



Sagicor Bank Jamaica Limited

# 2018

## Unaudited Financial Results



### DIRECTORS' STATEMENT

The Board of Directors of Sagicor Bank Jamaica Limited are pleased to present the Bank's unaudited financial results for the financial year ended December 31, 2018.

### OUR PERFORMANCE

#### Operating Revenue & Expenses

Sagicor Bank performed well in 2018 and continues to reap the benefits of its growth strategy.

For the year ended December 31, 2018, the bank recorded net profit after tax of \$2.80 billion which was \$1.02 billion or 57% more than last year. Net profit after tax for the fourth quarter was \$1.38 billion which was \$614.7 million or 80% more than the corresponding period last year. The fourth quarter's results were influenced by improvements in the credit quality of the loans portfolio resulting in lower credit losses and higher gains from assets and foreign exchange trading.

#### GROWTH DURING 2018

Net Profit Attributable  
to Shareholders

**\$2.80B**  
▲ 57%

Total  
Assets

**\$123.0B**  
▼ 2%

Operating  
Income

**\$12.96B**  
▲ 20%

Earnings Per  
Stock Unit

**\$0.66**  
▲ 57%





**Performance highlights include:**

- Net interest income of \$7.3 billion increased by \$580.8 million or 9% over prior year.
- Fee-based income of \$3.6 billion increased by \$454.5 million or 15% over 2017.
- Net trading income of \$1.2 billion increased by \$669.3 million or 116% with foreign exchange activities being the major contributor.
- Net capital gains of \$839.8 million increased by \$585.5 million or 230% over prior year, after offset by capital losses on certain bonds.
- Operating expenses of \$9.1 billion increased by \$693.6 million or 8% over the corresponding prior period.

As a result, earnings per share increased by 57% to \$0.66 compared to \$0.42 in 2017.



Whatever your goals. SAGICOR BANK CAN MAKE IT HAPPEN.

<b>Operating Results</b>	<b>Unaudited December 31, 2018 J\$' Billion</b>	<b>Audited December 31, 2017 J\$' Billion</b>	<b>Change %</b>
Operating Income	12.96	10.84	20%
Operating Expenses, including asset tax	9.11	8.42	8%
Taxation	1.05	0.64	64%
Net Profit, attributable to Shareholders	2.80	1.78	57%

<b>Profitability</b>	<b>Unaudited December 31, 2018 J\$</b>	<b>Audited December 31, 2017 J\$</b>	<b>Change %</b>
Earnings per stock unit (EPS)	0.66	0.42	57%

**Balance Sheet**

Total assets of \$123.0 billion reduced by \$2.3 billion or 2% compared to December 2017. The reduction was primarily due to a decrease in a legal claim receivable. Our lending portfolio increased by \$7.7 billion or 13%; the growth was largely funded by increased customer deposits which also grew by \$8 billion.


Annualized return on equity was 13.54% compared to 9.16% in 2017.

	Unaudited December 31, 2018	Audited December 31, 2017	Change %
<b>Profitability</b>			
Return on average Shareholders' Equity (ROE)	13.54%	9.16%	48%



You work hard for your money. With Sagicor Bank your money can work for you.

On behalf of The Board of Directors:



RICHARD BYLES  
Chairman



CHRISTOPHER ZACCA  
Director

14 February, 2019



## Statement of Financial Position

As at December 31, 2018

(Expressed in thousands of Jamaican dollars)

	December 2018 Unaudited	December 2017 Audited
<b>ASSETS</b>		
Cash and balances due from other financial institutions	10,940,723	12,455,836
Cash reserves at Bank of Jamaica	12,330,758	11,418,839
Financial assets at fair value through profit or loss	-	735,198
Securities purchased under agreements to resell	1,702,395	450,306
Investment securities	23,184,675	22,515,702
Loans, net of provision for credit losses	68,837,392	61,218,944
Lease receivables, net of provision for credit losses	223,813	102,412
Due from related companies	14,198	725
Intangible assets	1,284,201	1,301,347
Income tax recoverable	49,992	260,466
Property, plant and equipment	1,329,120	2,225,768
Deferred income tax assets	1,257,004	1,704,925
Post-employment benefit obligations	150,121	285,043
Other assets	1,655,328	10,571,337
<b>Total Assets</b>	<u>122,959,720</u>	<u>125,246,848</u>
<b>LIABILITIES</b>		
Customer deposits	92,264,299	84,279,661
Securities sold under agreements to repurchase	702,712	3,082,721
Due to banks and other financial institutions	4,965,850	4,675,684
Due to related companies	44,162	101,388
Post-employment benefit obligations	898,988	1,387,105
Provision	122,643	8,838,088
Other liabilities	2,585,641	2,961,945
<b>Total Liabilities</b>	<u>101,584,295</u>	<u>105,326,592</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	8,400,000	8,400,000
Fair value reserve	(113,518)	181,775
Loan loss reserve	703,325	989,667
Reserve fund	2,711,424	2,291,968
Capital reserve	309,465	309,465
Capital Redemption reserve	646,800	-
Retained earnings reserve	3,088,063	3,088,063
Merger reserve	3,759,440	3,759,440
Accumulated retained earnings	1,870,426	899,878
<b>Total Equity</b>	<u>21,375,425</u>	<u>19,920,256</u>
<b>Total Liabilities and Equity</b>	<u>122,959,720</u>	<u>125,246,848</u>

Approved for issue by the Board of Directors on February 14, 2019 and signed on its behalf by:

Richard Byles

Chairman

Christopher Zacca

Director

## Income Statement

Year Ended December 31, 2018

(Expressed in thousands of Jamaican dollars)

	Q4 2018 Unaudited	Q4 2017 Unaudited	December 2018 Year-to date Unaudited	December 2017 Full Year Audited
<b>Net Interest Income and Other Revenue</b>				
Interest income from loans and leases	1,867,483	1,790,786	7,405,481	6,811,394
Interest income from securities	291,999	399,675	1,317,566	1,554,364
Other interest income	35,841	32,678	167,906	82,970
Total interest income	<u>2,195,323</u>	<u>2,223,139</u>	<u>8,890,953</u>	<u>8,448,728</u>
Interest expense	(368,881)	(473,579)	(1,620,862)	(1,759,482)
Net interest income	<u>1,826,442</u>	<u>1,749,560</u>	<u>7,270,091</u>	<u>6,689,246</u>
Fees and commission income	1,038,849	963,426	3,584,070	3,129,559
Trading income	578,665	354,777	1,514,325	832,075
Other revenue	556,448	56,111	595,002	194,714
	<u>2,173,962</u>	<u>1,374,314</u>	<u>5,693,397</u>	<u>4,156,348</u>
	<u>4,000,404</u>	<u>3,123,874</u>	<u>12,963,488</u>	<u>10,845,594</u>
<b>Operating Expenses</b>				
Team member costs	671,461	642,090	2,884,405	2,983,490
Occupancy costs	144,458	138,106	466,662	470,005
Impairment charges	5,182	323,298	633,082	714,521
Other expenses	1,465,509	1,111,924	5,133,800	4,256,382
	<u>2,286,610</u>	<u>2,215,418</u>	<u>9,117,949</u>	<u>8,424,398</u>
<b>Profit/(Loss) before Taxation</b>	<u>1,713,794</u>	<u>908,456</u>	<u>3,845,539</u>	<u>2,421,196</u>
Taxation	(329,483)	(138,811)	(1,049,159)	(644,624)
<b>Net Profit</b>	<u>1,384,311</u>	<u>769,645</u>	<u>2,796,380</u>	<u>1,776,572</u>
<b>Earnings per stock unit for profit attributable to stockholders</b>				
Basic and Fully diluted	\$0.33	\$0.18	\$0.66	\$0.42

## Statement of Comprehensive Income

Year Ended December 31, 2018

(Expressed in thousands of jamaican dollars)

	Q4 2018 Unaudited	Q4 2017 Unaudited	December 2018 Year-to date Unaudited	December 2017 Full Year Audited
<b>Net Profit</b>	<b><u>1,384,311</u></b>	<b><u>769,645</u></b>	<b><u>2,796,380</u></b>	<b><u>1,776,572</u></b>
<b>Other comprehensive income -</b>				
<b>Item that will not be reclassified to profit or loss</b>				
Re-measurements of post-employment benefits	<u>362,626</u>	<u>654,335</u>	<u>362,626</u>	<u>654,335</u>
<b>Items that will be reclassified to profit or loss</b>				
Available-for-sale investments -				
Unrealised gains/(losses) on available-for-sale investments	(530,001)	173,947	(650,464)	488,967
Gains reclassified and reported in profit	<u>317,662</u>	<u>(153,130)</u>	<u>339,829</u>	<u>(184,804)</u>
	<u>(212,339)</u>	<u>20,817</u>	<u>(310,635)</u>	<u>304,163</u>
Total other comprehensive income, net of taxes	<u>150,287</u>	<u>675,152</u>	<u>51,991</u>	<u>958,498</u>
<b>Total Comprehensive Income</b>	<b><u>1,534,598</u></b>	<b><u>1,444,797</u></b>	<b><u>2,848,371</u></b>	<b><u>2,735,070</u></b>

## Statement of Changes in Equity

Year Ended 31 December 2018

(Expressed in thousands of Jamaican dollars)

	Share Capital	Fair Value Reserve	Loan Loss Reserve	Reserve Fund	Capital Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Retained Earnings/	Merger Reserve	Total
<b>Period ended 31 December 2018</b>										
<b>Balance at 1 January 2018</b>	8,400,000	181,775	989,667	2,291,968	309,465	-	3,088,063	899,878	3,759,440	19,920,256
Cumulative transition adjustments on adoption of IFRS 9	-	15,342	(348,421)	-	-	-	-	(48,649)	-	(381,728)
<b>Restated balance as at 1 January 2018</b>	8,400,000	197,117	641,246	2,291,968	309,465.00	-	3,088,063	851,229	3,759,440	19,538,528
Total comprehensive income for the period	-	(310,635)	-	-	-	-	-	3,159,006	-	2,848,371
Dividends paid	-	-	-	-	-	-	-	(1,000,000)	-	(1,000,000)
Shares to fulfill stock options	-	-	-	-	-	-	-	(11,474)	-	(11,474)
Transfer to/(from) reserves	-	-	62,079	419,456	-	646,800	-	(1,128,335)	-	-
	-	-	62,079	419,456	-	646,800	-	(1,139,809)	-	(11,474)
<b>Balance at 31 December 2018</b>	8,400,000	(113,518)	703,325	2,711,424	309,465	646,800	3,088,063	1,870,426	3,759,440	21,375,425

	Share Capital	Fair Value Reserve	Loan Loss Reserve	Reserve Fund	Capital Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Retained Earnings/	Merger Reserve	Total
<b>Period ended 31 December 2017</b>										
<b>Balance at 1 January 2017</b>	8,400,000	(122,388)	541,503	1,558,102	309,465	-	3,088,063	859,782	3,759,440	18,393,967
Total comprehensive income for the period	-	304,163	-	-	-	-	-	2,430,907	-	2,735,070
Dividends paid	-	-	-	-	-	-	-	(1,000,000)	-	(1,000,000)
Shares to fulfill stock options	-	-	-	-	-	-	-	(208,781)	-	(208,781)
Transfer to/(from) reserves	-	-	448,164	733,866	-	-	-	(1,182,030)	-	-
	-	-	448,164	733,866	-	-	-	(1,390,811)	-	(208,781)
<b>Balance at 31 December 2017</b>	8,400,000	181,775	989,667	2,291,968	309,465	-	3,088,063	899,878	3,759,440	19,920,256



## Statement of Cash Flows

Year Ended 31 December 2018

(Expressed in thousands of Jamaican dollars)

	December 2018 Year-to-date Unaudited	December 2017 Full Year Audited/Restated
<b>Cash Flows from Operating Activities</b>		
Net profit	2,796,380	1,776,572
Adjustments for non-cash items	(15,124,225)	(4,034,938)
Changes in operating assets and liabilities	4,178,305	(9,114,729)
Interest received	8,999,902	8,401,614
Interest paid	(1,532,672)	(1,663,105)
Taxation paid	(314,590)	(420,279)
<b>Cash Flows from Operating Activities</b>	<b>(3,793,280)</b>	<b>(6,831,437)</b>
<b>Cash Flows from Investing Activities</b>		
Securities purchased under agreements to resell	(400,000)	-
Proceeds from sale of mortgages	-	4,365,457
Purchase of investment securities	(28,776,010)	(13,982,703)
Proceeds from sale of investment securities	28,736,583	18,323,334
Purchase of intangible assets	(155,623)	(294,245)
Purchase of property, plant and equipment	(235,919)	(325,076)
Proceeds from disposal of property plant and equipment	1,458,636	833
Net cash used in investing activities	<b>627,667</b>	<b>8,087,600</b>
<b>Cash Flows from Financing Activities</b>		
Due (to)/from related parties	(70,699)	116,488
Dividend paid	(1,000,000)	(1,000,000)
Proceeds from preference shares	-	2,040,518
Repayment of preference shares	(646,800)	-
Proceeds from due to banks and other financial institutions	8,859,394	7,267,605
Repayments from due to banks and other financial institutions	(7,931,514)	(8,109,068)
Net cash provided by financing activities	<b>(789,619)</b>	<b>315,543</b>
Effect of exchange rate changes on cash and cash equivalents	(4,093)	(95,388)
Net decrease in cash and cash equivalents	<b>(1,162,945)</b>	<b>3,252,890</b>
Cash and cash equivalents at beginning of year	13,903,507	10,650,617
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>12,740,562</b>	<b>13,903,507</b>
<b>Cash and Cash Equivalent</b>		
Cash and Balances due from other financial Institutions	10,940,562	12,454,410
Investment securities	500,000	999,097
Securities purchased under agreements to resell	1,300,000	450,000
	<b>12,740,562</b>	<b>13,903,507</b>



## Explanatory Notes

---

As at December 2018

### 1 Identification and Principal Activities

Sagicor Bank Jamaica Limited (the Bank) is incorporated and is domiciled in Jamaica. The Bank is licensed under the Banking Act, 1992. The registered office of the company is located at 17 Dominica Drive, Kingston 5. The principal activities of the company involve retail and corporate banking services, foreign exchange trading, investment management and provision of various credit facilities including loans and leases.

The Bank is a wholly owned subsidiary of Sagicor Group Jamaica Limited, which is incorporated and domiciled in Jamaica. Sagicor Group Jamaica Limited (the parent) is listed on the Jamaica Stock Exchange. The parent is 32.45% (2017 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. Sagicor Life Inc., which is incorporated in Barbados directly holds a 16.66% interest in the parent. The ultimate parent company is Sagicor Financial Corporation (SFC), which is incorporated and domiciled in Bermuda. SFC has an overall interest of 49.11% (2017 – 49.11%) in the parent. The other significant shareholder of the parent is Pan-Jamaican Investment Trust Limited with a 31.55% (2017 – 31.55%) holding.

The financial statements have been prepared in accordance with the provisions of the Banking Services Act 2014.

### 2 Basis of preparation

These condensed interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, unless otherwise noted. The condensed 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 2017.

Effective January 1, 2018 the Bank adopted IFRS 15 “Revenue from Contracts with Customers.” The standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. The Bank has reviewed transactions which may be affected, and concluded that there was no material impact on adoption of IFRS 15.

Effective January 1, 2018, the Bank adopted IFRS 9 “Financial Instruments”. Prior period amounts are in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets and liabilities.

IFRS 9 introduces key changes in the following areas:

(i). Classification and Measurement - requiring asset classification and measurement based upon both business model and product characteristics.

There are three categories for the classification of financial assets:

- Amortised Cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit & Loss (FVTPL)

There are two categories for the classification of financial liabilities:

- Amortised Cost
- Fair Value through Profit & Loss (FVTPL)

Initial measurement at fair value remains similar to IAS 39, however subsequent measurement and accounting is based on the new classifications.

(ii). Impairment – introducing an Expected Credit Loss (ECL) model, and forward-looking information which replaces the Incurred Loss Model under IAS 39. This results in earlier and more timely recognition of expected credit losses.

(iii). Hedge accounting – introducing changes to and wider eligibility criteria for hedging of financial instruments.

## Explanatory Notes (cont'd)

### 3 Cumulative transition adjustments on adoption of IFRS 9

(i). Reconciliation of Statement of Financial Position from IAS 39 to IFRS 9

The following table provides the impact from the transition to IFRS 9 on the Statement of Financial Position at transition at transition date January 1, 2018.

**Statement of Financial Position**

**As at January 1, 2018**

**(Expressed in thousands of Jamaican dollars)**

Unaudited	IAS 39 Carrying Amount	Allowance for Expected Credit Losses (ECL)	IFRS 9 Carrying Amount
<b>ASSETS</b>			
Cash and balances due from other financial institutions	12,455,836		12,455,836
Cash reserves at Bank of Jamaica	11,418,839		11,418,839
Financial assets at fair value through profit or loss	735,198		735,198
Securities purchased under agreements to resell	450,306		450,306
Investment securities- Available for Sale	17,525,807		17,525,807
Investment securities- Loans and Receivables	4,989,895	(49,960)	4,939,935
Loans, net of provision for credit losses	61,218,944	(347,689)	60,871,255
Lease receivables, net of provision for credit losses	102,412	(733)	101,679
Due from related companies	725		725
Intangible assets	1,301,347		1,301,347
Income tax recoverable	260,466		260,466
Property, plant and equipment	2,225,768		2,225,768
Deferred income tax assets	1,704,925	16,654	1,721,579
Post-employment benefit obligations	285,043		285,043
Other assets	10,571,337		10,571,337
<b>Total Assets</b>	<b>125,246,848</b>	<b>(381,728)</b>	<b>124,865,120</b>
<b>LIABILITIES</b>			
Customer deposits	84,279,661		84,279,661
Securities sold under agreements to repurchase	3,082,721		3,082,721
Due to banks and other financial institutions	4,675,684		4,675,684
Due to related companies	101,388		101,388
Post-employment benefit obligations	1,387,105		1,387,105
Provision	8,838,088		8,838,088
Other liabilities	2,961,945		2,961,945
<b>Total Liabilities</b>	<b>105,326,592</b>	<b>-</b>	<b>105,326,592</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8,400,000		8,400,000
Fair value reserve	181,775	15,342	197,117
Loan loss reserve	989,667	(348,421)	641,246
Reserve fund	2,291,968		2,291,968
Capital reserve	309,465		309,465
Retained earnings reserve	3,088,063		3,088,063
Merger reserve	3,759,440		3,759,440
Accumulated retained earnings	899,878	(48,649)	851,229
<b>Total Equity</b>	<b>19,920,256</b>	<b>(381,728)</b>	<b>19,538,528</b>
<b>Total Liabilities and Equity</b>	<b>125,246,848</b>	<b>(381,728)</b>	<b>124,865,120</b>

(ii). Reconciliation of Accumulated Expected Credit Losses from IAS 39 to IFRS 9

The following table reconciles the closing accumulated provision for Expected Credit Losses for financial assets in accordance with IAS 39 to the opening allowance under IFRS 9 as at January 1, 2018.

**Accumulated Expected Credit Losses**

**As at January 1, 2018**

**(Expressed in thousands of Jamaican dollars)**

	Accumulated Provision for Expected Credit Losses under IAS 39 as at December 31, 2017	Transition provision for Expected Credit Losses	Accumulated Provision for Expected Credit Losses under IFRS 9 as at January 1, 2018
Loans & leases, after allowance for credit losses	1,519,320	348,422	1,867,742
Investment securities at Amortised Cost	-	49,960	49,960
	<b>1,519,320</b>	<b>398,382</b>	<b>1,917,702</b>

Note : The ECL Allowance amounts are shown net of Other Loss Reserves and before taxes

## Disclosure of Stockholding

31 December 2018

### DIRECTORS

NAMES	PERSONAL HOLDING	CONNECTED PARTY
Richard O. Byles	NIL	NIL
Peter K. Melhado	NIL	NIL
Bruce R.V. James	NIL	NIL
Lisa A. Soares Lewis	NIL	NIL
Chorvelle A. Johnson	NIL	NIL
Paul A.B. Facey	NIL	NIL
Colin T. Steele	NIL	NIL
Monish K. Dutt	NIL	NIL
Dodridge Miller	NIL	NIL
Christopher W. Zacca	NIL	NIL

### SENIOR MANAGEMENT TEAM

NAMES	TITLE
Chorvelle Johnson	Chief Executive Officer
Michael Willacy	Vice President – Corporate Retail & SME Banking
Sabrina Cooper	Vice President – Payments
Jeffrey Chevannes	Vice President – Credit Risk
Terise Kettle	Assistant Vice President – Corporate Retail & SME Banking
Clinton Hunter	Assistant Vice President – Retail Banking
Tanya Allgrove	Assistant Vice President – Credit Risk
Annette Osborne	Assistant Vice President – Operations
Omar Brown	Assistant Vice President - Treasury

### CORPORATE SECRETARY

Gene M. Douglas

### SHAREHOLDERS

ORDINARY SHAREHOLDER	NUMBER OF UNITS	PERCENTAGE HOLDING
Sagicor Group Jamaica Limited	4,241,886,728	100%

PREFERENCE SHAREHOLDER -B	NUMBER OF UNITS	PERCENTAGE HOLDING
JCSD Services – Sigma Solutions	350,000,000	24.7%
Victoria Mutual Building Society	150,000,000	10.6%
National Insurance Fund	150,000,000	10.6%
Superannuation Fund	100,000,000	7.0%
First Caribbean International – Retirement Fund	100,000,000	7.0%
Sagicor JPSCO Employee Fund	75,000,000	5.3%
PAM Pooled Equity	55,000,000	3.9%
PAM Lascelles DeMercardo Defined	50,000,000	3.5%
JCSD Services – Sigma Corporate	50,000,000	3.5%
Newport Mills	30,000,000	2.1%