Sagicor Group Jamaica

Q2 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 six-months ended June 2020.

OVERVIEW –

The economic downturn caused by the pandemic has been felt around the world, with a decline in global economic output and increasing public debt, as many countries struggle to contain the health effects and consequent reduction in household income. Jamaica has weathered the health effects of the pandemic well in comparison to other countries and in recent weeks has begun a managed re-opening of the economy, however, the challenging environment has forced the Government to delay it's targeted reduction in debt to GDP by two years as it seeks to manage the broad-based projected decline in GDP. At Sagicor we continue to endorse and support the cautious approach undertaken by the Government in regard to its finances.

In spite of the difficult environment, the Group's Insurance businesses have continued to show strong performance, most notably with net premium income being 20% higher than prior year. We have seen healthy new business sales and portfolio growth which continues to drive core results. The key metrics of our Commercial and Investment banking businesses have also remained strong and are expected to improve as the economy begins to show greater activity. Our results continue to be impacted by:

- Unrealized capital losses driven by the broad decline in bond and equity prices. In recent months, the local markets have rebounded somewhat and the impact of this has been reduced on a year to date basis;

HIGHLIGHTS

	June 2020 Unaudited	June 2019 Unaudited	% Change	Dec 2019 Audited
OPERATING RESULTS (INCOME STATEMENT DATA):				
Net Profit, attributable to Stockholders - J$ billions	4.36	6.39	-32%	15.65
Total Revenue - J$ billions	38.85	42.59	-9%	92.67
FINANCIAL POSITION & STRENGTH (BALANCE SHEET DATA):				
Total Assets of Sagicor Group Jamaica - J$ billions	472.13	424.98	11%	456.00
Total Assets under management - J$ billions	869.16	827.93	5%	928.17
Stockholders' Equity - J$ billions	93.73	82.80	13%	91.25
PROFITABILITY:				
Return on average Stockholders' Equity (ROE)	10%	16%	-38%	19%
Earnings per stock unit (EPS) - J$	1.12	1.64	-32%	4.01
OTHER MARKET INFORMATION:				
SGJ Share Price - J$	46.01	57.00	-19%	77.95
Market capitalization - J$ billions	179.70	222.62	-19%	304.44

NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS
$4.36 B
2019: $6.39 B

TOTAL REVENUE
$38.85B
2019: $42.59 B

TOTAL ASSETS
$472.13B
2019: $424.98 B

STOCKHOLDERS' EQUITY
$93.73 B
2019: $82.80 B

EARNINGS PER STOCK UNIT
$1.12
2019: $1.64

- Significant unrealized IFRS 9 Expected Credit Losses (ECL) on loan portfolios and investment securities;
- COVID-19 and the resulting travel restrictions have adversely impacted our investments in hotel operations. The Group recognized:
  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

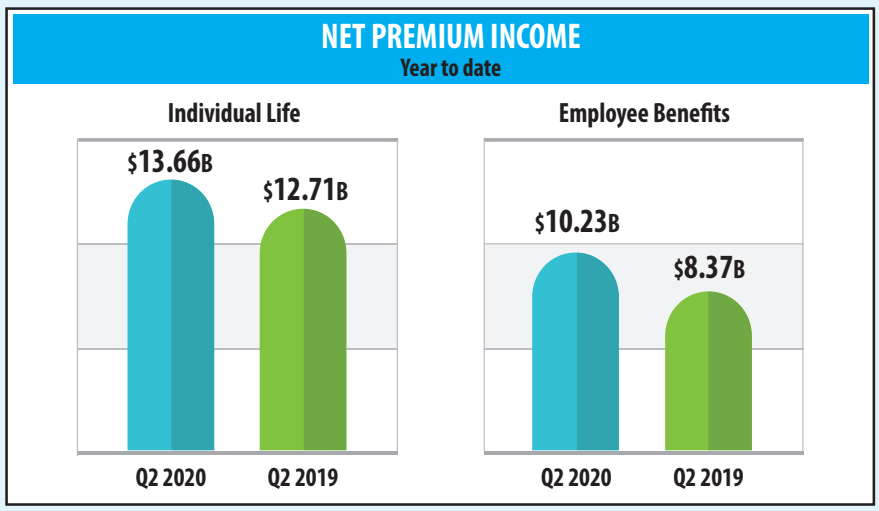
The Group generated net profit attributable to stockholders of $2.47 billion for the quarter compared to $1.88 billion for the March quarter and $3.69 billion for the quarter ended June 2019. For the six-month period profits were $4.36 billion showing a 32% decline compared to prior year. Profits before results attributed to Associate show a 7% decline compared to prior year. Total revenue before unrealized capital losses increased by 3% or $1.25 billion. Hotel revenue has been deeply impacted since the worldwide collapse of the Tourism market, resulting in declines in the valuations of our Hotel businesses. The Group's earnings per share was reduced to $1.12 from $1.64 in the prior year.

Despite these adverse effects, the operating cash flow of the company has increased by $2.48 billion and the Group continues to maintain strong liquidity by improving its cash position by $6.63 billion.

FINANCIAL PERFORMANCE

The consolidated net profit attributable to stockholders of $4.36 billion was generated from total revenues (including unrealized capital losses of $5 billion) of $38.85 billion. When compared to the prior year period, profit attributable to stockholders declined by 32% (an increase of 10% when impairment charges are excluded). The annualized return on stockholders' equity was 10% as against 16% for 2019.

Net premium income of $25.36 billion increased 20% over 2019, an increase of 16% when normalized for premiums from Advantage General Insurance Company (AGIC) which was acquired in September 2019. Net investment income of $9.05 billion was 12% 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 value of equity investments has shown an improvement during the second quarter of 2020.



Fee and other income of $6.97 billion was up 2% since last year, primarily from slowed growth of the Credit Cards and Payments business, as well as less corporate financing deals closed during the period. These are both direct results of the impact of COVID-19.

The Group recognized impairment charges of $2.64 billion (additional $1.47 billion in Q2), 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 3% increase since December 2019 and significant growth of 11% over prior year.

Stockholders' equity of $93.73 billion as at June 2020 increased by 13% or $10.93 billion over the prior year. There were large unrealized foreign currency gains of $2.92 billion taken through Other Comprehensive Income resulting from translation of our foreign operations.

Individual Insurance

The Individual Life segment posted net profits of $1.91 billion, 11% lower than 2019. Net premium income of $13.66 billion was 7% higher than the comparative 2019 period. This was driven by new policy sales, both in Jamaica and Cayman, resulting in a 6% growth of the portfolio to 603,101 policies. There were large unrealized capital losses related mainly to our Segregated Funds and an increase of $1.94 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 were positively influenced by improvements in morbidity and lapse experience.

Employee Benefits

The Employee Benefits segment produced profits of $2.46 billion, being 11% more than in 2019. Overall new sales were significantly improved over prior year with annualized new premium income indicating a 29% growth. The segment has also seen improvements in claims ratios when compared with prior year. The increase in actuarial liabilities is higher than prior year driven by additional provisions for expected COVID-19 health claims and the greater level of annuities and health business written during the current year. This segment also recorded higher ECL on its investment securities portfolio.

Commercial Banking

Sagicor Bank contributed net profits of $0.72 billion for the current period, a 31% reduction when compared to 2019. The results were severely 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. Fee based income of $1.94 billion was 3% more than prior year despite being limited by Payments channels and Credit Cards business slowing appreciably as a direct result of the decline in activity caused by COVID-19.

Total assets of $148.92 billion were 13% above June 2019 and 5% higher than the December 2019 amount. Loans and advances, net of provision for loan losses, were $88.37 billion, 22% higher than the June 2019 balance and $3.71 billion or 4% ahead of December 2019. Customer deposit liabilities of $114.48 billion were up 13% on prior year.

Investment Banking

Sagicor Investments showed strong results during the period, contributing $1.29 billion (excluding the share of AGIC earnings) to the Group, 12% higher than prior year. Fee income for the quarter was down compared to the similar period in prior year as less corporate financing deals were closed. The fluctuating rate of the J$ to the US$ during the period also negatively impacted these results as unrealized revaluation gains were significantly below prior year. However, this segment picked-up appreciable trading gains and improvement in its net investment income, contributing to revenue of $3.11 billion, being 14% above 2019.

LIQUIDITY AND SOLVENCY

Group consolidated cash generated from operating activities was $9.10 billion compared to $6.62 billion in 2019. The liquidity of the Group remained strong with Cash and Cash Equivalents at the end of June 2020 being $25.69 billion (2019: $19.06 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	June 30, 2020	June 30, 2019
Sagicor Life Jamaica Limited	Minimum continuing capital and surplus requirements ratio (MCCSR)	150.0%	189.9%	170.4%
Sagicor Bank Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	13.2%	14.0%
Sagicor Investments Jamaica Limited	Regulatory capital to risk weighted assets ratio	10.0%	17.4%	16.5%
Sagicor Life of the Cayman Islands Limited	Minimum capital requirement (MCR)	125.0%	353.5%	485.0%
Advantage General Insurance Company Limited	Minimum capital test ratio (MCT)	250.0%	334.0%	526.0%





1. *Stacy-Ann Blades (right) is a picture of joy as she opens the Mother's Day gift basket presented to her from Natalee Stewart Solomon, Personal Banking Officer at Sagicor Bank, Savanna-la-Mar branch.*

2. *Sagicor Life Financial advisor, Glenroy Castle visits 90-year-old, Margaret Jones and her daughter and caretaker, Hermine Collins at their home in Greenvale, Mandeville where he donated food items and toiletry to them as part of the Sagicor Life Mandeville branch initiative to assist some of the most vulnerable during the COVID-19 pandemic.*

CORPORATE SOCIAL RESPONSIBILITY

During the second quarter of 2020, Sagicor Group Jamaica's corporate social responsibility initiatives were significantly geared towards assistance in the fight against COVID-19.

The Group donated $20 million towards the Private Sector Organization of Jamaica (PSOJ) COVID-19 Jamaica Response Fund, which helped to procure important critical care equipment. Additionally, during the period, the company invested over $2 million in providing handwash stations for the markets in the Kingston and St. Andrew Municipal, as well as providing a handwash station at the Bustamante Hospital for Children.

Other COVID-19 related donations included: $3 million to Ready TV for management and distribution of an E-Homeschool channel which provides educational content daily on local TV for primary level school children, $2.5 million to Citizens Response Jamaica to help towards COVID-19 response and $5 million to Edufocal to support over 30,000 students to access study materials online. Several other donations were done at the community level through the company's various branches.

The various renovation and upgrade work for schools under Sagicor Foundation's Adopt-A-School programme were also completed in the second quarter. The foundation donated a printer and desktop computer to each school, in an effort to assist the little ones with preparing schoolwork as they have had to stay home due to the pandemic.

Also, Sagicor Foundation opened its annual Scholarship programme, offering scholarships to students exiting primary school and matriculating to the secondary school level, as well as students pursing tertiary level education. Over $25 million dollars will be donated to students towards their tertiary and secondary education.

OUTLOOK

The IMF world economic forecast of April 2020 indicated an unprecedented decline in global activity due to the COVID-19 pandemic and data releases since then suggest even deeper downturns than previously projected for several economies. The outlook for the Jamaican economy has worsened since March 2020 with recovery expected to be more gradual than first thought; the current estimated contraction of GDP for 2020 is 5.6%.

In April 2020 the Government of Jamaica (GOJ) put in place measures to support the country's Balance of Payments account, hard hit by the fall-out in the Tourism and Remittance sectors inflows. The measures implemented by the GOJ supplemented by swift action by the central bank have enhanced liquidity provision and limited the rise in borrowing costs, effectively forestalling significant near-term losses. Jamaica's Consumer Confidence Index fell from 172.9 in March 2020 to 165.2 in June 2020, and investment is expected to be subdued as firms defer capital expenditures amid high uncertainty. Tax revenues are also expected to remain muted due to lower economic activity.

A high degree of uncertainty exists with the possibility of a second wave of infection having a longer and more debilitating effect on economies worldwide. 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. 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 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 Sagicor'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

4 August 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	June 2020 Unaudited	June 2019 Unaudited	December 2019 Audited
ASSETS:			
Cash resources & Cash reserve at Central Bank	27,846,295	21,871,738	25,106,232
Financial investments	187,541,604	185,465,387	188,707,833
Derivative financial instruments	-	118,106	35,005
Loans & leases, after allowance for credit losses	88,599,803	72,944,139	84,996,376
Pledged assets	87,553,304	72,351,436	80,167,044
Investment properties	3,373,461	2,483,090	3,355,590
Investment in joint venture	557,282	379,117	436,493
Investment in associated company	21,666,641	26,092,222	24,509,615
Intangible assets	7,101,993	6,295,417	8,275,993
Property, plant and equipment	20,746,180	19,185,712	20,133,831
Right-of-use assets	2,784,011	1,325,395	2,910,614
Retirement benefit assets	863,643	183,351	863,638
Deferred income taxes	1,341,592	1,472,900	848,631
Taxation recoverable	2,251,986	2,808,245	2,264,183
Other assets	19,899,226	12,000,066	17,387,946
TOTAL ASSETS	**472,127,021**	**424,976,321**	**459,999,024**
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to:			
Stockholders' of the parent company			
Share capital	8,816,901	9,092,825	8,848,274
Equity reserves	12,871,108	9,450,422	13,570,398
Retained earnings	72,040,999	64,253,727	68,832,882
	93,729,008	82,796,974	91,251,554
Non-controlling interests	27,523,571	28,670,617	29,672,714
Total Equity	**121,252,579**	**111,467,591**	**120,924,268**
Liabilities			
Deposit and security liabilities	191,964,516	174,927,275	180,170,778
Derivative financial instruments	-	118,106	35,005
Lease liabilities	3,018,064	1,357,224	3,081,573
Loans payable	14,780,328	9,962,236	14,375,012
Deferred income taxes	945,531	556,167	1,605,692
Taxation payable	252,651	24,693	135,054
Retirement benefit obligations	3,344,839	3,076,400	3,344,834
Other liabilities	18,118,534	16,207,117	19,335,837
Policyholders' Funds			
Life and health insurance contracts liabilities	90,915,286	87,036,816	91,441,962
Investment contracts liabilities	16,248,531	15,654,506	14,531,020
Property and casualty insurance contracts and other policy liabilities	11,286,162	4,588,190	11,017,989
	118,449,979	107,279,512	116,990,971
Total Liabilities	350,874,442	313,508,730	339,074,756
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**472,127,021**	**424,976,321**	**459,999,024**

PETER MELHADO
Chairman

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

4 August 2020

CONSOLIDATED INCOME STATEMENT

for the six-months ended June 2020
(Expressed in thousands of Jamaican dollars)

	Q2 2020 Unaudited	Q2 2019 Unaudited	June 2020 Year-to-date Unaudited	June 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Revenue:					
Net premium revenue	12,509,793	10,713,222	25,361,687	21,072,257	46,514,095
Net investment income	4,561,477	4,237,325	9,047,146	8,104,344	16,846,139
Realised and Unrealised capital (losses)/gains	2,675,474	2,439,047	(2,385,128)	3,910,199	10,935,031
Credit losses on loans and investment securities	(913,366)	(49,189)	(1,634,121)	(106,205)	(799,179)
Hotel revenue	141,597	1,329,721	1,494,546	2,799,498	5,274,284
Fees and other income	3,063,556	3,798,608	6,966,942	6,808,442	13,898,953
Total revenue, net of reinsurance, interest expense and credit losses	**22,038,531**	**22,468,734**	**38,851,072**	**42,588,535**	**92,669,323**
Benefits and Expenses:					
Net insurance benefits incurred	7,061,101	6,637,797	16,006,464	13,129,258	29,107,540
Net movement in actuarial liabilities	3,305,824	3,099,278	(2,211,070)	5,039,585	8,947,285
Administration expenses	5,587,983	5,180,941	11,345,323	9,823,810	21,591,517
Hotel expenses	272,679	1,090,684	1,196,638	2,055,482	4,139,370
Commissions and sales expenses	1,494,553	1,408,860	3,210,303	2,873,236	6,093,805
Amortization of lease liabilities	158,152	143,120	295,733	260,816	557,631
Amortization of intangible assets	217,888	192,963	445,129	376,776	787,001
Other taxes and levies	22,803	119	746,744	641,608	643,539
Total benefits and expenses	**18,120,983**	**17,753,762**	**31,035,264**	**34,200,571**	**71,867,688**
Profit before Associates and Joint Venture	**3,917,548**	**4,714,972**	**7,815,808**	**8,387,964**	**20,801,635**
Impairment of investment in associate	(1,324,720)	-	(1,785,666)	-	-
Impairment of goodwill	(150,000)	-	(853,500)	-	-
Share of profit from joint venture	82,870	(16,710)	148,513	(12,090)	14,624
Share of (loss)/profit from associate	(1,453,165)	52,831	(1,927,218)	909,809	(98,662)
Loss arising from dilution of interest in associate	(380,747)	-	(380,747)	-	-
Profit before Taxation	691,786	4,751,093	3,017,190	9,285,683	20,717,597
Taxation	(987,120)	(1,125,447)	(2,170,481)	(2,156,074)	(5,253,971)
Net Profit	(295,334)	3,625,646	846,709	7,129,609	15,463,626
Net Profit attributable to:					
Stockholders' of the parent company	**2,472,935**	**3,689,037**	**4,355,588**	**6,387,299**	**15,650,304**
Non-controlling interests	(2,768,269)	(63,391)	(3,508,879)	742,310	(186,678)
	(295,334)	3,625,646	846,709	7,129,609	15,463,626
Earnings per stock unit for profit attributable to the stockholders' of the parent company:					
Basic and fully diluted	$0.63	$0.95	$1.12	$1.64	$4.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six-months ended June 2020
(Expressed in thousands of Jamaican dollars)

	Q2 2020 Unaudited	Q2 2019 Unaudited	June 2020 Year-to-date Unaudited	June 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Net (loss)/profit for the period	(295,334)	3,625,646	846,709	7,129,609	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	6,556,601	2,033,102	(421,888)	5,686,759	8,758,394
Share of joint venture and associate unrealised gains on securities designated as FVTOCI	-	-	-	-	28,537
	6,556,601	2,033,102	(421,888)	5,686,759	8,786,931
Currency translation	1,775,395	2,170,153	2,919,013	1,432,380	1,748,249
(Losses)/gains recycled to the Income Statement on sale and maturity of FVTOCI securities	(902,360)	(181,613)	(1,756,609)	187,065	(897,904)
Provision for expected credit losses on securities designated as FVTOCI	342,626	101,728	544,146	143,806	742,264
Expected credit losses recycled to the Income Statement on sale and maturity of FVTOCI securities	(32,303)	(71,689)	(45,029)	(292,933)	(1,523,248)
Change in actuarial liabilities recognised in other comprehensive income	(964,306)	(186,756)	205,875	(1,141,438)	(1,495,784)
Share of fair value gains/(losses) on interest rate swap of associate company	82,296	-	(233,987)	-	(410,058)
	(1,474,047)	(338,330)	(1,285,604)	(1,103,500)	(3,584,730)
Items that will not be subsequently reclassified to profit or loss					
Owner-occupied properties (OOP):					
Unrealised gains on OOP	(1)	-	18,190	-	558,307
Share of unrealised gains/(losses) on OOP of associate and joint venture	-	6,706	29,063	(386,527)	(742,763)
	(1)	6,706	47,253	(386,527)	(184,456)
Unrealised gains on FVTOCI equities	-	2,241	-	2,241	2,241
Re-measurements of retirement benefits obligations	-	-	(27,890)	-	571,628
Re-measurements of retirement benefits obligations of associate	(12)	-	(1,170)	-	(16,676)
Total other income recognised directly in stockholders' equity, net of taxes	6,857,936	3,873,872	1,229,714	5,631,353	7,323,187
Total Comprehensive Income	**6,562,602**	**7,499,518**	**2,076,423**	**12,760,962**	**22,786,813**
Attributable to:					
Stockholders' of the parent company	**8,317,807**	**6,268,901**	**4,145,566**	**11,445,156**	**22,737,047**
Non-controlling interests	(1,755,205)	1,230,617	(2,069,143)	1,315,806	49,766
	6,562,602	7,499,518	2,076,423	12,760,962	22,786,813

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-months ended June 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 June 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
Total comprehensive loss for the period	-	(193,085)	4,338,651	4,145,566	(2,069,143)	2,076,423
Transactions with owners -						
Dividends paid to non-controlling interests	-	-	-	-	(80,000)	(80,000)
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)	-	(74,485)	(105,858)	-	(105,858)
Total transactions with owners	(31,373)	-	(1,636,739)	(1,668,112)	(80,000)	(1,748,112)
Transfers between retained earnings and reserves	-	(506,205)	506,205	-	-	-
Balance as at June 30, 2020	**8,816,901**	**12,871,108**	**72,040,999**	**93,729,008**	**27,523,571**	**121,252,579**
Period ended June 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	-	5,057,857	6,387,299	11,445,156	1,315,806	12,760,962
- options exercised/expired	-	-	-	-	-	-
Dividends paid to owners of the parent	-	-	(3,085,454)	(3,085,454)	-	(3,085,454)
Treasury shares	229,523	-	(132,259)	97,264	-	97,264
Total transactions with owners	229,523	-	(3,217,713)	(2,988,190)	-	(2,988,190)
Transfers between retained earnings and reserves	-	105,792	(105,792)	-	-	-
Balance as at June 30, 2019	**9,092,825**	**9,450,422**	**64,253,727**	**82,796,974**	**28,670,617**	**111,467,591**

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

for the six-months ended June 2020
(Expressed in thousands of Jamaican dollars)

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Unaudited June 2020 Group
Operating results:							
External revenues	10,323,555	14,373,505	3,127,890	6,082,403	4,943,719	-	38,851,072
Inter-segment revenues	6,280	-	(15,838)	(1,765)	(226,932)	238,255	-
Total revenue	10,329,835	14,373,505	3,112,052	6,080,638	4,716,787	238,255	38,851,072
Benefits and expenses	(11,606,913)	(9,446,499)	(1,044,129)	(4,208,993)	(4,838,734)	170,115	(30,975,153)
Change in actuarial liabilities	4,000,120	(1,851,998)	-	-	-	62,948	2,211,070
Depreciation - property, plant and equipment	(32,340)	(17,021)	(9,510)	(128,076)	(566,442)	-	(753,389)
Amortisation of right-of-use assets	(70,307)	(39,729)	-	(74,064)	(111,633)	-	(295,733)
Amortisation of intangibles	(8,081)	(33,379)	(46,238)	(100,870)	(256,561)	-	(445,129)
Amortisation of loan costs	-	-	-	-	(30,186)	-	(30,186)
Other taxes	-	-	-	-	(161)	-	(161)
Asset tax	(115,312)	(33,172)	(196,523)	(326,855)	(74,721)	-	(746,583)
Total benefits and expenses	(7,832,833)	(11,421,798)	(1,296,400)	(4,838,858)	(5,878,438)	233,063	(31,035,264)
Impairment of investment in associate	-	-	-	-	(1,785,666)	-	(1,785,666)
Impairment of goodwill	-	-	-	-	(853,500)	-	(853,500)
Share of profit from joint venture	-	-	-	-	148,513	-	148,513
Share of loss from associate	-	-	-	-	(1,927,218)	-	(1,927,218)
Share of loss arising from dilution of interest in associate	-	-	-	-	(380,747)	-	(380,747)
Profit before taxation	2,497,002	2,951,707	1,815,652	1,241,780	(5,960,269)	471,318	3,017,190
Investment and corporation taxes	(589,861)	(496,125)	(527,393)	(525,388)	(31,714)	-	(2,170,481)
Net Profit	1,907,141	2,455,582	1,288,259	716,392	(5,991,983)	471,318	846,709
Segment assets:	65,515,263	77,490,877	104,887,577	153,207,004	58,677,828	(12,080,686)	447,697,863
Unallocated assets -							
Investments in joint venture							557,282
Investments in associate							21,666,641
Deferred income taxes							1,341,592
Retirement benefit assets							863,643
Total assets							472,127,021
Segment liabilities:	53,321,810	63,478,768	85,206,539	123,949,793	34,089,016	(13,461,854)	346,584,072
Unallocated liabilities -							
Deferred income taxes							945,531
Retirement benefit obligations							3,344,839
Total liabilities							350,874,442
Other Segment items:							
Capital expenditure: Computer software							82,904
Property, plant and equipment							464,367

Geographical information:	Jamaica	Cayman Islands	United States of America	Other	Total Group
Revenue	35,239,139	2,117,387	1,494,546	-	38,851,072
Total assets	406,259,130	26,436,374	38,874,235	557,282	472,127,021

	Individual Lines	Employee Benefits	Investment Banking	Commercial Banking	All other	Eliminations	Unaudited June 2019 Group
Operating results:							
External revenues	16,367,724	12,096,967	2,732,951	6,366,955	5,023,938	-	42,588,535
Inter-segment revenues	13,225	-	(10,696)	(4,577)	(756,262)	758,310	-
Total revenue	16,380,949	12,096,967	2,722,255	6,362,378	4,267,676	758,310	42,588,535
Benefits and expenses	(9,460,740)	(9,454,014)	(858,682)	(4,056,336)	(3,507,955)	128,192	(27,209,535)
Change in actuarial liabilities	(4,029,223)	(69,883)	-	-	-	(940,479)	(5,039,585)
Depreciation - property, plant and equipment	(32,813)	(17,567)	(6,002)	(131,235)	(465,878)	-	(653,495)
Amortisation of right-of-use assets	-	(7,254)	-	(82,083)	(171,479)	-	(260,816)
Amortization of intangibles	(7,237)	(45,273)	(32,793)	(108,737)	(182,736)	-	(376,776)
Amortization of loan costs	-	-	-	(8,319)	(10,437)	-	(18,756)
Other taxes	-	-	-	-	(227)	-	(227)
Asset tax	(97,364)	(33,166)	(180,907)	(281,264)	(48,680)	-	(641,381)
Total benefits and expenses	(13,627,377)	(9,627,157)	(1,078,384)	(4,667,974)	(4,387,392)	(812,287)	(34,200,571)
Share of loss from joint venture	-	-	-	-	(12,090)	-	(12,090)
Share of profit from associate	-	-	-	-	909,809	-	909,809
Profit before taxation	2,753,572	2,469,810	1,643,871	1,694,404	778,003	(53,977)	9,285,683
Investment and corporation taxes	(604,460)	(250,780)	(495,410)	(654,258)	(151,166)	-	(2,156,074)
Net Profit	2,149,112	2,219,030	1,148,461	1,040,146	626,837	(53,977)	7,129,609
Segment assets:	61,716,905	70,125,275	90,427,998	131,150,380	52,229,171	(8,800,998)	396,848,731
Unallocated assets -							
Investments in joint venture							379,117
Investments in associate							26,092,222
Deferred income taxes							1,472,900
Retirement benefit assets							183,351
Total assets							424,976,321
Segment liabilities:	51,601,158	56,726,290	76,688,946	108,907,511	26,835,084	(10,882,826)	309,876,163
Unallocated liabilities -							
Deferred income taxes							556,167
Retirement benefit obligations							3,076,400
Total liabilities							313,508,730
Other Segment items:							
Capital expenditure: Computer software							979
Property, plant and equipment							185,188

Geographical information:	Jamaica	Cayman Islands	United States of America	Other	Total Group
Revenue	37,539,244	2,249,793	2,799,498	-	42,588,535
Total assets	356,129,258	22,024,421	46,443,525	379,117	424,976,321

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six-months ended June 2020
(Expressed in thousands of Jamaican dollars)

	June 2020 Year-to-date Unaudited	June 2019 Year-to-date Unaudited	December 2019 Full Year Audited
Cash Flows from Operating Activities:			
Net Profit	**846,709**	**7,129,609**	**15,463,626**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	3,216,136	(1,741,397)	(8,378,474)
Changes in other operating assets and liabilities	3,526,344	10,246,578	(4,934,131)
Net Investment purchases	(5,631,703)	(12,726,625)	(22,428,746)
Interest and dividends received	12,782,379	10,448,673	21,097,987
Interest paid	(2,408,584)	(2,479,988)	(4,932,875)
Income taxes paid	(3,228,990)	(4,254,695)	(6,304,769)
Net cash generated from/(used in) operating activities	**9,102,291**	**6,622,155**	**(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	(17,871)	(7,728)	166,571
Purchase of property, plant and equipment, net	(464,337)	(181,238)	(171,704)
Purchase of intangible assets, net	(82,904)	(1,108)	(392,414)
Net cash used in investing activities	**(565,112)**	**(190,074)**	**(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	(232,638)	(228,911)	(386,673)
Disposal/(purchase) of treasury shares, net	(105,858)	97,265	(207,496)
Dividends paid to non-controlling interests	(80,000)	-	-
Dividends paid to stockholders	(280,000)	(3,085,452)	(5,624,115)
Net cash (used in)/generated from financing activities	**(698,496)**	**(3,217,098)**	**16,449,602**
Cash and cash equivalents:			
Effect of exchange rate on cash and cash equivalents	648,694	315,092	397,843
Increase in cash and cash equivalents	8,487,377	3,530,075	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	**25,692,905**	**19,058,656**	**17,205,528**
Comprising:			
Balances with Banks	17,649,691	11,326,805	13,390,883
Short - Term Deposits	814,052	5,856	426,414
USA Government Treasury Bills and BOJ CD's	1,936,535	5,840,151	2,688,274
Securities purchased under resale agreements	5,324,718	2,561,036	1,439,884
Bank overdraft	(32,091)	(675,192)	(739,927)
	25,692,905	**19,058,656**	**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 30 June 2020, the Group recorded impairment charges of $853.50 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 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. Sagicor Group Jamaica continues to experience the 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.