

Sagicor Investments Jamaica Limited

AND ITS SUBSIDIARIES



Sagicor

INVESTMENTS

Un-audited Financial Statements

Nine Months ended September 30, 2013

The Directors of Sagicor Investments Jamaica Limited report Net Profit for the third quarter of \$320 Million, compared to \$318 Million reported in the prior year. Earnings per share were \$0.58 for both the current quarter and the prior year.

YEAR-TO-DATE HIGHLIGHTS

- Net Profit of \$657 Million (2012 : \$1,118 Million)
- EPS of \$1.19 (2012 : \$2.00)
- Operating Efficiency of 67.0% (2012 : 48.7%)
- 2013 Ordinary dividends paid \$265 Million (\$0.48 per stock unit) versus 2012 \$410 Million paid (\$0.743 per stock unit) and \$315 Million proposed (\$0.57 per stock unit)

REVENUES

Sagicor Investments voluntarily participated in the Government of Jamaica's National Debt and Private Debt Exchanges (NDX). The par value of securities exchanged was JA \$31.9 Billion and US\$77.4 Million with lower coupons and longer durations. As a consequence we realized a one-time trading loss of \$463 Million and reduced gross interest income year-to-date amounting to \$413 Million. Going forward gross interest income will decline by approximately \$171 Million per quarter from the levels in the prior year as a result of NDX.

As a result of the debt exchanges, Net Interest Income year-to-date fell by 8.4% to \$2,083 Million versus \$2,272 Million in 2012, a decline of \$190 million in the nine month period. Interest-earning Assets increased by \$4.2 Billion to \$78.7 Billion, (up 6%) while our Net Interest Margin declined from 4.07% in 2012 to 3.53% for the current year-to-date.

For the third quarter, Net Interest Income decreased by 9% to \$693 Million from \$765 Million, a decline of \$72 million.

Non-interest Income year-to-date was \$322 Million (after the trading loss of \$463 Million arising from the debt exchanges) compared to \$772 Million in the prior year. FX Trading and Translation Gains, Equity Trading, Asset Management Fees, Credit and Service Fees reflected improved results. Fixed Income Trading, Stock Brokerage and Trust Fees posted lower revenues.

For the third quarter, Non-interest Income was \$223 Million compared to \$248 Million in the prior year.

OPERATING EXPENSE

Operating Expense year-to-date increased 9% to \$1,612 Million compared to \$1,481 Million for the prior year. Team Member costs rose just 2% moderated by

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reduced incentive pay. There was a net \$36 Million increase in credit loss provisions over the prior year. Occupancy Costs were up 14% due to the expansion and relocation of our Montego Bay and Ocho Rios branches. Other Operating Expenses grew by 12% due largely to asset tax accruals, increased deposit insurance costs (reflecting deposit growth at our commercial banking subsidiary), higher professional fees and increased irrecoverable GCT.

For the third quarter, Operating Expense declined 6% to \$516 Million compared to \$547 Million for the prior year. Team member costs increased by \$27 Million, credit provisions rose by \$10 Million and Occupancy costs grew by \$3 Million. There was a decline in other operating expenses of \$71 Million.

Our year-to-date Operating Efficiency ratio (Operating Expense / Operating Income) was 67.0% versus 48.7% in 2012. Excluding the impact of the debt exchanges on the current year's results, the ratio would be 49%. Our Asset Efficiency ratio (Income Assets / Expense Liabilities) was 110% compared to 112% in the prior year.

CREDIT QUALITY

There was a reduction in non-performing loans and leases to \$497 Million or 4.5% of the portfolio (BOJ June 2013 industry average : 5.9%) versus \$548 Million or 5.7% of the portfolio at December 2012. Credit provisions were 91% of non-performing loans and leases (BOJ June 2013 industry average : 95%). Non-performing loans and leases as a percentage of total assets was 0.56%. (BOJ June 2013 industry average : 2.8%). Regulatory and IFRS loan loss provisions totaled \$454 million, down from \$492 Million at December 2012.

BALANCE SHEET & CAPITAL

Total Assets were \$89.1 Billion, up \$0.8 Billion since December 2012. Our Securities portfolios decreased by 0.5% to \$71.3 Billion, while our Credit portfolio increased to \$10.7 Billion, up from \$9.4 Billion at December 2012. Interest bearing liabilities now stand at \$75.6 Billion, up \$1.2 Billion compared to \$74.4 Billion at December 2012.

Stockholders' Equity closed the quarter at \$12.3 Billion, after a \$265 Million (\$0.48 per stock unit) dividend payment in March 2013. Subsequent to the quarter end the Directors approved a further dividend of \$66 Million (\$0.12 per stock unit).

Our consolidated Capital to Assets Ratio remains healthy at 13.7%. Our Risk-weighted Capital Ratios for the Un-consolidated balance sheets of Sagicor Investments ("Securities Dealer") and Sagicor Bank ("Commercial Bank") based on the regulatory guidelines reflect our strength:

	Securities Dealer	Commercial Bank
Actual Risk-weighted Ratio	16.3%	16.9%
Required Minimum Regulatory Ratio	10.0%	10.0%

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COMMUNITY CARE HIGHLIGHT

During the third quarter, we continued our Corporate Social activities in the focused areas of health, education and sports.

We sponsored the All Jamaica Junior Tennis Tournament in July 2013, hosting over 150 young athletes across Jamaica in this four-day annual event at the Eric Bell Centre in Kingston.

We continued our support to help the mentally ill in St. James through our Team's participation in the CUMI COME RUN since its inception in 2009.

In our ongoing effort to 'Spend Time and Shape Lives', our Ocho Rios Team visited Jacob's Ladder, an institution for mentally challenged individuals in the tourism parish of St. Ann and donated well-needed supplies to support the residents.

Team members continued to play their role in giving back to education when our Sav-La-Mar Team raised funds for reconstruction of the secondary block at Mount Grace Primary in Westmoreland.

RECOGNITION OF EXCELLENCE

Our Team Members of the third quarter were Latoya Williams (Financial Control Unit), Geoffrey Chong (Client Relationship Officer) and Douglas Robinson (Investment Analyst - Treasury). They were recognized for their excellent team performance and individual high standards in supporting our efforts to deliver superior service throughout the organization.

OUR THANKS

We express our thanks to our Customers for their business, and to our Team Members who handle the financial affairs of our Customers with a high level of expertise and efficiency. We also appreciate the valuable contribution of our Directors, who have guided the activities and direction of Sagicor Investments.

A handwritten signature in black ink, appearing to read 'Richard O. Byles'.

Richard O. Byles
Chairman

A handwritten signature in black ink, appearing to read 'Donovan H. Perkins'.

Donovan H. Perkins
President & CEO

Note: - These financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies used are consistent with the most recent annual report, subject to the amendments to IAS1 – Financial Statement Presentation and IAS 19 – Employee Benefits. The prior-year accounts were restated to give effect to these changes. There were no changes as a result of adopting the new IFRS 10 – Consolidated Financial Statements and IFRS 13 – Fair Value Measurement.

* The comparative numbers have been restated to give effect to the amendments to IFRS.

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UN-AUDITED CONSOLIDATED INCOME STATEMENT

Period Ended September 30, 2013

	3 MONTHS TO SEP 2013 \$'000	3 MONTHS TO* SEP 2012 \$'000	9 MONTHS TO SEP 2013 \$'000	9 MONTHS TO* SEP 2012 \$'000
Gross Operating Revenues	1,696,284	1,841,159	4,752,582	5,499,313
Net interest income and other revenue				
Interest income from loans	231,591	233,201	664,934	666,513
Interest income from securities	1,238,840	1,357,197	3,758,569	4,053,339
Interest income from leases	2,413	3,102	7,332	7,818
Total interest income	1,472,844	1,593,500	4,430,835	4,727,670
Interest expense	779,638	828,680	2,348,238	2,455,293
Net Interest Income	693,206	764,820	2,082,597	2,272,377
Fee and commission income	81,525	112,413	264,266	259,799
Net trading income	(53,367)	144,397	164,617	536,246
Loss on the GOJ's Debt Exchange	-	-	(462,674)	-
Other operating income/(losses)	195,282	(9,151)	355,538	(24,402)
	223,440	247,659	321,747	771,643
	916,646	1,012,479	2,404,344	3,044,020
Operating expenses				
Team member costs	289,967	262,604	842,748	829,025
Provision for credit losses, net	9,235	(455)	35,653	(320)
Occupancy costs	33,939	30,865	102,453	90,128
Other operating expenses	183,226	254,084	631,106	562,120
	516,367	547,098	1,611,960	1,480,953
Profit before taxation	400,279	465,381	792,384	1,563,067
Taxation	(80,420)	(147,395)	(135,004)	(445,434)
NET PROFIT	319,859	317,986	657,380	1,117,633
EARNINGS PER STOCK UNIT				
Average stock units in issue	552,145,844	552,145,844	552,145,844	552,145,844
EPS	\$ 0.58	\$ 0.58	\$ 1.19	\$2.00
DILUTED EPS	\$ 0.58	\$ 0.58	\$ 1.19	\$1.98

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UN-AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period Ended September 30, 2013

	3 MONTHS TO SEP 2013 \$'000	3 MONTHS TO* SEP 2012 \$'000	9 MONTHS TO SEP 2013 \$'000	9 MONTHS TO* SEP 2012 \$'000
Profit for the period	319,859	317,986	657,380	1,117,633
Re-classifiable to Income Statement				
Unrealized gain/(loss) on available-for-sale investments	25,748	(269,684)	486,784	(93,566)
Loss/(Gains) reclassified and reported in profit	<u>12,626</u>	<u>(76,906)</u>	<u>(705,893)</u>	<u>(314,396)</u>
	38,374	(346,590)	(219,109)	(407,962)
Not Re-classifiable to Income Statement				
Provision for actual gains/losses on defined benefit plan	<u>(3,000)</u>	<u>(2,160)</u>	<u>(9,190)</u>	<u>(14,630)</u>
Other comprehensive income for the period net of tax	<u>35,374</u>	<u>(348,750)</u>	<u>(228,299)</u>	<u>(422,592)</u>
Total comprehensive income for the period	<u><u>355,233</u></u>	<u><u>(30,764)</u></u>	<u><u>429,081</u></u>	<u><u>695,041</u></u>

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UN-AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2013

	UNAUDITED SEP 2013 \$'000	UNAUDITED* SEP 2012 \$'000	AUDITED* DECEMBER 2012 \$'000
ASSETS			
Cash and balances due from other financial institutions	2,784,199	2,132,181	4,085,785
Cash reserve at Bank of Jamaica	1,159,307	880,828	735,494
Trading securities	3,107,714	4,520,823	4,495,432
Financial assets fair value through the profit and loss	1,973,526		-
Securities purchased under agreements to resell	836,131	1,048,940	1,783,514
Investment securities	60,008,511	57,938,604	58,554,196
Derivative financial instruments	3,324,387	4,772,662	4,253,104
Held-to-maturity securities	2,019,141	1,741,357	1,853,904
Loans, net of provisions for credit losses	10,673,926	9,148,315	9,330,364
Lease receivables	62,460	78,565	59,159
Income tax recoverable	27,453	5,478	5,478
Due from related company	16,235	46,769	48,496
Intangible assets	68,164	49,362	73,826
Goodwill	733,750	733,750	733,750
Property, plant and equipment	318,866	188,029	309,739
Deferred tax assets	33,168	-	-
Other assets	1,963,420	2,154,849	1,968,873
Total assets	89,110,358	85,440,512	88,291,114
LIABILITIES			
Securities sold under agreements to repurchase	58,178,924	55,052,877	57,595,878
Customer deposits and other accounts	11,803,840	10,695,537	11,215,194
Structured products	1,259,471	828,362	854,100
Due to banks and other financial institutions	1,301,372	602,833	468,746
Derivative financial instruments	3,037,211	4,725,036	4,310,566
Cheques and other items in transit	51,371	51,532	89,962
Income tax payable	131,672	227,553	108,418
Deferred tax liabilities	63,271	332,809	195,166
Due to related company	54,892	52,226	105,512
Dividends payable	-	314,723	-
Other liabilities	973,762	573,250	1,285,944
Total liabilities	76,855,786	73,456,738	76,229,486
STOCKHOLDERS' EQUITY			
Share capital	3,195,565	3,195,565	3,195,565
Capital redemption reserve	1,264,324	1,264,324	1,264,324
Share options reserve	69,339	62,461	58,089
Retained earnings reserve	2,036,596	2,036,596	2,036,596
Reserve fund	330,390	299,613	299,613
Loan loss reserve	214,520	278,892	251,733
Fair value reserve	34,256	525,638	253,365
Retained earnings	5,109,582	4,320,685	4,702,343
Total stockholders' equity	12,254,572	11,983,774	12,061,628
Total liabilities and equity	89,110,358	85,440,512	88,291,114

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UN-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY Period Ended September 30, 2013

	Period ended September 30, 2013								
	Share Capital	Share Options Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Reserve Fund	Loan Loss Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2013	3,195,565	58,089	1,264,324	2,036,596	299,613	251,733	253,365	4,702,343	12,061,628
Profit for the period	-	-	-	-	-	-	-	657,380	657,380
Other comprehensive income for the period	-	-	-	-	-	-	(219,109)	(9,190)	(228,299)
Total comprehensive income for the period	-	-	-	-	-	-	(219,109)	648,190	429,081
Employee share option scheme-value of service provided	-	11,250	-	-	-	-	-	-	11,250
Transfers to/from reserves	-	-	-	-	30,777	-	-	24,079	54,856
Dividends paid	-	-	-	-	-	-	-	(265,030)	(265,030)
Currency revaluation and other adjustments	-	-	-	-	-	14,150	-	-	14,150
Adjustment between regulatory loan provisioning and IFRS	-	-	-	-	-	(51,363)	-	-	(51,363)
Balance at September 30, 2013	3,195,565	69,339	1,264,324	2,036,596	330,390	214,520	34,256	5,109,582	12,254,572
	Period ended September 30, 2012*								
	Share Capital	Share Options Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Reserve Fund	Loan Loss Reserve	Fair Value Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2012	3,195,565	51,793	1,264,324	1,536,596	301,043	249,479	933,600	4,465,109	11,997,509
Profit for the period	-	-	-	-	-	-	-	1,117,633	1,117,633
Other comprehensive income for the period	-	-	-	-	-	-	(407,962)	(14,630)	(422,592)
Total comprehensive income for the period	-	-	-	-	-	-	(407,962)	1,103,003	695,041
Employee share option scheme-value of service provided	-	10,668	-	-	-	-	-	-	10,668
Transfers to/from reserves	-	-	-	500,000	(1,430)	-	-	(498,570)	-
Dividends paid	-	-	-	-	-	-	-	(410,244)	(410,244)
Dividends proposed	-	-	-	-	-	-	-	(314,723)	(314,723)
Currency revaluation and other adjustments	-	-	-	-	-	5,523	-	-	5,523
Adjustment between regulatory loan provisioning & IFRS	-	-	-	-	-	23,890	-	(23,890)	-
Balance at September 30, 2012	3,195,565	62,461	1,264,324	2,036,596	299,613	278,892	525,638	4,320,685	11,983,774

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UN-AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Period Ended September 30, 2013

	9 MONTHS TO SEP 2013 \$'000	9 MONTHS TO* SEP 2012 \$'000
Cash Flows from Operating Activities		
Net profit	657,380	1,117,633
Adjustments for		
Interest income	(4,430,835)	(4,727,670)
Interest expense	2,348,238	2,455,292
Current tax expense	189,874	452,291
Deferred tax charge	(54,870)	(28,803)
Unrealized losses/(gains) on trading investments	62,183	(22,552)
Provision for credit losses	35,653	(320)
Amortization of intangible assets	17,527	17,611
Depreciation of property, plant and equipment	51,379	36,013
(Gain)/loss on sale of property, plant and equipment	-	(135)
Share option and grant expense	18,000	31,654
	<u>(1,105,471)</u>	<u>(668,986)</u>
Changes in Operating Assets & Liabilities	(5,362,090)	(2,539,496)
Interest received	4,638,039	5,068,480
Interest paid	(2,476,400)	(2,402,935)
Taxation	-	(269,854)
Net cash used in operating activities	<u>(4,305,922)</u>	<u>(812,791)</u>
Cash Flows from Investing Activities		
Addition to intangibles	(11,865)	(55,414)
Additions to property, plant and equipment	(60,506)	(19,423)
Proceeds from disposal of property, plant and equipment	-	197
Net cash used in investing activities	<u>(72,371)</u>	<u>(74,640)</u>
Cash Flows from Financing Activities		
Proceeds from due to banks and other financial institutes – long term	452,040	56,082
Repayment of amounts due to banks and other financial institutions – long term	(180,270)	(203,867)
Due to related parties, net	(18,360)	(38,366)
Dividends paid	(265,030)	(410,244)
Net cash used in financing activities	<u>(11,620)</u>	<u>(596,395)</u>
Effect of exchange rate changes on cash and cash equivalents	303,719	94,703
Increase/(Decrease) in cash resources	(4,086,194)	(1,389,123)
Cash and cash equivalents at beginning of year	<u>2,123,499</u>	<u>2,085,495</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>(1,962,695)</u>	<u>696,372</u>
Comprising:		
Cash and balances due from other financial institutions	2,515,949	1,908,522
Investment securities & securities purchased under agreement to resell	468,919	1,270,673
Short term deposits due to financial institutions	(4,316,967)	(2,404,660)
Items in the course of payment	(82,315)	(78,163)
Due to banks and other financial institutions – short term	(548,281)	-
	<u>(1,962,695)</u>	<u>696,372</u>