

Sagicor Life Jamaica Limited

Our Q2 2012 Performance



On behalf of the Board of Directors of Sagicor Life Jamaica Limited (SLJ), we are pleased to share with you the Q2 2012 performance of our Group of companies. We continued to grow our business, generating revenues of \$15.12 billion for the six month period ended June 30, 2012, an increase of 14% over the same period last year. Net profits rose marginally to \$2.6 billion, a 1% improvement over 2011 and the annualized ROE was 18%. In delivering these results to our shareholders, we paid life, health and annuity Benefits to our policyholders of \$5.1 billion, an increase of 16%.

Honouring a Great Jamaican

In June, we marked Sagicor Life Jamaica's 42nd anniversary in an extraordinary way. In recognition of our Chairman's role in building the Life Insurance business and his selfless commitment to Jamaica, we re-named our Head Office building the "R. Danny Williams Building." We continue to benefit greatly from his guidance and are inspired by his vision



of doing more to make Jamaica an even better place to live.

Another 'Jewel' in the Crown

Sagicor has extended the successful Jewel brand to a second property in Runaway Bay, St. Ann. The Jewel Runaway Bay Beach & Golf Resort is a 266 room, four-star all-inclusive beach resort with an 18-hole championship golf course. In addition, we will complete construction of the new Strathairn Residential Housing complex by end of August and we have commenced sale of the 32 units.



Our Children, our Future

For the fourth consecutive year, we partnered with the Jamaica Teachers Association to stage the Sagicor/JTA National Championships. For the first time, these championships were held on a Saturday and were televised, this allowed our young athletes to receive more attention and support for their efforts. Jamaica's future as leader in Track & Field is made even more secure through this important event. Sagicor also sponsored 400 students from several schools to attend the Greatness Exists in Me (GEM) Pantomime, which successfully imparted key messages that are important in building self-esteem in children from all backgrounds.

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Teamwork Works

On Labour Day, Sagicor Team members gave tremendous support under the theme "Stepping forward to make Jamaica beautiful". Branches across the island worked to improve the surroundings of the schools participating in our Adopt-a-School programme for 2012. The Team was also out in numbers for the Jamaica Cancer Society's Relay-for-Life and the "Every One's a Winner 5K" Many of our Team members are also active in their own communities and we take this opportunity to thank these community builders for their selfless contributions.

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS

	June 2012 YTD Unaudited	June 2011 YTD Unaudited	% Change
Total Revenue - J\$ billions	15.12	13.24	14%
Net Profit attributable to Stockholders - J\$ billions	2.60	2.57	1%
Earnings per stock unit (EPS) - J\$	0.69	0.68	1%
Group Efficiency ratio (Admin. expenses/Revenue)	23%	23%	0%
Return on average Stockholders' Equity (ROE)	18%	20%	-10%
Total Assets of the Group - J\$ billions	171.02	157.62	9%
Stockholders' Equity - J\$ billions	30.15	27.04	12%
SLJ Share Price	10.70	9.07	18%
Dividend per stock - J\$	0.28	0.34	-18%

Overview

The SLJ Group continued to perform well through to June 2012. A Net profit of \$2.71 billion was generated by the Group with \$2.60 billion being attributed to Stockholders of SLJ. Earnings for the first six months of 2012 were marginally more than the corresponding period last year and represent a basic earnings per stock unit of \$0.69 and an annualized return on average Stockholders' Equity of 18%. Total comprehensive income, including net profit for the period and movements in reserves held in Equity, was \$3.00 billion compared to \$3.35 billion for 2011.

In Q1 2012 the Group generated earnings attributable to Stockholders of \$1.49 billion. This performance was driven by strong insurance new business, policy conservation, satisfactory returns on investments and favorable benefits experience. The Q2 2012 results of \$1.12

billion were not as strong as for Q1. Though Premium Income and Investment Income remained strong, there was a noticeable rise in the level of benefits to policyholders. In addition, there was a higher effective tax rate in the PCFS Group.

Operations:

The Profit outcome was produced from Consolidated Revenue of \$15.12 billion. Revenue was up on prior year by 14%. Net Premium Income, in aggregate, was 17% more than that for 2011. The Individual lines of business earned premiums were up by 10% while Group Insurance and Annuity premiums were up by 22%. New business written across all lines continued to be better than last year and our conservation programs contributed to portfolio growth. Net Investment Income was higher than in the prior year by 17%, including a 41% increase in capital gains from

securities. Fees and Other Revenues as reported were lower than prior year by 11% mainly influenced by current period unrealized foreign exchange losses on a Euro denominated Note.

A total of \$5.10 billion, net of reinsurance recoveries, was paid in benefits to our policyholders or their beneficiaries. This was 16% higher than the amount for last year of \$4.38 billion. The increase in benefits cost is partly a consequence of business growth but claims ratios were higher in Q2 than in Q1. Health insurance claims make-up about 50% of the benefits paid.

Administrative expenses of \$3.39 billion were 12% more than in 2011. The increased expenses reflect higher compensation costs. We continue to be vigilant in containing overall expenses and forcing efficiencies. At the SLJ Group level, the efficiency ratio of administrative expenses to total revenue was 23%, same as for the six month period in 2011.

Liquidity of the Group remained healthy with cash and near cash investments of \$4.09 billion at the end of June 2012.

The PCFS Banking Group, in which SLJ has 85% control, generated after tax profits of \$781 million, 15% lower than the prior year. Operating revenues in the PCFS Group were marginally above last year, while operating expenses grew by 12%. The efficiency ratio of administration expenses to total revenue moved to 46% compared to 41% for the first half of 2011. There was a 4% growth in Income earning assets for the period with some improvement in net interest margins.

Balance Sheet and Managed Funds:

Total assets of the SLJ Group reached \$171.02 billion, up from \$161.10 billion as at December 2011, a 6% growth over the six month period. During Q1 2012, the PCFS subsidiary purchased a GOJ Note denominated in Euros. This transaction is hedged and accounts for the increase in derivative financial instruments assets and liabilities. Total assets under management, as at June 2012, including pension fund assets managed on behalf of clients and unit trusts, amounted to \$279.81 billion, up from \$257.8 billion as at December 2011. Market capitalization at June 2012 was \$40.2 billion, up 7.0% since December 2011.

SLJ Stockholders' Equity as at June 2012 was \$30.15 billion, compared to \$28.29 billion as at December 2011. During April, the SLJ Board of Directors declared an interim dividend distribution of \$1.05 billion to Stockholders or a dividend per share of 28 cents.

SLJ's risk adjusted capital, measured by the Minimum Continuing Capital and Solvency Requirement (MCCSR), was 159.8% as at June 2012. The statutory minimum is 150%.

On behalf of the Board of Directors:

DR. THE HON. R.D. WILLIAMS

Chairman

RICHARD O. BYLES

President & CEO

31 July 2012



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

(Expressed in thousands of Jamaican dollars)

	June 2012 Unaudited	June 2011 Unaudited	December 2011 Audited
ASSETS:			
Cash resources	5,273,556	3,421,170	3,399,905
Financial investments	119,082,725	108,654,947	114,764,371
Securities purchased under resale agreements	684,136	2,450,981	1,000,592
Derivative financial instruments	5,312,645	378,267	839,420
Loans & leases, after allowance for credit losses	8,923,058	8,726,934	9,259,647
Investment properties	689,684	855,907	792,452
Property, plant and equipment	1,633,400	1,499,790	1,535,046
Pledged assets	5,729,390	10,026,176	7,831,016
Intangible assets	4,226,759	4,394,284	4,314,637
Other assets	7,693,172	5,077,831	5,746,051
Segregated funds' assets	11,774,888	11,423,209	11,615,396
	171,023,413	156,909,496	161,098,533
Assets classified as held for sale and discontinued operations	-	705,568	-
Total Assets	171,023,413	157,615,064	161,098,533
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to stockholders of the company			
Share capital	7,854,938	7,854,938	7,854,938
Other components of equity	4,774,190	4,436,264	4,459,464
Retained earnings	17,524,337	14,749,065	15,975,564
	30,153,465	27,040,267	28,289,966
Non-controlling interests	1,809,622	1,758,996	1,763,242
Total Equity	31,963,087	28,799,263	30,053,208
Liabilities			
Securities sold under repurchase agreements	55,838,652	50,585,437	53,948,289
Due to banks and other financial institutions	10,195,501	13,597,459	11,409,806
Customer deposits	11,655,664	9,783,496	10,599,897
Derivative financial instruments and structured products	6,132,323	712,683	975,513
Redeemable preference shares	-	615,808	-
Other liabilities	5,088,588	8,037,252	6,195,230
Policyholders' Funds			
Segregated funds' liabilities	11,774,888	11,423,209	11,615,396
Insurance contracts liabilities	25,548,578	21,322,738	23,642,467
Investment contracts liabilities	10,382,414	10,477,855	10,353,016
Other policy liabilities	2,443,718	2,259,864	2,305,711
	50,149,598	45,483,666	47,916,590
	171,023,413	157,615,064	161,098,533
Total Liabilities	139,060,326	128,815,801	131,045,325
Total stockholders' equity and liabilities	171,023,413	157,615,064	161,098,533


DR. THE HON. R.D. WILLIAMS
Chairman
31 July 2012


RICHARD O. BYLES
President & CEO

CONSOLIDATED INCOME STATEMENT

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Expressed in thousands of Jamaican dollars)

	June 2012 Quarter Unaudited	June 2011 Quarter Unaudited	June 2012 Year-to-date Unaudited	June 2011 Year-to-date Unaudited	December 2011 Full Year Audited
Revenues:					
Net premium revenue	4,880,980	4,058,302	9,494,737	8,143,121	18,765,411
Net investment income	2,318,969	1,746,401	4,523,201	3,855,253	7,591,930
Fees, commissions and other revenues	422,805	630,612	1,102,413	1,241,125	2,312,544
Total revenue	7,622,754	6,435,315	15,120,351	13,239,499	28,669,885
Benefits and expenses:					
Net insurance benefits incurred	2,639,474	2,133,220	5,102,368	4,383,270	9,052,051
Changes in insurance and annuity liabilities	1,044,731	400,496	1,709,029	1,003,648	3,263,976
Administration expenses	1,722,887	1,570,715	3,388,762	3,015,184	6,125,848
Commissions and related expenses	717,744	667,256	1,486,741	1,362,752	2,897,686
Amortization of intangible assets	63,911	67,914	130,013	137,829	271,134
Finance cost	0	19,099	0	37,988	76,900
Premium and other taxes	103,646	83,356	196,067	166,084	343,614
Total benefits and expenses	6,292,393	4,942,056	12,012,980	10,106,755	22,031,209
Profit before taxation	1,330,361	1,493,259	3,107,371	3,132,744	6,638,676
Investment and corporation taxes	(170,041)	(150,870)	(397,432)	(437,878)	(884,209)
Net Profit	1,160,320	1,342,389	2,709,939	2,694,866	5,754,467
Attributable to:					
Stockholders of the parent company	1,116,110	1,287,784	2,603,515	2,572,573	5,522,830
Non-controlling interests	44,210	54,605	106,424	122,293	231,637
	1,160,320	1,342,389	2,709,939	2,694,866	5,754,467
Earnings per stock unit attributable to stockholders of the parent company:					
Basic and Fully diluted	\$0.30	\$0.34	\$0.69	\$0.68	\$1.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Expressed in thousands of Jamaican dollars)

	June 2012 Year-to-date Unaudited	June 2011 Year-to-date Unaudited	December 2011 Full Year Audited
Net profit for the period:	2,709,939	2,694,866	5,754,467
Other comprehensive income:			
Available-for-sale investments:			
Unrealised gains on available-for-sale investments	643,382	1,224,161	890,979
Gains reclassified and reported in profit	(527,407)	(578,659)	(843,616)
	115,975	645,502	47,363
Owner occupied properties:			
Unrealised gains on owner occupied properties	6,919	129	1,980
Cash Flow Hedge:			
Gains reclassified and reported in profit	-	-	(7,762)
Retranslation of foreign operations			
	171,526	4,879	10,637
Other comprehensive income, net of tax			
	294,420	650,510	52,218
Total comprehensive income	3,004,359	3,345,376	5,806,685
Total comprehensive income attributable to:			
Stockholders of the parent company	2,906,862	3,100,941	5,541,168
Non-controlling interest	97,494	244,435	265,517
	3,004,356	3,345,376	5,806,685

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Expressed in thousands of Jamaican dollars)

	Share Capital	Retained Earnings	Currency Translation Reserves	Investment & Fair Value Reserves	Other Reserves	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Period ended 30 June 2012:								
Balance as at 1 January 2012	7,854,938	15,975,564	1,145,784	788,175	2,525,505	28,289,966	1,763,242	30,053,208
Total comprehensive income for the period	-	2,603,515	171,521	131,826	-	2,906,862	97,494	3,004,356
Employee share option scheme - value of services provided	-	-	-	-	9,715	9,715	1,164	10,879
Adjustment between regulatory loan provision and IFRS	-	(2,886)	-	-	2,886	-	-	-
Transfer from special investment reserve	-	1,222	-	-	(1,222)	-	-	-
Balance as at 30 June 2012	7,854,938	17,524,337	1,317,305	920,001	2,536,884	30,153,465	1,809,622	31,963,087
Period ended 30 June 2011:								
Balance as at 1 January 2011	7,854,938	13,500,914	1,135,147	833,083	1,878,962	25,203,044	1,528,892	26,731,936
Total comprehensive income for the period	-	2,572,577	4,880	523,484	-	3,100,941	244,435	3,345,376
Employee share option scheme - value of services provided	-	-	-	-	15,019	15,019	990	16,009
Dividends declared to owners	-	(1,278,737)	-	-	-	(1,278,737)	(47,700)	(1,326,437)
Adjustment between regulatory loan provision and IFRS	-	(46,229)	-	-	46,229	-	-	-
Transfer from special investment reserve	-	540	-	-	(540)	-	-	-
Share capital issued	-	-	-	-	-	-	32,379	32,379
Balance as at 30 June 2011	7,854,938	14,749,065	1,140,027	1,356,567	1,939,670	27,040,267	1,758,996	28,799,263
Period ended 31 December 2011:								
Balance as at 1 January 2011	7,854,938	13,500,914	1,135,147	833,083	1,878,962	25,203,044	1,528,892	26,731,936
Total comprehensive income for the period	-	5,522,830	10,637	7,701	-	5,541,168	265,517	5,806,685
Employee share option scheme - value of services provided	-	-	-	-	45,488	45,488	2,937	48,425
Employee stock grants and options exercised/expired	-	-	-	-	(55,091)	(55,091)	(3,250)	(58,341)
Dividends paid to owners	-	(2,444,643)	-	-	-	(2,444,643)	-	(2,444,643)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(100,907)	(100,907)
Adjustment between regulatory loan provision and IFRS	-	(92,577)	-	-	92,577	-	-	-
Transfer to special investment reserve	-	(27,384)	-	-	27,384	-	-	-
Transfer to capital redemption reserve	-	(524,038)	-	-	524,038	-	-	-
Transfer to reserve Fund	-	(12,147)	-	-	12,147	-	-	-
Transfer to retained earnings reserve	-	52,609	-	(52,609)	-	-	-	-
Dilution of interest in subsidiary	-	-	-	-	-	-	70,053	70,053
Balance as at 31 December 2011	7,854,938	15,975,564	1,145,784	788,175	2,525,505	28,289,966	1,763,242	30,053,208



CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(Expressed in thousands of Jamaican dollars)

	Individual Insurance	Employee Benefits	Banking and Asset Management	All other	Eliminations	Unaudited June 2012 Group
Operating results:						
External revenues	5,142,759	7,182,508	2,047,287	747,797	-	15,120,351
Inter-segment revenues	54,581	3,994	(15,745)	52,408	(95,238)	-
Total revenue	5,197,340	7,186,502	2,031,542	800,205	(95,238)	15,120,351
Benefits and expenses	(3,323,294)	(5,002,725)	(907,938)	(704,396)	58,735	(9,879,618)
Change in actuarial liabilities	(771,226)	(937,803)	-	-	-	(1,709,029)
Depreciation	(39,922)	(18,483)	(23,438)	(16,410)	-	(98,253)
Amortization of intangibles	(6,267)	(60,167)	(60,688)	(2,891)	-	(130,013)
Finance costs	-	-	-	(12,226)	12,226	-
Premium and other taxes	(156,755)	(29,312)	(10,000)	-	-	(196,067)
Profit before tax	899,876	1,138,012	1,029,478	64,282	(24,277)	3,107,371
Investment and corporation taxes	(68,411)	(83,323)	(298,039)	52,341	-	(397,432)
Profit after taxation	831,465	1,054,689	731,439	116,623	(24,277)	2,709,939
Segment assets:						
Unallocated assets	40,940,303	34,064,729	89,076,703	9,394,805	(2,848,991)	170,627,549
Investment in associates	-	-	-	-	-	2,725
Deferred tax assets	-	-	-	-	-	180,184
Retirement benefit asset	-	-	-	-	-	212,955
Total assets						171,023,413
Segment liabilities:						
Unallocated liabilities	28,621,276	26,963,839	75,573,556	9,194,216	(2,880,260)	137,472,627
Deferred tax liabilities	-	-	-	-	-	736,626
Retirement benefit obligation	-	-	-	-	-	851,073
Total liabilities						139,060,326
Other Segment items:						
Capital expenditure	-	-	-	-	-	188,934

Geographical information:

	Jamaica	Cayman Islands	Total Group
Revenue	13,831,151	1,289,200	15,120,351
Total assets	150,646,933	20,376,480	171,023,413

	Individual Life	Employee Benefits	Banking and Asset Management	All other	Eliminations	Unaudited June 2011 Group
Operating results:						
External revenues	4,541,537	5,842,067	1,981,042	874,853	-	13,239,499
Inter-segment revenues	52,229	10,017	84,465	69,768	(216,479)	-
Total revenue	4,593,766	5,852,084	2,065,507	944,621	(216,479)	13,239,499
Benefits and expenses	(3,066,677)	(4,326,550)	(805,973)	(613,957)	146,370	(8,666,787)
Change in actuarial liabilities	(495,467)	(508,181)	-	-	-	(1,003,648)
Depreciation	(44,759)	(16,401)	(22,272)	(10,987)	-	(94,419)
Amortization of intangibles	(5,964)	(58,450)	(72,094)	(1,321)	-	(137,829)
Finance costs	-	-	(37,988)	(9,520)	9,520	(37,988)
Premium and other taxes	(138,762)	(27,322)	-	-	-	(166,084)
Profit before tax	842,137	915,180	1,127,180	308,836	(60,589)	3,132,744
Investment and corporation taxes	(47,880)	(75,964)	(262,917)	(51,117)	-	(437,878)
Profit after taxation	794,257	839,216	864,263	257,719	(60,589)	2,694,866
Segment assets:						
Unallocated assets	38,173,254	32,044,273	78,965,424	11,361,446	(3,244,875)	157,299,522
Investment in associates	-	-	-	-	-	2,725
Deferred tax assets	-	-	-	-	-	122,224
Retirement benefit asset	-	-	-	-	-	190,593
Total assets						157,615,064
Segment liabilities:						
Unallocated liabilities	27,856,306	26,030,347	65,245,694	11,195,210	(3,326,706)	127,000,851
Deferred tax liabilities	-	-	-	-	-	1,149,168
Retirement benefit obligation	-	-	-	-	-	665,782
Total liabilities						128,815,801
Other Segment items:						
Capital expenditure	-	-	-	-	-	123,946

Geographical information:

	Jamaica	Cayman Islands	Total Group
Revenue	11,996,682	1,242,817	13,239,499
Total assets	136,334,594	21,280,470	157,615,064

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012
(Expressed in thousands of Jamaican dollars)

	June 2012 Year-to-date Unaudited	June 2011 Year-to-date Unaudited	December 2011 Full Year Audited
Cash Flows from operating activities:			
Net Profit	2,709,939	2,694,866	5,754,467
Items not affecting cash & changes to Policyholders Funds	(1,708,264)	(1,525,375)	(1,893,705)
Changes in other operating assets and liabilities	(1,639,246)	7,352,649	8,114,768
Net Investment Purchases	(227,785)	(10,572,104)	(16,678,806)
Interest received	5,687,131	5,089,075	10,588,362
Interest paid	(2,178,290)	(2,130,609)	(3,959,851)
Income taxes paid	(656,636)	(562,937)	(1,019,353)
Cash generated from/(used in) operating activities	1,986,849	345,565	905,882
Cash Flows from investing activities:			
Intangible Assets, net	(33,209)	(19,142)	(69,413)
Property, plant and equipment, net	(188,067)	(121,435)	(221,154)
Cash used in investing activities	(221,276)	(140,577)	(290,567)
Cash Flows from financing activities:			
Dividends paid to stockholders	(1,053,078)	(1,278,737)	(2,444,643)
Dividends paid to Minority Interest	(59,705)	(47,700)	(100,907)
Ordinary shares issued - to Minority Interest	7,413	3,271	18,490
Preference shares issued	-	-	(612,852)
Cash used in financing activities	(1,105,370)	(1,323,166)	(3,139,912)
Net decrease in net cash and cash equivalents	660,203	(1,118,178)	(2,524,597)
Cash and cash equivalents:			
Cash and cash equivalents, at beginning of year	3,343,863	5,877,516	5,877,516
Effects of exchange rate changes	84,795	7,084	(9,056)
Increase/(Decrease) in net cash and cash equivalents	660,203	(1,118,178)	(2,524,597)
Net cash and cash equivalents, at end of year	4,088,861	4,766,422	3,343,863

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, 2011 audited financial statements.

2. Comparative figures

Where necessary, comparative figures have been reclassified to conform with current year presentation.

Head Office:

Sagicor Life Jamaica Limited
28-48 Barbados Avenue, Kingston 5
Tel: 876-929-8920-9

Website:

www.sagicorja.com

Comments and Suggestions

MyExperience@sagicor.com

To learn more about our

Investment Products:

http://www.sagicorja.com/sagicor_brochure.html

Customer Care:

1 - 888 - SAGICOR
(724-4267)

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