income of \$12.11 billion improved significantly over the prior year due to the growth in interest earning assets. A 4% increase in Fee income resulted primarily from growth in commercial banking activities.

Shareholders' Equity grew by 5% in the current period ending at \$87.23 billion (December 2022: \$83.01 billion). Total assets grew by 4% to end at \$536.67 billion (December 2022: \$515.94 billion) largely driven by a \$13.08 billion increase in financial investments and \$7.01 billion growth in the Bank loan portfolio. The growth in assets was largely funded by increased deposit and security liabilities of \$10.39 billion and growth in Insurance liabilities of \$6.33 billion.

Long-Term Insurance

The segment includes products whose contract boundaries exceed one year in duration and are measured using the General Measurement Model (GMM) and Variable Fee Approach (VFA) under IFRS 17. The segment continues to report strong core insurance results; through the release of CSM (Contractual Service Margin) of \$2.50 billion (2022: \$2.07 billion) and by generating new business CSM of \$2.49 billion (2022: \$2.52 billion). The segment also experienced improvement in investment income net of finance expenses. Net profit for the segment was negatively impacted by exchange rate fluctuations, recording unrealised foreign currency translation losses of \$0.37 billion compared to gains of \$0.27 billion in the prior year.

Short-Term Insurance

This segment includes products whose contract boundaries are less than one year and are measured using the Premium Allocation Approach (PAA) under IFRS 17. The segment reported a profit of \$0.05 billion, an improvement over the prior period loss of \$0.29 billion. The increase over prior year is due primarily to improved loss ratios within the health insurance portfolios. The segment continues to show growth with new business sales of \$0.27 billion for Group health and life offerings.

Commercial Banking

The Commercial Banking segment produced a net profit of \$1.22 billion (2022: \$1.21 billion). The segment recorded a 12% increase in revenues, due to greater activity on its card payments portfolios and growth in net interest margins by 13%. Loan portfolios continue to exhibit growth with new loans written of \$17.02 billion (2022: \$16.75 billion), contributing a \$1.35 billion increase in interest income. The loan portfolio quality continues to improve year over year with the provision coverage ratio ending at 2.22% (2022: 2.3%). Funding liabilities grew by \$8.6 billion (2022: \$2.0 billion) during the six-month period; this growth along with increases in the cost of funds resulted in an 84% increase in interest expense.

Investment Banking

The Investment Banking segment recorded net profit of \$0.34 billion (2022: \$0.83 billion). The increases in interest rates over the past 15 months have fuelled a significant increase in funding costs, leading to a decline in net interest margins for the Jamaican operations. The segment's Cayman operation has continued its growth trajectory, recording year over year increases in revenue and net profit.

LIQUIDITY AND SOLVENCY

Cash and Cash Equivalents at the end of the period were \$47.12 billion (2022: \$32.33 billion). The Group's net cash used in operating activities of \$1.92 billion included interest received of \$15.74 billion. The Group also garnered \$9.28 billion from customer deposits and securities liabilities, which aided in funding increases in the Bank's loan portfolio.

Regulatory capital requirements continue to be exceeded across all operating entities.

CAPITAL RATIOS				
Regulated Entities	Key Regulatory Ratios	Minimum Statutory Requirements	June 30, 2023	June 30, 2022
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	242.9%	170.0%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	13.67%	13.4%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	15.92%	13.3%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	347.4%	187.9%
Advantage General Insurance Company Limited	Minimum capital test ratio (MCT)	150.0%	300.6%	300.6%

OUTLOOK

The threat of a slowing world economy remains a concern as high interest rate policies by most central banks dampen demand and slow economic growth. The IMF anticipates that growth in the Global economy will fall to 2.8% in 2023 (2022: 3.4%) and projects that advanced economies will grow by 1.3% in 2023 (2022: 2.7%). While it is unclear whether rates will remain higher for longer, the pace of growth has generally trended downwards in response to improvements in inflation metrics, with the US recording an inflation rate of 3% as at June 2023, the lowest result in 2 years.

Jamaica reported an inflation rate of 5.8% in April 2023, ending a 20-month run above the Bank of Jamaica's (BoJ) target rate of 4%-6%, however, the May 2023 outturn of 6.1% demonstrates the volatility in this key economic indicator. Jamaica's GDP grew by 4.2% for the 1st quarter of 2023 when compared to the same period in 2022. For the fiscal year 2022/2023, the Jamaican economy grew by 4.7% showing signs of economic recovery amid prevailing economic challenges, while the Finance and Insurance Services sector grew by only 1.9% over the same period.

Sagicor Group recognises the Government's constraints with regard to the threat of inflation and as such, continues to maintain a prudent approach to capital management and liquidity to ensure the Company's financial resilience in these uncertain times.



1. Students of St Jago High School in Spanish Town, St Catherine, join (holding cheque, from left) School Principal Collette Feurtado-Pryce, Sagikor Life financial advisor Colleen Wallace, Alumna Melody Royal, and Vice Principal Careen James-Barnett as they officially handed over a contribution of \$800,000 from the Sagikor Foundation toward the building of the school's perimeter wall.



2. Sagikor Foundation Volunteers pose for a quick photo op after a successful labour day project at the Deliverance Centre Basic School in Kingston.

CORPORATE SOCIAL RESPONSIBILITY

Sagikor Group Jamaica continues to support the people and institutions in our communities, including being a donor partner for a community-wide Social Transformation and Renewal (STAR) project, Project STAR, with the key idea of improving employment, entrepreneurship, financial inclusion, and strategic investments in Jamaican communities. Project STAR invited applications for its social stock on the Jamaica Social Stock Exchange (JSSE) on June 22, 2023.

The second quarter of 2023 saw Sagikor Group Jamaica, primarily through its charitable arm, Sagikor Foundation, executing several corporate social responsibility (CSR) initiatives.

For Labour Day 2023, three basic schools (Challenge Basic School in St. James, Deliverance Centre Basic School in Kingston and Morris Hall Basic School in Clarendon) were extensively renovated. Sagikor staff along with a team from Sherwin Williams and the JDF volunteered for the day's activities.

The official handover of equipment for the Port Antonio and Annotto Bay hospitals was also held in the quarter, closing out the final donations to our 2021 Sigma Run Beneficiaries.

Quarter 2 concluded with our sponsorship of the 2-day JTA/ National Athletic Championship in June, where the Foundation committed \$8M in sponsorships.

The Foundation also donated \$2M in cash and kind to various institutions, including the Jamaica Cancer Society (Relay for Life), the Jamaica Defence Force and St. Jago High School.

ACKNOWLEDGEMENTS

Our Team Members, Financial Advisors and Brokers are the heart and soul of Sagikor Group and we salute them for their tremendous contribution to our customers' experience of our company. 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. Thanks 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

3rd August 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONas at 30 June 2023
(Expressed in thousands of Jamaican dollars)

	June 2023 Unaudited	(Restated) June 2022 Unaudited	(Restated) December 2022 Unaudited
ASSETS:			
Cash resources & Cash reserve at Central Bank	32,888,556	34,770,055	34,344,482
Financial investments	333,408,373	316,595,765	320,333,262
Loans & leases, after allowance for credit losses	119,745,948	96,115,206	112,736,829
Investment properties	1,613,727	1,307,774	1,680,525
Investment in joint venture	1,995,236	1,521,526	1,830,001
Intangible assets	8,599,757	9,464,395	8,868,597
Property, plant and equipment	6,352,543	20,338,608	6,412,479
Right-of-use assets	1,597,430	1,872,121	1,823,204
Retirement benefit assets	706,236	472,179	706,137
Reinsurance contract assets	1,901,083	2,389,626	1,821,841
Deferred income taxes	3,773,861	4,564,622	3,911,297
Taxation recoverable	6,438,630	5,331,706	6,281,323
Other assets	17,646,566	15,200,505	15,193,711
TOTAL ASSETS	536,667,946	509,944,088	515,943,688
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to:			
Stockholders' of the parent company			
Share capital	8,998,808	8,880,000	8,998,808
Equity reserves	11,387,873	8,088,476	9,344,498
Retained earnings	66,846,735	59,314,344	64,671,620
	87,233,416	76,282,820	83,014,926
Non-controlling interests	2,312,698	15,850,876	2,301,340
Total Equity	89,546,114	92,133,696	85,316,266
Liabilities			
Deposit and security liabilities	261,231,315	228,885,589	250,837,061
Loans payable	2,198,545	9,086,891	2,198,545
Deferred income taxes	384,227	1,695,842	421,305
Taxation payable	365,456	712,651	1,775,142
Reinsurance contract liabilities	575,446	1,023,428	168,316
Retirement benefit obligations	3,102,448	5,921,042	3,000,585
Lease liabilities	1,846,214	2,245,737	2,143,801
Other liabilities	14,537,182	15,019,051	13,962,305
Insurance contracts liabilities	142,288,798	133,612,850	135,956,142
Investment contracts liabilities	20,592,201	19,607,311	20,164,220
Total Liabilities	447,121,832	417,810,392	430,627,422
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	536,667,946	509,944,088	515,943,688

CONSOLIDATED INCOME STATEMENTfor the six-months ended 30 June 2023
(Expressed in thousands of Jamaican dollars)

	Q2 2023 Unaudited	Q2 2022 Unaudited	June 2023 Year-to-date Unaudited	(Restated) June 2022 Year-to-date Unaudited
Insurance revenue	11,123,882	9,584,065	22,104,090	19,191,044
Insurance service expenses	(9,450,399)	(8,439,157)	(18,240,417)	(16,361,622)
Net expenses from reinsurance contracts held	(616,827)	(437,267)	(1,531,957)	(1,102,762)
INSURANCE SERVICE RESULT	1,056,656	707,641	2,331,716	1,726,660
NET INSURANCE FINANCE EXPENSE	(55,603)	11,334,033	(2,196,144)	14,482,516
Realized capital gains	387,696	278,516	377,815	631,089
Unrealized capital gains/(losses)	(308,780)	(10,711,045)	1,011,350	(17,779,463)
Net interest income	5,666,728	5,213,633	11,178,959	10,649,355
Credit impairment losses	(324,967)	(2,958)	(462,186)	(186,293)
NET INVESTMENT INCOME	5,420,677	(5,221,854)	12,105,938	(6,685,312)
NET INSURANCE AND INVESTMENT RESULT	6,421,730	6,819,820	12,241,510	9,523,864
Fees and other revenue	4,427,436	3,238,447	8,908,083	8,547,580
Results from joint venture	80,624	129,995	2,546	343,693
Other operating expenses	(6,289,588)	(5,134,929)	(12,546,118)	(11,633,986)
Asset and other taxes	(6,020)	(11,089)	(900,851)	(883,090)
PROFIT BEFORE TAXES	4,634,182	5,042,244	7,705,170	5,898,061
Income taxes	(1,176,623)	(934,558)	(1,984,291)	(2,350,465)
NET INVESTMENT INCOME	3,457,559	4,107,686	5,720,879	3,547,596
Non-controlling interests	(37,594)	58,114	(117,759)	(152,730)
SHAREHOLDERS' PROFIT/(LOSS)	3,419,965	4,165,800	5,603,120	3,394,866

PETER MELHADO
Chairman
3 August 2023

CHRISTOPHER ZACCA, C.D., J.P.
President & CEO**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**for the six-months ended 30 June 2023
(Expressed in thousands of Jamaican dollars)

	Q2 2023 Unaudited	Q2 2022 Unaudited	June 2023 Year-to-date Unaudited	(Restated) June 2022 Year-to-date Unaudited
Net profit for the period	3,457,559	4,107,686	5,720,879	3,547,596
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Fair value reserve:				
Unrealised (gains)/losses on FVTOCI bonds	269,938	(4,660,471)	1,210,594	(8,025,052)
Share of joint venture unrealised (gains)/losses on FVTOCI bonds	3,416	(29,180)	17,970	(45,682)
	273,354	(4,689,651)	1,228,564	(8,070,734)
Currency translation	263,728	(412,263)	329,985	(490,418)
Gains recycled to the Profit or Loss Statement on sale and maturity of FVTOCI securities	(232,941)	(177,391)	(145,195)	(240,104)
Provision for expected credit losses on securities designated as FVTOCI	(9,965)	13,748	35,592	22,555
Expected credit losses recycled to the Profit or Loss Statement on sale and maturity of FVTOCI securities	-	-	-	(192)
	(242,906)	(163,643)	(109,603)	(217,741)
Items that will not be subsequently reclassified to profit or loss				
Owner-occupied properties (OOP):				
Unrealised losses on OOP	-	-	-	(3,589)
	-	-	-	(3,589)
Total other income recognised directly in stockholders' equity, net of taxes	294,176	(5,265,557)	1,448,946	(8,782,482)
Total Comprehensive Income/ (Losses)	3,751,735	(1,157,871)	7,169,825	(5,234,886)
Attributable to:				
Stockholders' of the parent company	3,703,325	(983,033)	7,030,547	(5,222,732)
Non-controlling interests	48,410	(174,838)	139,278	(12,154)
	3,751,735	(1,157,871)	7,169,825	(5,234,886)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITYfor the six-months ended 30 June 2023
(Expressed in thousands of Jamaican dollars)

	Share Capital	Equity Reserves	Retained Earnings	Shareholder's Equity	Non-controlling Interests Total	Total Equity Unaudited
Period ended December 31, 2022:						
Restated balance at 1 January 2023	8,998,808	9,344,498	64,671,620	83,014,926	2,301,340	85,316,266
Total comprehensive income for the period	-	1,427,427	5,603,120	7,030,547	139,278	7,169,825
Transactions with owners -						
Dividends declared	-	-	(2,812,057)	(2,812,057)	(127,920)	(2,939,977)
Total transactions with owners	-	-	(2,812,057)	(2,812,057)	(127,920)	(2,939,977)
Transfer between reserves -						
From loan loss reserve	-	65,948	(65,948)	-	-	-
To retained earnings reserve	-	550,000	(550,000)	-	-	-
Transfers between retained earnings and reserves	-	615,948	(615,948)	-	-	-
Balance as at June 30, 2023	8,998,808	11,387,873	66,846,735	87,233,416	2,312,698	89,546,114
Period ended December 31, 2021:						
Restated balance at 1 January 2022	8,816,093	16,584,881	60,089,736	85,490,710	20,164,727	105,655,437
Total comprehensive (loss)/income for the period	-	(8,617,598)	3,394,866	(5,222,732)	(12,154)	(5,234,886)
Transactions with owners -						
Dividends declared	-	-	(4,148,956)	(4,148,956)	-	(4,148,956)
Disposal of shares in Xfund	-	-	124,576	124,576	1,465,923	1,590,499
Treasury shares	63,907	-	(24,686)	39,221	-	39,221
Windup of Jamziv	-	-	-	-	(5,767,620)	(5,767,620)
Total transactions with owners	63,907	-	(4,049,066)	(3,985,159)	(4,301,697)	(8,286,856)
Transfer between reserves -						
From loan loss reserve	-	121,192	(121,192)	-	-	-
Transfers between reserves	-	121,192	(121,192)	-	-	-
Balance as at June 30, 2022	8,880,000	8,088,476	59,314,344	76,282,820	15,850,876	92,133,696

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

 for the six-months ended 30 June 2023
 (Expressed in thousands of Jamaican dollars)

						Other including	Unaudited
	Long Term	Short Term	Commercial	Investment	Consolidation	Adjustments	June 2023
For the six-months ended June 30, 2023	Insurance	Insurance	Banking	Banking	Adjustments		Group
Operating results:							
Insurance revenue	8,465,491	13,638,599	-	-	-	-	22,104,090
Insurance service expenses	(6,275,055)	(11,965,362)	-	-	-	-	(18,240,417)
Net expense from reinsurance contracts	160,086	(1,692,043)	-	-	-	-	(1,531,957)
Insurance service results	2,350,522	(18,806)	-	-	-	-	2,331,716
Net insurance finance expense	(2,196,144)	-	-	-	-	-	(2,196,144)
Net investment income	4,937,954	408,442	4,824,544	1,177,010	757,988		12,105,938
Net Insurance and Investment Results	5,092,332	389,636	4,824,544	1,177,010	757,988		12,241,510
Fee and other revenue	(330,518)	42,655	4,341,132	943,149	3,911,665		8,908,083
Share of results of joint venture	-	2,546	-	-	-		2,546
Other operating expenses	(55,288)	(312,450)	(6,702,287)	(1,468,854)	(4,007,239)		(12,546,118)
Asset and other tax	(20,580)	(32,859)	(446,971)	(214,847)	(185,594)		(900,851)
Profit before taxation	4,685,946	89,528	2,016,418	436,458	476,820		7,705,170
Taxation	(1,014,901)	(44,846)	(793,923)	(99,100)	(31,521)		(1,984,291)
Net Profit	3,671,045	44,682	1,222,495	337,358	445,299		5,720,879
Attributable to:							
Stockholders of the parent company							5,603,120
Non-controlling interests							117,759
							<u>5,720,879</u>
Segment assets:	149,776,777	23,070,485	194,421,907	125,703,690	29,611,528		522,584,387
Unallocated assets							14,083,559
Total assets							<u>536,667,946</u>
Segment liabilities:	132,439,765	10,936,639	169,038,055	108,366,894	22,853,813		443,635,166
Unallocated liabilities							3,486,666
Total liabilities							<u>447,121,832</u>
Other Segment items:							
Capital expenditure: Computer software							70,929
Property, plant and equipment							279,448

					Total
	Jamaica	Cayman Islands	United States of America	Other	Group
Total assets	487,612,594	41,220,944	-	7,834,408	536,667,946

						Other including	Unaudited
	Long Term	Short Term	Commercial	Investment	Consolidation	Adjustments	June 2022
For the six-months ended June 30, 2022	Insurance	Insurance	Banking	Banking	Adjustments		Group
Operating results:							
Insurance revenue	7,609,493	11,581,551	-	-	-	-	19,191,044
Insurance service expenses	(5,133,780)	(11,227,842)	-	-	-	-	(16,361,622)
Net expense from reinsurance contracts	(115,138)	(987,624)	-	-	-	-	(1,102,762)
Insurance service results	2,360,575	(633,915)	-	-	-	-	1,726,660
Net insurance finance expense	14,482,516	-	-	-	-	-	14,482,516
Net investment income	(11,994,152)	136,983	4,478,203	1,843,456	(1,149,802)		(6,685,312)
Net Insurance and Investment Results	4,848,939	(496,932)	4,478,203	1,843,456	(1,149,802)		9,523,864
Fee and other revenue	319,602	14,926	3,708,979	1,067,408	3,436,665		8,547,580
Share of results of joint venture	-	343,693	-	-	-		343,693
Other operating expenses	(110,971)	(224,468)	(5,820,148)	(1,377,922)	(4,100,477)		(11,633,986)
Asset and other tax	(117,803)	(33,890)	(404,804)	(242,547)	(84,046)		(883,090)
Profit before taxation	4,939,767	(396,671)	1,962,230	1,290,395	(1,897,660)		5,898,061
Taxation	(553,104)	106,817	(753,343)	(461,512)	(689,323)		(2,350,465)
Net Profit	4,386,663	(289,854)	1,208,887	828,883	(2,586,983)		3,547,596
Attributable to:							
Stockholders of the parent company							3,394,866
Non-controlling interests							152,730
							<u>3,547,596</u>
Segment assets:	127,590,231	18,411,361	178,980,140	112,113,867	57,752,911		494,848,510
Unallocated assets							15,095,578
Total assets							<u>509,944,088</u>
Segment liabilities:	138,211,972	9,226,658	156,050,243	96,076,476	10,628,026		410,193,375
Unallocated liabilities							7,617,017
Total liabilities							<u>417,810,392</u>
Other Segment items:							
Capital expenditure: Computer software							448,037
Property, plant and equipment							629,963

					Total
	Jamaica	Cayman Islands	United States of America	Other	Group
Total assets	441,199,216	48,538,057	14,192,927	6,013,888	509,944,088

CONSOLIDATED STATEMENT OF CASH FLOWS

 for the six-months ended 30 June 2023
 (Expressed in thousands of Jamaican dollars)

	June 2023	(Restated)
	Year-to-date	June 2022
	Unaudited	Year-to-date Unaudited
Cash Flows from Operating Activities:		
Net Profit	5,720,879	3,547,596
Adjustments for:		
Items not affecting cash and changes to policyholders' funds:		
Adjustments for non-cash items, interest and dividends	(2,559,120)	(3,142,583)
Changes in other operating assets and liabilities	(4,350,002)	(3,041,839)
Net Investment purchases	(7,328,756)	(25,705,972)
Interest and dividends received	15,736,769	13,450,751
Interest paid	(4,127,773)	(2,562,514)
Income taxes paid	(5,016,566)	(3,959,918)
Net cash used in operating activities	(1,924,569)	(21,414,479)
Cash Flows from Investing Activities:		
Proceeds from purchase of investment property, net	66,797	(120,059)
Purchase of property, plant and equipment, net	(279,448)	(629,963)
Purchase of intangible assets, net	(70,929)	(448,037)
Net cash used in investing activities	(283,580)	(1,198,059)
Cash Flows from Financing activities:		
Deposits and securities liabilities	9,282,392	7,523,233
Changes in ownership of subsidiary- X Fund	-	1,590,499
Net cash on purchase of subsidiary	-	(803,299)
Loan payable	(128)	(125,729)
Lease repayment	(353,889)	(301,060)
Disposal/(Purchase) of treasury shares, net	-	39,219
Dividends paid to non-controlling interests	(127,920)	-
Dividends paid to stockholders	(2,812,057)	(4,148,956)
Net cash generated from financing activities	5,988,398	3,773,907
Cash and cash equivalents:		
Effect of exchange rate on cash and cash equivalents	398,165	(714,946)
Increase/(Decrease) in cash and cash equivalents	4,178,414	(19,553,577)
Cash and cash equivalents at beginning of year	42,942,105	51,884,096
Cash and cash equivalents at end of period	47,120,519	32,330,519
Comprising:		
Balances with Banks	18,435,498	21,606,737
Short - Term Deposits	23,722,363	3,067,814
USA Government Treasury Bills and Short-Term Bonds	4,346,012	5,813,652
Securities purchased under resale agreements	670,304	1,847,693
Bank overdraft	(53,658)	(5,377)
	<u>47,120,519</u>	<u>32,330,519</u>

RESTATEMENT OF EQUITY

(Expressed in thousands of Jamaican dollars)

As at January 1, 2023	As previously reported under IFRS 4	IFRS 17 adjustments	IFRS 9 adjustments	Restated under IFRS 17
December 31, 2022	December 31, 2022			January 1, 2023
ASSETS:				
Financial investments	427,993,762	(985,278)	6,061,607	433,070,091
Premiums due	4,887,437	(4,887,437)	-	-
Reinsurance contract assets	4,072,339	(2,250,498)	-	1,821,841
Deferred income taxes	4,021,850	-	(110,553)	3,911,297
Due from sales representatives	1,707,088	(1,063,035)	-	644,053
Other assets	76,496,406	-	-	76,496,406
TOTAL ASSETS	519,178,882	(9,186,248)	5,951,054	515,943,688
STOCKHOLDERS' EQUITY AND LIABILITIES:				
Equity attributable to:				
Stockholders' of the parent company				
Share capital	8,998,808	-	-	8,998,808
Equity reserves	4,055,129	(1,277,279)	6,566,648	9,344,498
Retained earnings	100,816,939	(35,529,725)	(615,594)	64,671,620
	113,870,876	(36,807,004)	5,951,054	83,014,926
Non-controlling interests	2,052,493	248,847	-	2,301,340
Total Equity	115,923,369	(36,558,157)	5,951,054	85,316,266
Liabilities				
Insurance contracts liabilities	-	135,956,142	-	135,956,142
Life and health insurance contracts liabilities	92,248,682	(92,248,682)	-	-
Property and casualty insurance contracts and	13,379,310	(13,379,310)	-	-
Unearned reinsurance commissions	854,280	(854,280)	-	-
Reinsurance contract liabilities	1,654,674	(1,486,358)	-	168,316
Due to brokers and agents	998,260	(993,781)	-	4,479
Other liabilities	294,120,307	378,178	-	294,498,485
Total Liabilities	403,255,513	27,371,909	-	430,627,422
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	519,178,882	(9,186,248)	5,951,054	515,943,688

As at January 1, 2022	As previously reported under IFRS 4	IFRS 17 adjustments	IFRS 9 adjustments	Restated under IFRS 17
December 31, 2021	December 31, 2021			January 1, 2022
ASSETS:				
Financial investments	429,271,352	(1,007,287)	16,104,063	444,368,128
Premiums due	4,419,045	(4,419,045)	-	-
Reinsurance contract assets	3,689,080	(1,687,933)	-	2,001,147
Deferred income taxes	1,980,237	-	(430,017)	1,550,220
Due from sales representatives	2,263,676	(1,315,138)	-	948,538
Other assets	86,367,314	-	-	86,367,314
TOTAL ASSETS	527,990,704	(8,429,403)	15,674,046	535,235,347
STOCKHOLDERS' EQUITY AND LIABILITIES:				
Equity attributable to:				
Stockholders' of the parent company				
Share capital	8,816,093	-	-	8,816,093
Equity reserves	17,163,717	(235,055)	(343,781)	16,584,881
Retained earnings	88,843,812	(44,771,903)	16,017,827	60,089,736
	114,823,622	(45,006,958)	15,674,046	85,490,710
Non-controlling interests	19,956,091	208,636	-	20,164,727
Total Equity	134,779,713	(44,798,322)	15,674,046	105,655,437
Liabilities				
Insurance contracts liabilities	-	149,791,729	-	149,791,729
Life and health insurance contracts liabilities	97,996,749	(97,996,749)	-	-
Property and casualty insurance contracts and	13,151,747	(13,151,747)	-	-
Unearned reinsurance commissions	763,848	(763,848)	-	-
Reinsurance contract liabilities	1,653,153	(689,165)	-	963,988
Due to brokers and agents	1,594,398	(1,051,878)	-	542,520
Other liabilities	278,051,096	230,577	-	278,281,673
Total Liabilities	393,210,991	36,368,919	-	429,579,910
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	527,990,704	(8,429,403)	15,674,046	535,235,347

Explanatory Notes

1. Identification and Principal Activities

Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2021 – 32.45%) owned by LOJ Holdings Limited (LOJH) which is also incorporated and domiciled in Jamaica and 16.66% owned by Sagicor Life Inc. (SLI) which is domiciled in Barbados. Both LOJH and SLI are wholly owned by Sagicor Financial Company Limited (Sagicor), the ultimate parent company, which is incorporated and domiciled in Bermuda. Sagicor has an overall interest of 49.11% (2021 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 30.21% (2021 – 30.21%) holding.

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

Sagicor 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; real estate sales and rentals; and remittance and cambio.

2. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, unless otherwise noted. The condensed consolidated 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 2022.

3. 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.

4. Changes in significant accounting policies

The Group has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts and presented a statement of financial position as at 1 January 2022.

IFRS 17 - Insurance Contracts.

IFRS 17 became effective on January 1, 2023 and brings significant changes to the accounting for insurance and reinsurance contracts. The Group has restated the comparative periods in accordance with IFRS 17.

The standard introduces three measurement approaches that will be used to measure insurance contracts: the General Measurement Model (GMM), Variable Fee approach (VFA) and Premium Allocation approach (PAA). These are summarised as follows:

- GMM measures groups of insurance contracts based on estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts. An explicit risk adjustment is applied that reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk. The Contractual Service Margin (CSM) is a component of the carrying amount of the asset or liability for a group of insurance contracts that represents the unearned profit that the Group will recognise as obligations are fulfilled under the insurance contracts..

At initial recognition, the positive CSM on a group of insurance contracts is recorded as a liability and is subsequently amortised to future income. When the calculation of present value of expected future cash

flows results in a net cash outflow, the insurance contracts are classified as “Onerous” and the negative CSM is immediately recognised in income.

- The VFA applies to insurance contracts issued with direct participation features, which are substantially investment-related service contracts under which the policyholder is promised an investment return based on underlying items, such as segregated funds and certain participating insurance contracts. The key difference between the VFA and the GMM is only evident at subsequent measurement, the transitional and at inception CSM is the same under both models. This difference is the ability to bring economic movements into the CSM each period as compared to income under the GMM..
- PAA is applied to short duration contracts where the policy’s contract boundary is one year or less. Under PAA, insurance contract results are measured .

Measurement Model	Contracts Issued
General Measurement Model	<ul style="list-style-type: none"> • Traditional Life contracts • Universal Life contracts • Living Benefits • Single Premium Health and Creditor ILife • Annuities
Variable Fee Approach	<ul style="list-style-type: none"> • Universal Life contract with direct participating features • Variable Endowments with direct participating features
Premium Allocation Approach	<ul style="list-style-type: none"> • Group Life and Health contracts • General Insurance- Accident, Liability, Marine, Property, Motor

The Group uses different measurement approaches, depending on the portfolio of contract issued, as follows:

For underlying direct insurance contracts measured under GMM or VFA, the corresponding reinsurance contract portfolios are measured using GMM. For underlying direct insurance contracts measured under PAA, the corresponding reinsurance contract portfolios are measured using PAA.

IFRS 9 Financial Instruments

IFRS 17 allows a change in election of IFRS 9 accounting treatment for assets supporting liabilities. The Group has elected to designate these financial assets, previously held at amortised cost and fair value through OCI (FVTOCI), as Fair Value through Profit and Loss (FVTPL). IFRS 9 – Financial instruments (“IFRS 9”) was previously implemented by the Group on January 1, 2018. The Group has restated prior periods to reflect changes in designation of its financial assets held in respect of activities connected with contracts within the scope of IFRS 17 effective January 1, 2022. The group recognised the difference between the previous carrying amount of those financial assets and the carrying amounts of those financial assets at 1 January 2022 by an adjustment to Retained Earnings.

Transition

The Group adopted IFRS 17 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The full retrospective approach was mostly applied to the insurance contracts in force at the transition date that were originated less than 3-5 years prior to transition. Where the full retrospective approach was determined to be impracticable, the fair value approach was applied.

The effects of adopting IFRS 17 on the consolidated financial statements at January 1, 2022 are presented in the statement of changes in equity.