



Wise Financial Thinking for Life

Sagicor Life Jamaica Limited

Report to Stockholders
for the year ended
December 31, 2008

REPORT TO STOCKHOLDERS

On behalf of the Board of Directors, we are pleased to present the audited Financial Statements for the year ended December 31, 2008.

2008 was a successful year for Sagicor Life Jamaica Limited marked by a number of significant achievements including:

- ✓ Acquisition of the insurance business of Blue Cross of Jamaica Limited
- ✓ Launch of our single premium annuity and health insurance products
- ✓ Launch of the commercial bank PanCaribbeanBank
- ✓ Rebranding from Life of Jamaica to Sagicor Life Jamaica
- ✓ Winning the PSOJ Corporate Governance Award

Despite the turbulent financial markets in the second half of 2008 the Sagicor Life Jamaica Group's net profit attributable to Stockholders was \$3,928 million for the year, a 33% improvement over the results for 2007. This outcome represents earnings per share of \$1.05, up from 79 cents in 2007. There are components of this profit that we do not believe are sustainable, notably the positive impact of rising interest rates on insurance and annuity reserves and the very large single premium sales during the year under review. Excluding these items, net profit growth would be closer to 15%.

Stockholders' equity of \$15,544 million increased only marginally from the prior year-end amount as a consequence of the unprecedented diminution in securities and equities values, in particular, long-term GOJ securities and Jamaican equities. Sagicor Life Jamaica also declared dividends to Stockholders of \$1,650 million or 44 cents per share (2007 - \$1,124 million or 30 cents per share). The net profit attributable to stockholders was 25% of opening stockholders' equity, compared to 21% in 2007.

At December 31, 2008 Sagicor Life Jamaica Limited had a Minimum Continuing Capital and Surplus Requirement (MCCSR) of 157%, in excess of the 135% required by the Insurance Regulations. In addition, Sagicor Life Jamaica continues to enjoy a Financial Strength Rating (FSR) of "A" (Excellent) and Insurers Credit Rating (ICR) of "A" from A.M.Best, along with a rating of jmAAA on the Jamaica national scale, from Caribbean Information and Credit Rating Services Limited (CariCRIS).

Consolidated revenues for the year of \$28,259 million were 67% more than the 2007 amount. This level of growth resulted, in large part, from the generation of significant single premium annuities and single premium health business during the year. Excluding this business, revenue growth would have been about 20%.

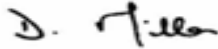
Commensurate with the growth in business, the Sagicor Life Jamaica Group paid out record benefits to policyholders and plan members in 2008 amounting to \$8,763 million compared to \$5,461 million in 2007. These benefits include death claims of \$1,309 million, health insurance claims of \$3,644 million, annuity payments of \$918 million, surrenders and withdrawals of \$714 million and property and casualty claims of \$1,910 million.

At \$4,940 million, Administration expenses were up 29% from \$3,828 million in the prior year. The ratio of Administration expenses to total revenue moved up to 24% (excluding the single premium business) as compared to 23% for 2007. The 2008 costs include salary increases influenced by the significantly higher rate of inflation as well as increased expenses in the

subsidiary, Pan Caribbean Financial Services, relating to the set up of the commercial banking operations.

The overriding objective of the Board and management of Sagicor Life Jamaica Group, in the face of the challenges of the global financial crisis, is the preservation of value for our shareholders and customers. This requires us to redouble our efforts to prudently manage financial risks and keep our operating expenses in line with revenues. We are under no illusion as to the severity of the global crisis and while we hope for a quick recovery, we are prepared for a sustained period of recession.

On behalf of the Board of Directors:



Dodridge Miller
Chairman
March 2, 2009



Richard Byles
President and CEO

Consolidated Balance Sheet
as at December 31, 2008
(Expressed in thousands of Jamaican dollars)

	December 2008 Audited	December 2007 Audited
ASSETS:		
Cash resources	3,583,864	1,910,661
Cash reserve at Bank of Jamaica	182,062	95,848
Financial investments	75,388,343	59,010,084
Securities purchased under resale agreements	4,448,058	1,103,790
Derivative financial instruments	2,957,306	-
Loans & leases, after allowance for credit losses	8,446,692	7,167,243
Investment properties	326,175	264,084
Investment in associated company	2,725	2,725
Property, plant and equipment	1,821,064	1,230,028
Retirement benefit assets	206,190	49,544
Reinsurance contracts	2,574,249	1,341,326
Intangible assets	5,291,788	4,984,967
Deferred income taxes	636,485	46,422
Taxation recoverable	700,333	565,824
Other assets	4,665,384	3,035,488
Segregated funds' assets	6,560,697	6,261,696
	<u>117,791,415</u>	<u>87,069,730</u>

STOCKHOLDERS' EQUITY AND LIABILITIES:

Stockholders' Equity

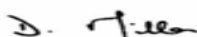
Share capital	7,796,463	7,779,665
Capital reserve	2,675	2,675
Stock options reserve	61,299	43,969
Investment and fair value reserves	(2,698,772)	(2,292)
Currency translation reserve	926,712	534,669
Other reserves	388,831	148,688
Retained earnings	9,066,612	6,999,651
	15,543,820	15,507,025
Minority Interest	4,045,061	4,396,953
	<u>19,588,881</u>	<u>19,903,978</u>


Liabilities

Securities sold under repurchase agreements	39,957,153	34,020,502
Due to banks and other financial institutions	5,888,277	3,726,085
Customer deposits	7,419,989	5,402,101
Structured products	1,087,540	-
Derivative financial instruments	2,703,316	-
Redeemable preference shares	1,271,190	-
Provisions	218,402	81,181
Taxation payable	153,763	107,400
Deferred income taxes	418,647	216,139
Retirement benefit obligations	430,422	308,447
Other liabilities	3,363,695	2,411,338

Policyholders' funds

Segregated funds' liabilities	6,560,697	6,261,696
Insurance contracts liabilities	15,418,023	6,291,051
Investment contracts liabilities	8,891,676	5,335,448
Other policy liabilities	4,419,744	3,004,364
	35,290,140	20,892,559
	<u>117,791,415</u>	<u>87,069,730</u>


 Dodridge Miller
 Chairman
 March 2, 2009


 Richard Byles
 President and CEO

**Consolidated Statement of Operations
for the year ended December 31, 2008
(Expressed in thousands of Jamaican dollars)**

	December 2008 Audited	December 2007 Audited
Revenues:		
Gross premium revenue	22,713,108	13,757,897
Reinsurance premiums ceded	(2,443,563)	(2,669,850)
Net premium revenue	20,269,545	11,088,047
Net investment income	5,511,252	4,134,395
Fees, commissions and other revenues	2,478,139	1,741,499
Total revenue	28,258,936	16,963,941
Benefits and expenses:		
Insurance benefits incurred	8,762,723	5,460,589
Insurance benefits reinsured	(1,848,464)	(183,009)
Net Insurance benefits incurred	6,914,259	5,277,580
Change in insurance and annuity liabilities	8,282,542	982,394
Administration expenses	4,939,938	3,827,852
Commissions and related expenses	2,227,600	2,031,833
Amortization of intangible assets	283,129	504,022
Finance cost	29,190	27,734
Total benefits and expenses	22,676,658	12,651,415
Profit before taxation	5,582,278	4,312,526
Taxation	(1,040,027)	(891,442)
Profit after taxation	4,542,251	3,421,084
Net profit attributable to:		
Stockholders of the company	3,928,094	2,956,775
Minority interest	614,157	464,309
Net profit for period	4,542,251	3,421,084
Earnings per share for profit attributable to stockholders:		
- Basic	\$1.05	\$0.79
- Fully diluted	\$1.05	\$0.79

Consolidated Statement of Changes in Stockholders' Equity

for the year ended December 31, 2008

(Expressed in thousands of Jamaican dollars)

	Share Capital	Investment & Fair Value Reserves	Currency Translation Reserve	Other Reserves	Retained Earnings	Minority Interest	Total
Year ended December 31, 2007:							
Balance as at January 1, 2007	7,651,537	987,213	461,123	134,435	5,177,479	4,586,380	18,998,167
Unrealised gains on revaluation of owner-occupied properties	-	173,267	-	-	-	-	173,267
Currency translation differences	-	2,987	73,546	-	-	31,303	107,836
Unrealised losses on available-for-sale securities	-	(750,574)	-	-	-	(52,443)	(803,017)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(376,501)	-	-	-	(160,286)	(536,787)
Net gains/(losses) not recognised in the statement of operations	-	(950,821)	73,546	-	-	(181,426)	(1,058,701)
Net profit	-	-	-	-	2,956,775	464,309	3,421,084
Total income/(expense) recognised for 2007	-	(950,821)	73,546	-	2,956,775	282,883	2,362,383
Transfer to special investment reserve	-	-	-	39,468	(39,468)	-	-
Transfer to retained earnings	-	(38,684)	-	-	38,684	-	-
Adjustment between regulatory loan provisioning and IFRS	-	-	-	10,237	(10,237)	-	-
Transfer to retained earnings reserves	-	-	-	(91)	-	91	-
Employee share option scheme - value of services provided	-	-	-	23,746	-	4,627	28,373
Employee share options exercised	24,928	-	-	(12,463)	-	-	12,465
Disposal of equity interest by the Minority Interest	-	-	-	-	-	(256,498)	(256,498)
Issue of shares	103,200	-	-	-	-	49,423	152,623
Dividend paid to minorities	-	-	-	-	-	(269,953)	(269,953)
Dividends paid to shareholders	-	-	-	-	(1,123,582)	-	(1,123,582)
Balance as at December 31, 2007	7,779,665	(2,292)	534,669	195,332	6,999,651	4,396,953	19,903,978
Period ended December 31, 2008:							
Balance as at January 1, 2008	7,779,665	(2,292)	534,669	195,332	6,999,651	4,396,953	19,903,978
Unrealised gains on revaluation of owner-occupied properties	-	150,195	-	-	-	-	150,195
Currency translation differences	-	899	392,043	-	-	53,735	446,677
Unrealised losses on available-for-sale securities	-	(2,607,145)	-	-	-	(468,663)	(3,075,808)
Gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(211,416)	-	-	-	(117,420)	(328,836)
Net gains/(losses) not recognised in the statement of operations	-	(2,667,467)	392,043	-	-	(532,348)	(2,807,772)
Net profit	-	-	-	-	3,928,094	614,157	4,542,251
Total income/(expense) recognised for 2008	-	(2,667,467)	392,043	-	3,928,094	81,809	1,734,479
Transfer to special investment reserve	-	-	-	29,179	(29,179)	-	-
Transfer to retained earnings	-	(29,013)	-	-	29,013	-	-
Adjustment between regulatory loan provisioning and IFRS	-	-	-	7,272	(7,272)	-	-
Transfer to retained earnings reserve	-	-	-	203,692	(203,692)	-	-
Employee share option scheme - value of services provided	-	-	-	25,729	-	3,479	29,208
Employee share options exercised	16,798	-	-	(8,399)	-	-	8,399
Disposal of equity interest by the Minority Interest	-	-	-	-	-	(107,244)	(107,244)
Dividend paid to minorities	-	-	-	-	-	(329,936)	(329,936)
Dividends paid to shareholders	-	-	-	-	(1,650,003)	-	(1,650,003)
Balance as at December 31, 2008	7,796,463	(2,698,772)	926,712	452,805	9,066,612	4,045,061	19,588,881

Consolidated Statement of Cash Flows
for the period ended December 31, 2008
(Expressed in thousands of Jamaican dollars)

	December 2008 Audited	December 2007 Audited
Cash Flows from operating activities:		
Net Profit	4,542,251	3,421,084
Items not affecting cash	10,233,805	946,435
Changes in operating assets and liabilities	(7,759,080)	(6,228,402)
Interest received	8,236,560	7,044,207
Interest paid	(4,853,526)	(4,159,805)
Income taxes paid	(586,579)	(930,390)
Cash generated from operations	<u>9,813,431</u>	<u>93,129</u>
Cash Flows from investing activities:		
Acquisition of Subsidiaries, net of cash and cash equivalents	-	(277,094)
Acquisition of Insurance portfolios	(1,668,350)	-
Intangible Assets, net	(118,611)	(61,396)
Property, plant and equipment, net	(221,796)	(150,697)
Cash used in investing activities	<u>(2,008,757)</u>	<u>(489,187)</u>
Cash Flows from financing activities:		
Dividends paid to stockholders	(1,638,603)	(1,116,543)
Dividends paid to Minority Interest	(329,936)	(269,953)
Ordinary shares issued	16,798	128,128
Preference shares issued	1,264,324	-
Repayment of loans, net	(422,733)	(348,434)
Cash used in financing activities	<u>(1,110,150)</u>	<u>(1,606,802)</u>
Net increase/(decrease) in net cash and cash equivalents	<u>6,694,524</u>	<u>(2,002,860)</u>
Cash and cash equivalents:		
Cash and cash equivalents, at beginning of year	2,259,452	4,188,997
Effects of exchange rate changes	593,775	73,315
Increase/(Decrease)/ in net cash and cash equivalents	6,694,524	(2,002,860)
Net cash and cash equivalents, at end of year	<u>9,547,751</u>	<u>2,259,452</u>

Consolidated Segmental Financial Information
For the year ended December 31, 2008
(Expressed in thousands of Jamaica dollars)

Primary Segments:

	Individual Life Services	Employee Benefits Services	General Ins. Services	Banking and Asset Management Services	Other Services	Eliminations	December 2008 Group
Total Revenue	6,006,457	17,380,224	637,495	3,067,666	1,238,352	(71,258)	28,258,936
Amortization of intangibles	(4,668)	(95,900)	(17,935)	(147,183)	(17,443)	-	(283,129)
Benefits and expenses	(4,675,418)	(15,231,431)	(575,472)	(1,186,006)	(860,233)	164,221	(22,364,339)
Finance costs	-	(15,145)	(15,145)	-	(17,223)	18,323	(29,190)
Profit / (loss) before tax	1,326,371	2,037,748	28,943	1,734,477	343,453	111,286	5,582,278
Taxation	(258,526)	(222,720)	-	(453,897)	(104,884)	-	(1,040,027)
Profit / (loss) after taxation	1,067,845	1,815,028	28,943	1,280,580	238,569	111,286	4,542,251
Segment Assets -							
Intangible assets	1,255,499	1,702,637	420,425	1,895,574	49,533	-	5,323,668
Other assets	18,618,789	18,946,767	5,156,691	62,289,008	8,846,017	(2,234,925)	111,622,347
	19,874,288	20,649,404	5,577,116	64,184,582	8,895,550	(2,234,925)	116,946,015
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							636,485
Retirement benefit assets							206,190
Total Assets							117,791,415
Segment Liabilities							
Unallocated Liabilities -							
Deferred tax liabilities							418,647
Retirement benefit obligations							430,422
Business development loans							467,684
Total Liabilities							98,202,534
December 2007 Group							
Total Revenue	5,541,075	7,663,897	513,357	2,561,346	845,677	(161,411)	16,963,941
Amortization of intangibles	(4,142)	(95,698)	(17,387)	(369,262)	(17,533)	-	(504,022)
Benefits and expenses	(4,210,296)	(6,116,554)	(445,794)	(854,416)	(633,323)	140,724	(12,119,659)
Finance costs	-	(15,632)	(15,633)	-	(17,156)	20,687	(27,734)
Profit / (loss) before tax	1,326,637	1,436,013	34,543	1,337,668	177,665	-	4,312,526
Taxation	(216,501)	(133,485)	-	(461,742)	(79,714)	-	(891,442)
Profit / (loss) after taxation	1,110,136	1,302,528	34,543	875,926	97,951	-	3,421,084
Segment Assets -							
Intangible assets	1,184,168	1,393,492	404,184	1,930,260	72,863	-	4,984,967
Other assets	13,107,917	11,075,430	3,331,836	48,941,111	6,971,868	(1,442,090)	81,986,072
	14,292,085	12,468,922	3,736,020	50,871,371	7,044,731	(1,442,090)	86,971,039
Unallocated Assets -							
Investment in associates							2,725
Deferred tax assets							46,422
Retirement benefit assets							49,544
Total Assets							87,069,730
Segment Liabilities							
Unallocated Liabilities -							
Deferred tax liabilities							216,139
Retirement benefit obligations							308,447
Business development loans							411,061
Total Liabilities							67,165,752

Secondary Segments:

	Jamaica	Grand Cayman	December 2008	Jamaica	Grand Cayman	December 2007
Total Revenue	25,804,164	2,454,772	28,258,936	14,634,633	2,329,308	16,963,941
Total Assets	101,382,269	16,409,146	117,791,415	78,287,820	8,781,910	87,069,730

Explanatory Notes

1. Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies as set out in note 2 of the December 31, 2008 audited financial statements.