Sagicor Group Jamaica



Q1 2020 Performance Report

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 three-months ended March 2020.

OVERVIEW –

The impact of the coronavirus pandemic (COVID-19) has been unprecedented in our lifetime and has caused us all to reevaluate our priorities as we navigate the far-reaching humanitarian, social, and economic impacts of the disease. For Sagicor Group Jamaica, we have placed the health and safety of our team members and clients above all else; we have facilitated work from home arrangements for approximately 60% of our team, distributed reusable masks to each team member, reinforced our social distancing protocols and installed hand sanitizers and contactless water taps along with contactless thermometers across all of our offices and branches. We have also reprioritized our strategic initiatives to focus on those that will significantly enhance our service delivery to clients by electronic means, and rapidly advance the digitization of our processes and our products. COVID-19 has set off an unprecedented shock to financial markets and economic activities, causing significant disruption and increasing volatility in global markets. Jamaica has been negatively affected by global travel restrictions, which have had a significant impact on Tourism and Hospitality, on which the country is heavily dependent. Among other key sectors being hit hard are Entertainment, Remittances, Manufacturing and Logistics.

HIGHLIGHTS

	Mar 2020 Unaudited	Mar 2019 Unaudited	% Change	Dec 2019 Audited
OPERATING RESULTS (INCOME STATEMENT DATA):				
Net Profit, attributable to Stockholders - J$ billions	1.88	2.70	-30%	15.65
Total Revenue - J$ billions	16.81	20.12	-16%	92.67
FINANCIAL POSITION & STRENGTH (BALANCE SHEET DATA):				
Total Assets of Sagicor Group Jamaica - J$ billions	458.46	406.32	13%	456.00
Total Assets under management - J$ billions	879.71	782.21	12%	928.17
Stockholders' Equity - J$ billions	87.09	79.49	10%	91.25
PROFITABILITY:				
Return on average Stockholders' Equity (ROE)	8%	14%	-43%	19%
Earnings per stock unit (EPS) - J$	0.48	0.69	-30%	4.01
OTHER MARKET INFORMATION:				
SGJ Share Price - J$	52.40	39.99	31%	77.95
Market capitalization - J$ billions	204.66	156.19	31%	304.44

NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS
$1.88 B
2019: $2.7 B

TOTAL REVENUE
$16.81 B
2019: $20.12 B

TOTAL ASSETS
$458.46 B
2019: $406.32 B

STOCKHOLDERS' EQUITY
$87.09 B
2019: $79.49 B

EARNINGS PER STOCK UNIT
$0.48
2019: $0.69

Against this backdrop, the Group generated net profit attributable to stockholders of $1.88 billion, equivalent to a $0.82 billion (30%) decrease when compared to prior year. The earnings per share reduced to $0.48 from $0.69. Total revenue before unrealized capital losses increased by 15% or $3.05 billion. The Group's Insurance businesses have seen strong new business and portfolio growth resulting in net premium income and fee income being 24% and 34% higher than prior year, respectively. The core metrics of our Commercial and Investment banking businesses have also remained strong. Hotel revenue had been on an upward trend until the latter part of the quarter, when the effects of travel restrictions were keenly felt.

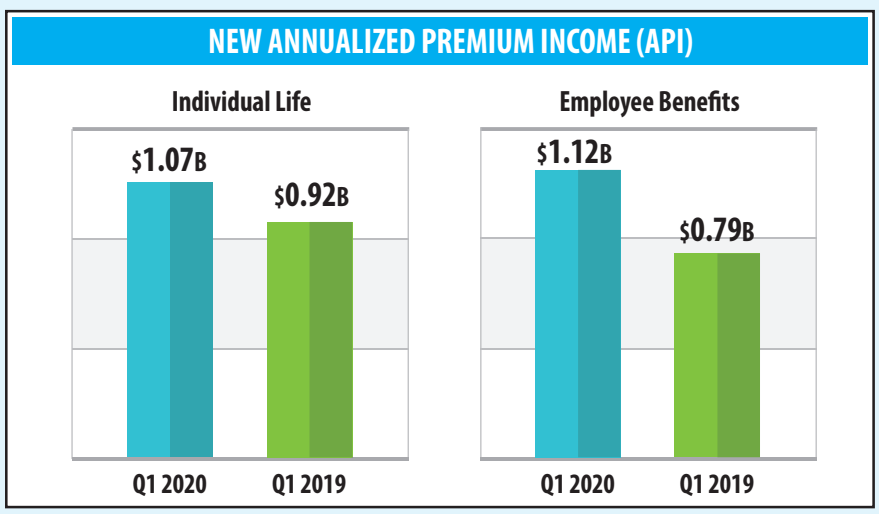
However, these strong core results were dampened by the dramatic downturn in the economy, creating the following impact:

- Significant unrealized capital losses driven by the broad decline in bond and equity prices. We believe this downturn is temporary and anticipate some reversal as the effects of COVID-19 are mitigated;
- Significant unrealized IFRS 9 Expected Credit Losses (ECL) on investment securities and the loan portfolios;
- COVID-19 and the resulting travel restrictions have adversely impacted our investments in hotel operations. The Group recognized:
  i. A significant share of loss from its investment in associate (Playa);
  ii. An impairment charge on its Investment in Playa and
  iii. An impairment charge relating to the Goodwill that arose on the acquisition of the X-Fund Group in 2018

Despite these negative effects, the operating cash flow of the company has increased by $4.40 billion and the Group's cash position has improved by $6.10 billion.

FINANCIAL PERFORMANCE

The consolidated net profit attributable to stockholders of $1.88 billion was generated from total revenues (including unrealized capital losses of $6.36 billion) of $16.81 billion. When compared to the corresponding 2019 period, profit attributable to stockholders declined by 30% (an increase of 13% when impairment charges are excluded) and revenue decreased by 16%. The annualized return on stockholders' equity was 8% as against 14% for Q1 2019.



Net premium income of $12.85 billion was up 24% on 2019, an increase of 16% when excluding premiums from Advantage General Insurance Company (AGIC), acquired in the Third Quarter of 2019. Net investment income of $4.49 billion was 16% better than last year. The Group recorded substantial ECL during the quarter on its portfolios of loans and domestic and international investment securities. The value of equities experienced a sharp decline in the latter part of March 2020.

Fee and other income of $3.90 billion grew by 30% since last year, partly due to strong growth in the Bank's Payments channels business. The Group benefited from realized foreign currency trading gains and unrealized gains from the revaluation of foreign currency denominated assets, net of liabilities.

The Group recognized impairment charges of $1.16 billion, resulting from the lower valuations of our investments in hotel operations, a direct result of the uncertainty surrounding the future impact of travel restrictions caused by COVID-19.

Despite the effect of unrealized losses on investment securities, Group assets of $458.46 billion showed only a minor decline from December 2019 and significant growth of 13% over prior year.

Stockholders' equity of $87.09 billion as at March 2020 increased by 10% or $7.60 billion over the prior year. There were significant unrealized losses on investment securities being carried at fair value through OCI which contributed to a 5% reduction since December 2019.

Individual Insurance

The Individual Life segment posted net profits of $1.27 billion, 112% better than 2019. Net premium income of $6.93 billion was 12% higher than the comparative 2019 period. This was driven by higher new sales (API) in 2020 for both Jamaica and Cayman resulting in the inforce block of policies growing by 7% to almost 600,000 policies. There were large unrealized capital losses mainly for the segregated funds and an increase of $0.78 billion in Benefits accrued or paid to policyholders due to withdrawals from Segregated policy funds, primarily driven by a change in the investment stance of our clients. The actuarial liabilities were positively influenced by improvements in morbidity and lapse experience.

Employee Benefits

The Employee Benefits segment produced profits of $1.09 billion, being 13% less than in 2019. Overall new sales were much better than last year as annualized new premium income showed 42% growth over 2019. This segment recorded higher ECL and other unrealized losses on its investment securities portfolio. Benefits expense of $4.08 billion was 8% more than last year, driven by portfolio growth but mitigated by marginal improvement in claims ratios.

Commercial Banking

Sagicor Bank contributed net profits of $0.13 billion for the quarter, a sharp reduction when compared to 2019. The results were severely impacted by higher ECL on loans relating to Tourism, Entertainment and Energy sectors. Fee based income of $1.06 billion was 12% more than prior year as our Payments channels continued to grow.

Total assets of $153.43 billion were 20% above the amount at March 2019 and 8% higher than the December 2019 amount. Loans and advances, net of provision for loan losses, were $89.97 billion, 26% higher than the March 2019 balance and $5.30 billion or 6% ahead of December 2019. Customer deposit liabilities of $119.17 billion were up 25% on last year.

Investment Banking

Sagicor Investments showed strong profitability during the period, contributing $0.53 billion (excluding the share of AGIC earnings) to the Group, 43% higher than prior year. Fee income was down on Q1 2019 as less corporate financing deals were closed during the review period and the business line recorded large unrealized capital losses on its equity portfolio. However, an improvement in its net investment income along with foreign exchange gains contributed to revenue of $1.49 billion, being 26% above 2019.

LIQUIDITY AND SOLVENCY

Group consolidated cash generated from operating activities was $10.57 billion compared to $6.16 billion in 2019. The liquidity of the Group remained strong with Cash and Cash Equivalents at the end of March 2020 being $27.44 billion (2019: $21.34 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	Mar 31, 2020	Mar 31, 2019
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	186.9%	188.3%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	13.6%	14.8%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	16.5%	16.3%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	441.6%	481.0%
Advantage General Insurance Company Limited	Minimum capital test ratio (MCT)	250.0%	334.4%	530.3%







1. *On stage at the start-line of the 22nd staging of the Sagicor Sigma Corporate Run are (from left) – Christopher 'Johnny' Daley, Sigma Run start-line emcee; Sigma Run 2020 patrons - Ity Ellis and Shani McGraham Shirley; Christopher Zacca, President and CEO, Sagicor Group Jamaica; Peter Melhado, Chairman, Sagicor Group Jamaica and Alfred 'Frano' Francis, Sigma Run Race Director. Behind is a crowd of over 20,000 participants.*

2. *Sagicor Executives and Sigma Run beneficiaries celebrate the $55.3 million raised during a symbolic cheque handover at the Sagicor Sigma Run post-race ceremony on Sunday February 16 at Emancipation Park. From left are: Sagicor Life Jamaica - Individual Life Division Executive Vice President, Mark Chisholm; Tanesia Tomlinson, Hospital Administrator, Savanna-la-mar Hospital; Claudette Marshall, Director of Mission and Ministry – Anglican Diocese – representing the Clifton Boys' Home; Dr. Brian James, Head of Department for Anesthesiology and Critical Care, Bustamante Hospital for Children; and Christopher Zacca, President and CEO, Sagicor Group Jamaica. Bustamante Children's Hospital Special Care Nursery, Clifton Boys' Home and Savanna-la-Mar Hospital will be the beneficiaries of the proceeds raised from the 2020 Sigma Run.*

3. *Coronation market vendor Angella Laidford-Ewan washes her hands at one of the handwash stations in the market, donated by the Sagicor Foundation to the Kingston and St. Andrew Municipal Corporation (KSAMC); a total of 10 handwash stations were donated to help with the sanitation efforts in the city's market spaces amidst the current COVID-19 health crisis. Sharing in the photo, during a visit to the market are Mayor of Kingston Senator Councillor Delroy Williams (right); Michelle-Ann Letman (left), Manager, Public Relations and Corporate Social Responsibility at Sagicor Group Jamaica and Councillor for the Lawrence Tavern Division, John Myers.*

CORPORATE SOCIAL RESPONSIBILITY

Sagicor stands with the entire nation through this difficult time.

As it became obvious, with the first case being recorded in early March, that Jamaica would be deeply impacted by this global phenomenon, Sagicor Group Jamaica stepped up to provide support at a national level to aid the Government's COVID-19 response.

The company first made a contribution of $20 million toward a major private sector initiative to purchase ventilators, a critical component in the intensive care process for those badly affected by the disease. This was followed by a donation of $5 million to the online educational platform Edufocal, which will help some 30,000 primary school students to access PEP study materials while schools remain closed. Several handwash stations have also been donated to the Kingston and St. Andrew Municipal Corporation to aid with sanitation efforts for the vendors and shoppers in the various public markets within the municipality. We have also committed $2.5 million to Citizens Response Jamaica, an organization that has been doing tremendous work at the local level in the development of life saving medical equipment. A further $3 million was donated towards the Ready TV educational television programme being implemented in the rural areas of Jamaica to augment our challenged school system's online offerings. It is our duty to continue to look for ways to lend assistance during this time and we will do so.

Our Sagicor Foundation personnel have also been extremely active in giving support to various initiatives beyond the funding we have committed, including a vehicle initiated by the private sector, the PSOJ COVID 19 Relief Fund, that has raised an additional $120 million.

During the first quarter, Sagicor Group Jamaica also hosted the 22nd staging of its signature charity event – the Sagicor Sigma Corporate Run. The fun-run, which was held in New Kingston on February 16, 2020, attracted over 26,000 registrants and raised over $55.4 million for our three beneficiaries. All proceeds from the event will go towards purchasing medical equipment for the Bustamante Children's Hospital Operating Theatre and Special Care Unit and the Savanna-la-mar Hospital Maternal Ward as well as assisting with the rebuilding of the Clifton Boys' Home, which was destroyed by fire in 2017.

OUTLOOK

The Jamaican economy is expected to experience an estimated contraction of 5% in 2020 resulting from COVID-19. Within this context, Jamaica's outlook was revised in April 2020 by global rating agency Fitch, from "positive" to "stable" while affirming its Long-Term Foreign Currency Issuer Default Rating (IDR) at "B+". In April 2020 the Government of Jamaica (GOJ) responded to the potential economic impact, by launching a $10 billion stimulus package through the COVID-19 Allocation of Resources for Employees (CARE) programme; a temporary cash transfer programme intended to assist the most vulnerable small and micro businesses and individuals. In addition, funding has been requested from the IMF through its Rapid Financing Instrument (RFI) to support the country's Balance of Payments account, hard hit by the fall-out in the Tourism and Remittance sectors inflows.

The GOJ aims to preserve Jamaica's macroeconomic stability, which has been achieved through the hard work and sacrifice of our nation. Although it is clear Jamaica will experience a decline in economic activity, we believe our country has the resilience to emerge from this crisis and recover strongly.

As global economic conditions may deteriorate further in the coming months, we are carefully monitoring and assessing the overall impact on the Group. 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. Sagicor 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 express sincere appreciation to our Team members, Financial Advisors and Brokers who all contribute to the achievements of the Group and every day, exemplify the Sagicor Values. To our customers for the trust and confidence they have placed in us, we will continue to protect you during COVID-19. 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

13 May 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2020
(Expressed in thousands of Jamaican dollars)

	March 2020 Unaudited	March 2019 Unaudited	December 2019 Audited
ASSETS:			
Cash resources & Cash reserve at Central Bank	33,218,344	24,899,366	25,106,232
Financial investments	174,153,060	168,592,858	188,707,833
Derivative financial instruments	16,279	82,830	35,005
Loans & leases, after allowance for credit losses	90,260,729	71,903,350	84,996,376
Pledged assets	78,311,183	70,485,620	80,167,044
Investment properties	3,363,797	2,475,362	3,355,590
Investment in joint venture	469,033	341,584	436,493
Investment in associated company	23,914,576	24,831,436	24,509,615
Intangible assets	7,379,471	6,459,311	8,275,993
Property, plant and equipment	20,356,272	18,613,454	20,133,831
Right-of-use assets	2,775,368	1,549,721	2,910,614
Retirement benefit assets	863,643	183,351	863,638
Deferred income taxes	2,629,168	2,308,325	848,631
Taxation recoverable	1,975,638	2,583,179	2,264,183
Other assets	18,773,276	11,015,178	17,387,946
TOTAL ASSETS	**458,459,837**	**406,324,925**	**459,999,024**
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to:			
Stockholders' of the parent company			
Share capital	8,876,015	8,882,089	8,848,274
Equity reserves	7,229,524	6,870,561	13,570,398
Retained earnings	70,984,647	63,735,484	68,832,882
	87,090,186	79,488,134	91,251,554
Non-controlling interests	29,278,776	27,440,000	29,672,714
Total Equity	**116,368,962**	**106,928,134**	**120,924,268**
Liabilities			
Deposit and security liabilities	191,702,196	170,261,466	180,170,778
Derivative financial instruments	16,279	82,830	35,005
Lease liabilities	2,962,975	1,561,303	3,081,573
Loans payable	14,525,689	9,860,077	14,375,012
Deferred income taxes	778,432	161,408	1,605,692
Taxation payable	144,894	514,290	135,054
Retirement benefit obligations	3,344,839	3,076,400	3,344,834
Other liabilities	17,342,568	13,640,569	19,335,837
Policyholders' Funds			
Life and health insurance contracts liabilities	85,450,800	82,415,546	91,441,962
Investment contracts liabilities	15,086,443	13,574,057	14,531,020
Property and casualty insurance contracts and other policy liabilities	10,735,760	4,248,845	11,017,989
	111,273,003	100,238,448	116,990,971
Total Liabilities	342,090,875	299,396,791	339,074,756
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**458,459,837**	**406,324,925**	**459,999,024**

PETER MELHADO
Chairman

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

13 May 2020

CONSOLIDATED INCOME STATEMENT

for the three-months ended March 2020
(Expressed in thousands of Jamaican dollars)

	March 2020 Year-to-date Unaudited	March 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Revenue:			
Net premium revenue	12,851,894	10,359,035	46,514,095
Net investment income	4,485,669	3,867,019	16,846,139
Realised and Unrealised capital (losses)/gains	(5,060,602)	1,471,152	10,935,031
Credit losses on loans and investment securities	(720,755)	(57,016)	(799,179)
Hotel revenue	1,352,949	1,469,777	5,274,284
Fees and other income	3,903,386	3,009,834	13,898,953
Total revenue, net of reinsurance, interest expense and credit losses	**16,812,541**	**20,119,801**	**92,669,323**
Benefits and Expenses:			
Net insurance benefits incurred	8,945,363	6,491,461	29,107,540
Net movement in actuarial liabilities	(5,516,894)	1,940,307	8,947,285
Administration expenses	5,757,340	4,642,869	21,591,517
Hotel expenses	923,959	964,798	4,139,370
Commissions and sales expenses	1,715,750	1,464,376	6,093,805
Amortization of lease liabilities	137,581	117,696	557,631
Amortization of intangible assets	227,241	183,813	787,001
Other taxes and levies	723,941	641,489	643,539
Total benefits and expenses	**12,914,281**	**16,446,809**	**71,867,688**
Impairment of investment in associate	(460,946)	-	-
Impairment of goodwill	(703,500)	-	-
Share of profit from joint venture	65,643	4,620	14,624
Share of (loss)/profit from associate	(474,053)	856,978	(98,662)
Profit before Taxation	**2,325,404**	**4,534,590**	**20,717,597**
Taxation	(1,183,361)	(1,030,627)	(5,253,971)
NET PROFIT	1,142,043	3,503,963	15,463,626
Net Profit attributable to:			
Stockholders' of the parent company	**1,882,653**	**2,698,262**	**15,650,304**
Non-controlling interests	(740,610)	805,701	(186,678)
	1,142,043	3,503,963	15,463,626
Earnings per stock unit for profit attributable to the			
Basic and fully diluted	$0.48	$0.69	$4.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three-months ended March 2020
(Expressed in thousands of Jamaican dollars)

	March 2020 Year-to-date Unaudited	March 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Net profit for the period	1,142,043	3,503,963	15,463,626
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Fair value reserve:			
Unrealised (losses)/gains on securities designated as FVTOCI bonds	(6,978,489)	3,653,657	8,758,394
Share of joint venture and associate unrealised gains on securities designated as FVTOCI	-	-	28,537
	(6,978,489)	3,653,657	8,786,931
Currency translation	1,143,618	(737,773)	1,748,249
Gains/(losses) recycled to the Income Statement on sale and maturity of FVTOCI securities	(854,249)	368,678	(897,904)
Provision for expected credit losses on securities designated as FVTOCI	201,520	42,078	742,264
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	(12,726)	(221,244)	(1,523,248)
Change in actuarial liabilities recognised in other comprehensive income	1,170,181	(954,682)	(1,495,784)
Share of fair value losses on interest rate swap of associate company	(316,283)	-	(410,058)
	188,443	(765,170)	(3,584,730)
Items that will not be subsequently reclassified to profit or loss			
Owner-occupied properties (OOP):			
Unrealised gains on OOP	18,191	-	558,307
Share of unrealised gains/(losses) on OOP of associate and joint venture	29,063	(393,233)	(742,763)
	47,254	(393,233)	(184,456)
Unrealised gains on FVTOCI equities	-	-	2,241
Re-measurements of retirement benefits obligations	(27,890)	-	571,628
Re-measurements of retirement benefits obligations of associate	(1,158)	-	(16,676)
Total other (loss)/income recognised directly in stockholders' equity, net of taxes	(5,628,222)	1,757,481	7,323,187
Total Comprehensive (Loss)/Income	**(4,486,179)**	**5,261,444**	**22,786,813**
Attributable to:			
Stockholders' of the parent company	**(4,172,241)**	**5,176,255**	**22,737,047**
Non-controlling interests	(313,938)	85,189	49,766
	(4,486,179)	5,261,444	22,786,813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-months ended March 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 March 31, 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
Total comprehensive loss for the period	-	(6,038,158)	1,865,917	(4,172,241)	(313,938)	(4,486,179)
Transactions with owners -						
Dividends paid to non-controlling interests	-	-	-	-	(80,000)	(80,000)
Treasury shares	27,741	-	(16,868)	10,873	-	10,873
Total transactions with owners	27,741	-	(16,868)	10,873	(80,000)	(69,127)
To retained earnings reserve	-	-	-	-	-	-
Transfers between retained earnings and reserves	-	(302,716)	302,716	-	-	-
Balance as at March 31, 2020	**8,876,015**	**7,229,524**	**70,984,647**	**87,090,186**	**29,278,776**	**116,368,962**
Period ended March 31, 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	-	2,477,994	2,698,261	5,176,255	85,189	5,261,444
Treasury shares	18,787	-	(46,916)	(28,129)	-	(28,129)
Total transactions with owners	18,787	-	(46,916)	(28,129)	-	(28,129)
Transfers between retained earnings and reserves	-	105,794	(105,794)	-	-	-
Balance as at March 31, 2019	**8,882,089**	**6,870,561**	**63,735,484**	**79,488,134**	**27,440,000**	**106,928,134**

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

for the three-months ended March 2020
(Expressed in thousands of Jamaican dollars)

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Unaudited March 2020 Group
Operating results:							
External revenues	1,799,644	7,193,287	1,493,893	3,103,630	3,222,087	-	16,812,541
Inter-segment revenues	3,820	-	(8,136)	1,545	(324,356)	327,127	-
Total revenue	1,803,464	7,193,287	1,485,757	3,105,175	2,897,731	327,127	16,812,541
Benefits and expenses	(6,371,042)	(5,108,086)	(508,207)	(2,238,011)	(2,822,062)	81,244	(16,966,164)
Change in actuarial liabilities	6,403,449	(720,692)	-	-	-	(165,863)	5,516,894
Depreciation - property, plant and equipment	(20,043)	(7,991)	(4,448)	(61,950)	(267,155)	-	(361,587)
Amortisation of right-of-use assets	-	(3,627)	-	(36,762)	(97,192)	-	(137,581)
Amortisation of intangibles	(3,813)	(21,545)	(18,441)	(50,751)	(132,691)	-	(227,241)
Amortisation of loan costs	-	-	-	-	(14,661)	-	(14,661)
Other taxes	-	-	-	-	(147)	-	(147)
Asset tax	(115,312)	(33,172)	(198,139)	(325,239)	(51,932)	-	(723,794)
Total benefits and expenses	(106,761)	(5,895,113)	(729,235)	(2,712,713)	(3,385,840)	(84,619)	(12,914,281)
Impairment of investment in associate	-	-	-	-	(460,946)	-	(460,946)
Impairment of goodwill	-	-	-	-	(703,500)	-	(703,500)
Share of profit from joint venture	-	-	-	-	65,643	-	65,643
Share of loss from associate	-	-	-	-	(474,053)	-	(474,053)
Profit before taxation	1,696,703	1,298,174	756,522	392,462	(2,060,965)	242,508	2,325,404
Investment and corporation taxes	(428,126)	(204,409)	(222,089)	(261,434)	(67,303)	-	(1,183,361)
Net Profit	1,268,577	1,093,765	534,433	131,028	(2,128,268)	242,508	1,142,043
Segment assets:	60,170,653	75,052,056	95,675,823	152,459,737	59,395,494	(12,170,346)	430,583,417
Unallocated assets -							
Investments in joint venture							469,033
Investments in associate							23,914,576
Deferred income taxes							2,629,168
Retirement benefit assets							863,643
Total assets							458,459,837
Segment liabilities:	49,021,865	61,121,489	79,781,768	129,249,047	31,886,869	(13,093,434)	337,967,604
Unallocated liabilities -							
Deferred income taxes							778,432
Retirement benefit obligations							3,344,839
Total liabilities							342,090,875
Other Segment items:							
Capital expenditure: Computer software							15,040
Property, plant and equipment							279,851

Geographical information:	Jamaica	Cayman Islands	United States of America	Other	Total Group
Revenue	14,869,888	589,704	1,352,949	-	16,812,541
Total assets	393,028,096	23,401,719	41,560,989	469,033	458,459,837

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Unaudited March 2019 Group
Operating results:							
External revenues	7,138,101	5,675,168	1,206,098	3,072,947	3,027,487	-	20,119,801
Inter-segment revenues	16,636	-	(22,780)	6,899	(716,918)	716,163	-
Total revenue	7,154,737	5,675,168	1,183,318	3,079,846	2,310,569	716,163	20,119,801
Benefits and expenses	(4,618,887)	(4,719,714)	(417,819)	(1,917,767)	(1,643,942)	61,431	(13,256,698)
Change in actuarial liabilities	(1,592,375)	495,599	-	-	-	(843,531)	(1,940,307)
Depreciation - property, plant and equipment	(16,704)	(8,804)	(2,957)	(65,517)	(207,669)	-	(301,651)
Amortisation of right-of-use assets	-	-	-	(48,645)	(69,051)	-	(117,696)
Amortization of intangibles	(3,660)	(22,638)	(16,446)	(49,618)	(91,451)	-	(183,813)
Amortization of loan costs	-	-	-	-	(5,155)	-	(5,155)
Other taxes	-	-	-	-	(108)	-	(108)
Asset tax	(97,364)	(33,166)	(180,907)	(281,264)	(48,680)	-	(641,381)
Total benefits and expenses	(6,328,990)	(4,288,723)	(618,129)	(2,362,811)	(2,066,056)	(782,100)	(16,446,809)
Share of profit from joint venture	-	-	-	-	4,620	-	4,620
Share of profit from associate	-	-	-	-	856,978	-	856,978
Profit before taxation	825,747	1,386,445	565,189	717,035	1,106,111	(65,937)	4,534,590
Investment and corporation taxes	(227,888)	(127,071)	(191,963)	(353,310)	(130,395)	-	(1,030,627)
Net Profit	597,859	1,259,374	373,226	363,725	975,716	(65,937)	3,503,963
Segment assets:	57,982,661	69,392,694	82,514,744	127,165,097	50,510,532	(8,905,499)	378,660,229
Unallocated assets -							
Investments in joint venture							341,584
Investments in associate							24,831,436
Deferred income taxes							2,308,325
Retirement benefit assets							183,351
Total assets							406,324,925
Segment liabilities:	48,294,414	55,991,177	70,249,514	105,461,986	27,044,719	(10,882,827)	296,158,983
Unallocated liabilities -							
Deferred income taxes							161,408
Retirement benefit obligations							3,076,400
Total liabilities							299,396,791
Other Segment items:							
Capital expenditure: Computer software							979
Property, plant and equipment							119,707

Geographical information:	Jamaica	Cayman Islands	United States of America	Other	Total Group
Revenue	17,558,393	1,091,631	1,469,777	-	20,119,801
Total assets	347,921,043	20,420,505	37,641,793	341,584	406,324,925

CONSOLIDATED STATEMENT OF CASH FLOWS

for the three-months ended March 2020
(Expressed in thousands of Jamaican dollars)

	March 2020 Year-to-date Unaudited	March 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Cash Flows from Operating Activities:			
Net Profit	**1,142,043**	**3,503,963**	**15,463,626**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	(142,563)	(1,422,758)	(8,378,474)
Changes in other operating assets and liabilities	6,919,570	7,366,623	(4,934,131)
Net Investment purchases	(393,826)	(4,503,846)	(22,428,746)
Interest and dividends received	6,594,143	5,557,317	21,097,987
Interest paid	(1,186,074)	(1,098,079)	(4,932,875)
Income taxes paid	(2,366,717)	(3,238,579)	(6,304,769)
Net cash generated from/(used in) operating activities	**10,566,576**	**6,164,641**	**(10,417,382)**
Cash Flows from Investing Activities:			
Net cash outflows on acquisition of Advantage General Insurance Company and Bailey Williams Limited	-	-	(4,355,569)
(Purchase)/disposal of investment poroperty, net	(8,207)	-	166,571
Purchase of property, plant and equipment, net	(279,851)	(118,070)	(171,704)
Purchase of intangible assets, net	(15,040)	(979)	(392,414)
Net cash used in investing activities	**(303,098)**	**(119,049)**	**(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	(120,934)	(106,115)	(386,673)
Disposal/(purchase) of treasury shares, net	10,873	(28,129)	(207,496)
Dividends paid to non-controlling interests	(80,000)	-	-
Dividends paid to stockholders	-	-	(5,624,115)
Net cash (used in)/generated from financing activities	**(190,061)**	**(134,244)**	**16,449,602**
Cash and cash equivalents:			
Effect of exchange rate on cash and cash equivalents	161,102	(97,029)	397,843
Increase in cash and cash equivalents	10,234,519	5,814,319	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	**27,440,047**	**21,342,900**	**17,205,528**
Comprising:			
Balances with Banks	20,833,428	13,262,883	13,390,883
Short - Term Deposits	553,568	568,938	426,414
USA Government Treasury Bills and BOJ CD's	3,115,997	5,317,850	2,688,274
Securities purchased under resale agreements	2,986,954	2,610,573	1,439,884
Bank overdraft	(49,900)	(417,344)	(739,927)
	27,440,047	**21,342,900**	**17,205,528**

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% (2018 – 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% (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 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 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 31 March 2020, the Group recorded impairment charges of $703.50 million 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 is based on the assumption that it remains a going concern and are therefore subject to its ability to obtain sufficient funding in the near future to meet its obligations to lenders. In the event such funding does not materialize, the basis of valuation will become invalid and necessitate a possible downward revision.

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. For the quarter ending 31 March 2020, Sagicor Group Jamaica experienced an initial impact from the economic downturn. These financial results have been adversely impacted in multiple areas including: actuarial reserves, ECL, unrealized capital losses, hotel operations and impairment of goodwill.

6. Subsequent Events

On 24 April 2020, the Board of Directors announced the postponement of payment for the interim dividend declared on 9 April 2020 of $0.40 per share, following the recommendation from the Bank of Jamaica (BOJ) to all financial holding companies. As soon as the BOJ advises that it is appropriate, the Group will follow the prescribed guidelines of the Jamaica Stock Exchange and pay the postponed dividend to shareholders on record as of 24 April 2020.