

Guardian Holdings Limited

Summary Consolidated Financial Statements

Third Quarter Results to 30 September, 2020

Expressed in Trinidad and Tobago Dollars

CHAIRMAN'S REPORT

Dear Shareholder,

Group Profit attributed to equity shareholders for the nine months ended September 30, 2020 amounted to \$485 million, a 12% increase over the \$433 million recorded in the corresponding period last year. Earnings per share increased to \$2.09 versus \$1.86 over the same period last year. These results are a noteworthy achievement, as we continue to manage through the impact of the pandemic on our business.

During the quarter, Guardian Life Limited, our Jamaican life, health and pension insurer, acquired the life and annuity portfolio of NCB Insurance Company Limited (NCBIC). NCBIC is owned by our parent the NCB Financial Group (NCBFG) and is a long-established Jamaican life insurer that specializes in distributing insurance business through the NCB bank network. We are excited by this portfolio acquisition for a number of reasons. It allows us to harvest expense synergies by eliminating redundant systems. It also allows us to hold lower combined reserves and capital due to the larger scale of our assets and liabilities and the related opportunities for better asset-liability matching. In addition, it confers an additional capability to the Guardian Group as it would instantly give us proven bancassurance expertise that we can deploy throughout the Caribbean.

Net income from insurance underwriting activities led the way by generating income of \$998 million, a \$434 million or 77% increase over the \$564 million reported in the corresponding period last year. This was largely due to improvements in the Life, Health and Pension business segment, which increased net income by \$304 million over the prior year. In the quarter we booked the benefits of the capital optimisation from combining our portfolio with the acquired portfolio from NCBIC. In the Property and Casualty business segment, net income increased by \$113 million as we were spared major catastrophic events during the year and experienced growth in the Dutch markets. During the quarter, the Group purchased the minority interest in Guardian General Insurance (OECS) Limited in Grenada, making the company a 100% owned subsidiary under this business segment.

The ongoing economic and social challenges arising out of the COVID-19 pandemic continue to affect our traditional methods of premium collection. Nevertheless, the Group was able to increase modestly Gross Written Premiums by 2%. This growth originated from the Property and Casualty business segment which increased premiums by 7% across all major markets, while the Life, Health and Pension business suffered reduced premiums by 2%, mainly from the Trinidad business.

Since the decline of the equity markets in the first quarter of 2020, the international markets have recovered, but the regional markets remain depressed. This continues to impact the Group's Net income from investing activities, which generated income of \$581 million, a 39% reduction on the \$945 million recorded in the same period last year. Net fair value losses were a major contributing factor to this decline, amounting to \$358 million compared to a gain of \$241 million in the prior period, an adverse movement of \$599 million. Positively, Investment income increased by \$26 million and Net realised gains increased by \$23 million.

Our Brokerage activities continue to grow, achieving an income of \$107 million, which represents a 20% increase over the \$89 million recorded in the prior year. This segment remains an integral part of your Group's portfolio as it provides an attractive source of fee-based income in addition to our traditional underwriting income.

Operating expenses amounted to \$923 million, a 2% increase over the \$907 million reported in the corresponding period last year. This increase is as a result of acquired businesses, primarily within the Brokerage segment.

Your Board continues to actively monitor the global developments surrounding the COVID-19 pandemic and will adjust our strategy, as necessary. We are satisfied with the Group's nine-month performance and we look forward to our customarily strong fourth quarter's performance.



Patrick Hylton
Chairman Guardian Holdings Limited
October 29, 2020

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 9-Months Sep 2020 TT\$'000	Unaudited 9-Months Sep 2019 TT\$'000	Unaudited 3-Months Sep 2020 TT\$'000	Unaudited 3-Months Sep 2019 TT\$'000	Audited 12-Months Dec 2019 TT\$'000
Gross written premiums	4,991,878	4,910,098	1,471,040	1,435,493	6,366,679
Net written premiums	3,267,840	3,390,683	1,046,777	1,084,369	4,484,742
Net result from insurance activities	998,199	564,049	447,246	280,676	958,579
Net income from investing activities	580,745	945,021	265,118	274,072	1,369,846
Fee and commission income from brokerage activities	106,830	88,921	34,089	28,985	117,052
Net income from all activities	1,685,774	1,597,991	746,453	583,733	2,445,477
Net impairment loss on financial assets	(24,792)	(4,672)	(625)	(7,344)	(87,586)
Operating expenses	(922,755)	(907,025)	(304,282)	(297,490)	(1,374,500)
Finance charges	(110,010)	(109,709)	(36,765)	(36,739)	(146,705)
Operating profit	628,217	576,585	404,781	242,160	836,686
Share of after tax profits of associated companies	18,946	22,344	8,216	11,759	18,033
Profit before taxation	647,163	598,929	412,997	253,919	854,719
Taxation	(170,989)	(156,137)	(90,381)	(64,741)	(151,006)
Profit after taxation	476,174	442,792	322,616	189,178	703,713
Loss/(profit) attributable to participating policyholders	13,877	(8,273)	24	(2,402)	(8,753)
Profit for the period	490,051	434,519	322,640	186,776	694,960
Profit attributable to non-controlling interests	(4,824)	(1,873)	(2,008)	(759)	(2,652)
Profit attributable to equity holders of the company	485,227	432,646	320,632	186,017	692,308
Earnings per share					
- Basic	\$ 2.09	\$ 1.86			\$ 2.98

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 9-Months Sep 2020 TT\$'000	Unaudited 9-Months Sep 2019 TT\$'000	Unaudited 3-Months Sep 2020 TT\$'000	Unaudited 3-Months Sep 2019 TT\$'000	Audited 12-Months Dec 2019 TT\$'000
Profit for the period	490,051	434,519	322,640	186,776	694,960
Other comprehensive (loss)/income					
Exchange differences on translating foreign operations	(127,587)	(162,756)	(14,668)	(112,538)	(77,116)
Net gains on debt instruments at fair value through other comprehensive income	19,674	137,985	28,217	44,776	137,691
(Losses)/gains on property revaluation	(7,406)	23,911	(7,406)	23,856	44,342
Actuarial gains/(losses) on post-employment benefits	17,466	(66,726)	17,466	(35,085)	(59,109)
Other reserve movements	79	(586)	14	118	(566)
Income tax relating to components of other comprehensive income	(7,552)	(22,934)	(6,916)	(10,130)	(31,255)
Other comprehensive (loss)/income for the period, net of tax	(105,326)	(91,106)	16,707	(89,003)	13,987
Total comprehensive income for the period, net of tax	384,725	343,413	339,347	97,773	708,947
Comprehensive income attributable to non-controlling interests	(5,089)	(1,486)	(2,239)	(185)	(2,569)
Comprehensive income attributable to equity holders of the company	379,636	341,927	337,108	97,588	706,378

Basis of Preparation

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows.

The summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2019 audited consolidated financial statements consistently applied from period to period. Any new accounting standards or interpretations which became effective in this financial year have had no material impact on the Group. The areas of critical accounting estimate and judgement as disclosed in "Note 3" of the 31 December 2019 audited consolidated financial statements, have also remained unchanged.

Forward-looking statements

This statement may contain certain forward-looking statements, including but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as "expects", "anticipates", "believes", or "estimates", the negative of these terms and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited Sep 2020 TT\$'000	Audited Dec 2019 TT\$'000
ASSETS		
Property, plant and equipment	731,044	723,680
Right-of-use assets	156,618	113,445
Investment properties	1,582,633	1,569,380
Intangible assets	754,202	575,875
Investment in associated companies	262,376	244,247
Investment securities	20,300,544	19,413,392
Investment securities of mutual fund unit holders	1,197,853	1,296,192
Loans and receivables	2,033,675	1,824,219
Properties for development and sale	104,329	103,246
Pension plan assets	64,522	41,026
Deferred tax assets	67,485	64,992
Reinsurance assets	1,267,382	1,284,155
Deferred acquisition costs	138,429	115,942
Taxation recoverable	144,198	181,123
Cash and cash equivalents	3,302,174	2,350,577
Cash and cash equivalents of mutual fund unit holders	500,637	166,596
Total assets	32,608,101	30,068,087
EQUITY AND LIABILITIES		
Share capital	1,970,043	1,986,066
Reserves	(487,106)	(365,034)
Retained earnings	2,710,399	2,318,847
Equity attributable to owners of the company	4,193,336	3,939,879
Non-controlling interests in subsidiaries	4,521	24,341
Total equity	4,197,857	3,964,220
Liabilities		
Insurance contracts	18,945,079	17,458,851
Financial liabilities	3,199,371	2,531,023
Lease liabilities	105,371	116,857
Investment contract liabilities	2,672,493	2,788,681
Third party interests in mutual funds	1,317,104	1,237,709
Pension plan liabilities	87,296	89,154
Post-retirement medical benefit obligations	143,704	134,605
Deferred tax liabilities	375,982	366,895
Provision for taxation	126,905	50,753
Reinsurance liabilities	429,395	351,617
Other liabilities	1,007,544	977,722
Total liabilities	28,410,244	26,103,867
Total equity and liabilities	32,608,101	30,068,087

These consolidated financial statements have been approved for issue by the Board of Directors on 29 October 2020 and signed on its behalf:

Director:  Director: 

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Sep 2020 TT\$'000	Unaudited Sep 2019 TT\$'000	Audited Dec 2019 TT\$'000
Balance at beginning of period	3,964,220	3,420,632	3,420,632
Acquisition of non-controlling interests	(30,365)	-	-
Acquisition of subsidiary	-	-	746
Total comprehensive income	384,725	343,413	708,947
Issue of shares	-	2,497	2,497
Dividends	(120,723)	(168,583)	(168,602)
Balance at end of period	4,197,857	3,597,959	3,964,220

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Sep 2020 TT\$'000	Unaudited Sep 2019 TT\$'000	Audited Dec 2019 TT\$'000
Profit before taxation	647,163	598,929	854,719
Adjustment for specific items included on the accruals basis:			
- Finance charges	110,010	109,709	146,705
- Investment income	(740,033)	(716,847)	(981,693)
Interest and dividends received	756,584	676,455	953,207
Adjustments for non-cash items	373,939	(36,610)	(193,369)
Operating profit before changes in operating assets/liabilities	1,147,663	631,636	779,569
Net increase in insurance liabilities	141,594	813,631	380,028
Net proceeds from disposal of/(purchases of) investment securities	152,716	(1,055,186)	(1,201,666)
Net purchases of/additions to investment properties	(111,156)	(102,205)	(132,304)
Net movement in other operating assets and liabilities	(216,267)	46,861	692,348
Cash provided by operating activities	1,114,550	334,737	517,975
Interest paid	(121,324)	(117,322)	(162,166)
Net taxation paid	(60,805)	(124,942)	(183,621)
Net cash provided by operating activities	932,421	92,473	172,188
Net cash used in investing activities	(264,875)	(109,561)	(217,910)
Net cash provided by financing activities	648,264	74,663	241,428
Net increase in cash and cash equivalents	1,315,810	57,575	195,706

SEGMENT INFORMATION

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset Management TT\$'000	Other including consolidation adjustments TT\$'000	Group TT\$'000
Nine months ended 30 September 2020					
Gross written premiums	2,720,160	2,271,718	-	-	4,991,878
Net written premiums	2,569,238	698,602	-	-	3,267,840
Underwriting revenue	2,580,035	931,284	-	-	3,511,319
Underwriting expenses	(2,076,196)	(457,543)	-	20,619	(2,513,120)
Net income/(loss) from investing activities	519,527	29,448	99,400	(67,630)	580,745
Fee and commission income from brokerage activities	-	124,226	-	(17,396)	106,830
Net income/(loss) from all activities	1,023,366	627,415	99,400	(64,407)	1,685,774
Net impairment loss on financial assets	(7,141)	(12,367)	(1,861)	(3,423)	(24,792)
Operating expenses	(447,695)	(371,244)	(44,274)	(59,542)	(922,755)
Finance charges	(5,271)	(4,020)	(1,870)	(98,849)	(110,010)
Operating profit/(loss)	563,259	239,784	51,395	(226,221)	628,217
Nine months ended 30 September 2019					
Gross written premiums	2,787,234	2,122,864	-	-	4,910,098
Net written premiums	2,647,496	743,187	-	-	3,390,683
Underwriting revenue	2,649,904	938,104	-	-	3,588,008
Underwriting expenses	(2,449,868)	(576,991)	-	2,900	(3,023,959)
Net income/(loss) from investing activities	837,783	63,785	77,211	(33,758)	945,021
Fee and commission income from brokerage activities	-	90,240	-	(1,319)	88,921
Net income/(loss) from all activities	1,037,819	515,138	77,211	(32,177)	1,597,991
Net impairment gain/(loss) on financial assets	631	(4,975)	296	(624)	(4,672)
Operating expenses	(454,376)	(343,599)	(39,252)	(69,798)	(907,025)
Finance charges	(4,675)	(6,427)	(1,068)	(97,539)	(109,709)
Operating profit/(loss)	579,399	160,137	37,187	(200,138)	576,585
Total Assets					
30 September 2020	25,990,480	4,770,948	2,399,129	(552,456)	32,608,101
31 December 2019	23,697,630	4,595,622	1,966,421	(191,586)	30,068,087