Sagicor Investments Jamaica Limited
Index
31 December 2013

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Independent Auditors' Report

To the Members of
Sagicor Investments Jamaica Limited

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Sagicor Investments Jamaica Limited and its subsidiaries, set out on pages 1 to 117, which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Sagicor Investments Jamaica Limited and its subsidiaries and its subsidiaries as at 31 December 2013, and of their financial performance and cash flows for the year then ended, so far as concerns the members of the Sagicor Investments Jamaica Limited and its subsidiaries, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
3 March 2014
Kingston, Jamaica

Sagicor Investments Jamaica Limited

Consolidated Income Statement

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
Net Interest Income and Other Revenue			
Interest income from securities	6	5,112,910	5,401,488
Interest income from loans and leases		927,571	895,901
Other interest income		6,690	4,067
Total interest income		6,047,171	6,301,456
Interest expense	7	(3,195,300)	(3,284,422)
Net interest income		2,851,871	3,017,034
Fees and commission income	8	434,227	365,668
Net trading income	9	328,118	715,615
Other revenue	10	7,443	18,067
		769,788	1,099,350
		3,621,659	4,116,384
Operating Expenses			
Team member costs	11	1,191,236	1,106,721
Impairment charges	12	48,382	16,658
Occupancy costs		169,557	151,234
Other expenses	13	740,038	791,648
		2,149,213	2,066,261
Profit before Taxation		1,472,446	2,050,123
Taxation	14	(309,833)	(587,839)
Net Profit	15	1,162,613	1,462,284
EARNINGS PER STOCK UNIT			
Basic	17	$2.11	$2.65
Diluted	17	$2.11	$2.63

Sagicor Investments Jamaica Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2013
(expressed in Jamaican dollars unless otherwise indicated)

	2013 $'000	Restated 2012 $'000
Net Profit	1,162,613	1,462,284
Other comprehensive income -		
Item that will not be reclassified to profit or loss		
Re-measurements of post-employment benefits	(45,095)	(9,845)
Items that will be reclassified to profit or loss		
Available-for-sale investments -		
Unrealised gains/(losses) on available-for-sale investments	196,196	(362,835)
Gains reclassified and reported in profit	(760,235)	(277,503)
	(564,039)	(640,338)
Cash flow hedge -		
Gains reclassified and reported in profit	-	(39,897)
Total other comprehensive income, net of taxes	(609,134)	(690,080)
Total Comprehensive Income	553,479	772,204

Sagicor Investments Jamaica Limited

Consolidated Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
ASSETS				
Cash and balances due from other financial institutions	18	3,559,186	4,085,785	2,227,484
Cash reserve at Bank of Jamaica	19	993,331	735,494	519,732
Financial assets at fair value through the profit or loss	20	5,010,021	4,495,432	610,940
Securities purchased under agreements to resell	21	4,142,254	1,783,514	991,904
Investment securities	22	60,476,489	56,464,666	55,377,164
Derivative financial instruments	23	3,019,597	4,253,104	839,420
Loans, net of provision for credit losses	25	10,710,327	9,330,364	9,242,365
Lease receivables	26	109,107	59,159	15,515
Pledged assets	27	3,268,856	3,943,434	7,831,016
Due from related companies		75,554	48,496	8,527
Income tax recoverable		111,987	5,478	5,478
Intangible assets	29	810,532	807,576	781,300
Property, plant and equipment	30	317,068	309,739	168,691
Deferred income tax assets	31	228,260	-	-
Post-employment benefit assets	32	-	35,729	28,473
Other assets	33	1,645,357	1,876,214	1,555,927
		94,477,926	88,234,184	80,203,936

Sagicor Investments Jamaica Limited

Consolidated Statement of Financial Position (Continued)

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000	Restated 2011 $'000
LIABILITIES				
Securities sold under agreements to repurchase		62,147,132	57,595,878	54,612,131
Customer deposits and other accounts		11,899,135	11,215,194	10,599,897
Structured products	34	1,841,222	854,100	274,913
Due to banks and other financial institutions	35	2,065,889	468,746	764,018
Derivative financial instruments	23	3,170,941	4,310,566	700,600
Due to related companies		98,205	105,512	52,351
Income tax payable		44,971	108,418	139,590
Deferred income tax liabilities	31	-	182,412	531,478
Post-employment benefit obligations	32	168,794	39,936	34,147
Other liabilities	36	1,321,896	1,317,871	523,149
		82,758,185	76,198,633	68,232,274
STOCKHOLDERS' EQUITY				
Share capital	37	3,195,565	3,195,565	3,195,565
Stock options reserve	38	-	58,089	51,793
Retained earnings reserve	39	2,036,596	2,036,596	1,536,596
Reserve fund	40	367,010	299,613	301,043
Loan loss reserve	41	257,377	251,733	249,479
Capital redemption reserve	42	1,264,324	1,264,324	1,264,324
Fair value reserve	43	(310,674)	253,365	933,600
Retained earnings	16	4,909,543	4,676,266	4,439,262
		11,719,741	12,035,551	11,971,662
		94,477,926	88,234,184	80,203,936

Approved for issue by the Board of Directors on 27 February 2014 and signed on its behalf by:

Director

Director

Sagicor Investments Jamaica Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Options Reserve $'000	Retained Earnings Reserve $'000	Reserve Fund $'000	Loan Loss Reserve $'000	Capital Redemption Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2012, as previously reported		3,195,565	51,793	1,536,596	301,043	249,479	1,264,324	933,600	4,426,959	11,959,359
Effect of changes in accounting policy	49	-	-	-	-	-	-	-	12,303	12,303
Balance at 1 January 2012, restated		3,195,565	51,793	1,536,596	301,043	249,479	1,264,324	933,600	4,439,262	11,971,662
Net profit, as restated	49	-	-	-	-	-	-	-	1,462,284	1,462,284
Other comprehensive income		-	-	-	-	-	-	(680,235)	(9,845)	(690,080)
Total comprehensive income for 2012		-	-	-	-	-	-	(680,235)	1,452,439	772,204
Employee stock option scheme	38	-	6,296	-	-	-	-	-	-	6,296
Transfers to/(from) reserves	39,40	-	-	500,000	(1,430)	-	-	-	(498,570)	-
Currency revaluation and other adjustments		-	-	-	-	10,356	-	-	-	10,356
Adjustment between regulatory loan provisioning and IFRS	41	-	-	-	-	(8,102)	-	-	8,102	-
Dividends	44	-	-	-	-	-	-	-	(724,967)	(724,967)
Balance at 31 December 2012		3,195,565	58,089	2,036,596	299,613	251,733	1,264,324	253,365	4,676,266	12,035,551
Net profit		-	-	-	-	-	-	-	1,162,613	1,162,613
Other comprehensive income		-	-	-	-	-	-	(564,039)	(45,095)	(609,134)
Total comprehensive income for 2013		-	-	-	-	-	-	(564,039)	1,117,518	553,479
Employee stock option scheme	38	-	(58,089)	-	-	-	-	-	-	(58,089)
Transfers to/(from) reserves	39,40	-	-	-	67,397	-	-	-	(67,397)	-
Currency revaluation and other adjustments		-	-	-	-	22,540	-	-	-	22,540
Adjustment between regulatory loan provisioning and IFRS	41	-	-	-	-	(16,896)	-	-	16,896	-
Dividends	44	-	-	-	-	-	-	-	(833,740)	(833,740)
Balance at 31 December 2013		3,195,565	-	2,036,596	367,010	257,377	1,264,324	(310,674)	4,909,543	11,719,741

Sagicor Investments Jamaica Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	Restated 2012 $'000
Cash Flows from Operating Activities			
Net profit		1,162,613	1,462,284
Adjustments for:			
Interest income		(6,047,171)	(6,301,456)
Interest expense	7	3,195,300	3,284,422
Income tax charge	14	309,833	587,839
Fair value loss/(gains) on financial assets at fair value through profit & loss		428	(208,192)
Impairment charges	12	48,382	16,658
Amortisation of premiums/discounts		203,432	(5,953)
Write-off of property, plant and equipment		4,288	-
Amortisation of intangible assets	29	9,897	27,133
Depreciation of property, plant and equipment	30	52,132	50,410
Gain on sale of property, plant and equipment		(45)	(149)
Amortisation of hedging reserve		-	(59,846)
Changes in post-employment benefits		95,482	(16,813)
Stock options expense		15,000	6,295
Foreign exchange gains on foreign assets and liabilities		(980,147)	(415,431)
		(1,930,576)	(1,572,799)
Changes in operating assets and liabilities -			
Statutory reserves at Bank of Jamaica		(231,992)	(207,119)
Financial assets at fair value through profit or loss		(309,209)	(3,536,483)
Securities purchased under agreements to resell		55,330	(301,853)
Investment securities		(349,512)	3,014,111
Derivative financial instruments		101,688	173,056
Loans		22,355	518,959
Lease receivables		(41,599)	(46,532)
Securities sold under agreements to repurchase		956,227	(749,354)
Structured products		1,050,597	611,125
Customer deposits and other accounts		(522,804)	95,031
Other assets		(379,810)	(550,014)
Other liabilities		(549,919)	823,939
		(2,129,224)	(1,727,933)
Interest received		5,946,843	6,310,770
Interest paid		(3,259,582)	(3,184,400)
Taxation		-	(385,917)
Net cash provided by operating activities		558,037	1,012,520

Sagicor Investments Jamaica Limited

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities		558,037	1,012,520
Cash Flows from Investing Activities			
Purchase of intangible assets	29	(12,853)	(53,409)
Purchase of property, plant and equipment	30	(64,254)	(191,521)
Proceeds from disposal of property, plant and equipment		45	212
Net cash used in investing activities		(77,062)	(244,718)
Cash Flows from Financing Activities			
Borrowings from banks and other financial institutions – long term		727,387	93,108
Repayment of amounts due to banks and other financial institutions – long term		(261,397)	(360,498)
Due from related parties		(34,366)	13,193
Dividends paid	44	(331,287)	(724,967)
Net cash provided by/(used in) financing activities		100,337	(979,164)
Effect of exchange rate changes on cash and cash equivalents		485,376	249,366
Net increase in cash and cash equivalents		1,066,688	38,004
Cash and cash equivalents at beginning of year		2,123,499	2,085,495
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	3,190,187	2,123,499

Sagicor Investments Jamaica Limited

Company Income Statement

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Net Interest Income and Other Revenue			
Interest income from securities	6	4,481,986	4,772,272
Interest income from loans		191,504	193,052
Other interest income		1,591	2,211
Total interest income		4,675,081	4,967,535
Interest expense	7	(2,806,042)	(2,891,586)
Net interest income		1,869,039	2,075,949
Fees and commission income	8	264,434	278,664
Net trading income	9	45,841	469,639
Other revenue	10	271,744	20,119
		582,019	768,422
		2,451,058	2,844,371
Operating Expenses			
Team member costs	11	657,877	746,053
Impairment charges/(reversals)	12	23,425	(10,277)
Occupancy costs		57,271	55,977
Other expenses	13	384,003	478,023
		1,122,576	1,269,776
Profit before Taxation		1,328,482	1,574,595
Taxation	14	(220,552)	(429,257)
Net Profit		1,107,930	1,145,338

Sagicor Investments Jamaica Limited

Company Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 $'000	2012 $'000
Net Profit		
Other comprehensive income -	1,107,930	1,145,338
Items that will be reclassified to profit or loss		
Available-for-sale investments -		
Unrealised gains/(losses) on available-for-sale investments	199,907	(303,862)
Gains reclassified and reported in profit	(690,634)	(276,315)
	(490,727)	(580,177)
Cash flow hedge -		
Gains reclassified and reported in profit	-	(39,897)
Total other comprehensive income, net of taxes	(490,727)	(620,074)
Total Comprehensive Income	617,203	525,264

Sagicor Investments Jamaica Limited
Company Statement of Financial Position
31 December 2013
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
ASSETS			
Cash and balances due from other financial institutions	18	2,633,804	2,967,036
Financial assets at fair value through the profit or loss	20	4,377,391	4,495,432
Securities purchased under agreements to resell	21	4,549,160	2,357,012
Investment securities	22	51,967,802	48,442,927
Derivative financial instruments	23	3,019,597	4,253,104
Investment in subsidiaries		2,512,900	2,512,900
Loans, net of provision for credit losses	25	1,930,663	2,217,601
Pledged assets	27	2,661,856	3,657,204
Due from related companies		75,505	47,888
Income tax recoverable		106,509	-
Intangible assets	29	197,470	206,936
Property, plant and equipment	30	100,390	99,815
Deferred income tax assets	31	208,156	-
Other assets	33	1,307,684	1,573,631
		75,648,887	72,831,486
LIABILITIES			
Securities sold under agreements to repurchase		60,484,370	56,839,727
Customer accounts		99,507	171,152
Structured products	34	1,841,222	854,100
Due to banks and other financial institutions	35	101,286	241,464
Derivative financial instruments	23	3,170,941	4,310,566
Due to related companies		72,437	150,122
Income tax payable		-	30,568
Deferred income tax liabilities	31	-	100,570
Other liabilities	36	991,250	989,124
		66,761,013	63,687,393
STOCKHOLDERS' EQUITY			
Share capital	37	3,195,565	3,195,565
Stock options reserve	38	-	58,089
Loan loss reserve	41	51,841	89,870
Capital redemption reserve	42	1,264,324	1,264,324
Fair value reserve	43	(373,461)	117,266
Retained earnings	16	4,749,605	4,418,979
		8,887,874	9,144,093
		75,648,887	72,831,486

Approved for issue by the Board of Directors on 27 February 2014 and signed on its behalf by:

Director

Director

Sagicor Investments Jamaica Limited

Company Statement of Changes in Stockholders' Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Options Reserve $'000	Loan Loss Reserve $'000	Capital Redemption Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2012		3,195,565	51,793	90,739	1,264,324	737,340	3,989,281	9,329,042
Net profit		-	-	-	-	-	1,145,338	1,145,338
Other comprehensive income		-	-	-	-	(620,074)	-	(620,074)
Total comprehensive income for 2012		-	-	-	-	(620,074)	1,145,338	525,264
Employee stock option scheme	38	-	6,296	-	-	-	-	6,296
Currency revaluation and other adjustments		-	-	8,458	-	-	-	8,458
Adjustment between regulatory loan provisioning and IFRS	41	-	-	(9,327)	-	-	9,327	-
Dividends	44	-	-	-	-	-	(724,967)	(724,967)
Balance at 31 December 2012		3,195,565	58,089	89,870	1,264,324	117,266	4,418,979	9,144,093
Net profit		-	-	-	-	-	1,107,930	1,107,930
Other comprehensive income		-	-	-	-	(490,727)	-	(490,727)
Total comprehensive income for 2013		-	-	-	-	(490,727)	1,107,930	617,203
Employee stock option scheme	38	-	(58,089)	-	-	-	-	(58,089)
Currency revaluation and other adjustments		-	-	18,407	-	-	-	18,407
Adjustment between regulatory loan provisioning and IFRS	41	-	-	(56,436)	-	-	56,436	-
Dividends	44	-	-	-	-	-	(833,740)	(833,740)
Balance at 31 December 2013		3,195,565	-	51,841	1,264,324	(373,461)	4,749,605	8,887,874

Sagicor Investments Jamaica Limited

Company Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities			
Net profit		1,107,930	1,145,338
Adjustments for:			
Interest income		(4,675,081)	(4,967,535)
Interest expense	7	2,806,042	2,891,586
Dividend income	10	(265,030)	-
Income tax charge	14	220,552	429,257
Fair value losses/(gains) on financial assets at fair value through profit or loss		9,519	(208,192)
Impairment charges/(reversals)	12	23,425	(10,277)
Amortisation of premiums/discounts		214,399	33,395
Amortisation of intangible assets	29	10,667	16,282
Depreciation of property, plant and equipment	30	18,484	35,206
Loss on sale of property, plant and equipment		-	26
Amortisation of hedging reserve		-	(59,846)
Stock options expense		15,000	6,296
Foreign exchange gains on foreign assets and liabilities		(704,217)	(245,033)
		(1,218,310)	(933,497)
Changes in operating assets and liabilities -			
Financial assets at fair value through profit or loss		301,340	(3,536,483)
Securities purchased under agreements to resell		55,815	(313,477)
Investment securities		40,187	4,681,560
Derivative financial instruments		101,688	173,056
Loans		872,333	321,910
Securities sold under agreements to repurchase		907,352	(1,003,468)
Structured products		1,050,597	611,125
Customer accounts		(70,491)	(77,272)
Other assets		(178,913)	(474,280)
Other liabilities		(573,416)	740,481
		1,288,182	189,655
Interest received		4,572,072	4,942,892
Interest paid		(2,878,418)	(2,770,618)
Taxation paid		-	(322,587)
Net cash provided by operating activities		2,981,836	2,039,342

Sagicor Investments Jamaica Limited

Company Statement of Cash Flows (Continued)

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 $'000	2012 $'000
Cash Flows from Operating Activities		2,981,836	2,039,342
Cash Flows from Investing Activities			
Purchase of intangible assets	29	(1,201)	(53,408)
Purchase of property, plant and equipment		(19,059)	(13,253)
Proceeds from disposal of property, plant and equipment		222	37
Net cash used in investing activities		(20,038)	(66,624)
Cash Flows from Financing Activities			
Due to parent company and fellow subsidiaries		(105,303)	11,352
Borrowings from banks and other financial institutions – long term		5,490	73,108
Repayment of amounts due to banks and other financial institutions – long term		(139,795)	(273,370)
Dividend income		265,030	-
Dividends paid	44	(331,287)	(724,967)
Net cash used in financing activities		(305,865)	(913,877)
Effect of exchange rate changes on cash and cash equivalents		401,085	202,948
Net increase in cash and cash equivalents		3,057,018	1,261,789
Cash and cash equivalents at beginning of year		2,191,063	929,274
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	5,248,081	2,191,063

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification, Regulation and Licence

Sagicor Investments Jamaica Limited (the company) is incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange (JSE). The principal activities of the company are the provision of investment, fund and unit trust management services and development banking. The company is a licensed securities dealer and has primary dealer status from the Bank of Jamaica (BOJ) and is also a member of the Jamaica Stock Exchange. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.

The company's subsidiaries, which are all incorporated and domiciled in Jamaica, are as follows:

Subsidiaries	Principal Activities	Holding	Financial Year End
Sagicor Bank Jamaica Limited	Commercial banking	100%	31 December
Pan Caribbean Asset Management Limited	Inactive	100%	31 December
Manufacturers Investments Limited	Inactive	100%	31 December
Pan Caribbean Investments Limited	Inactive	100%	31 December
Pan Caribbean Securities Limited	Inactive	100%	31 December

The parent company, Sagicor Life Jamaica Limited is incorporated in Jamaica.

The ultimate parent company, Sagicor Financial Corporation (Sagicor) is incorporated in Barbados.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Sagicor Investments Jamaica Limited

Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Amendments to published standards effective in current year that are relevant to the Group's operations

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- IAS 19, 'Employee benefits' was amended in June 2012. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). See Note 32 for the impact on the financial statements.

- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. There is no impact from the adoption of this standard in current year.

- IFRS 13, 'Fair Value Measurement'. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The adoption of this standard did not have any significant impact in measurement or disclosure statements.

- Annual Improvements 2011, (effective for annual periods beginning on or after 1 January 2013). The IASB issued its Annual Improvements to IFRSs 2009 – 2011 Cycle which amended five standards. The following amendments may have an impact on the Group: The amendment to IAS 1, 'Presentation of Financial Statements' clarifies that when additional comparative information is provided in the financial statements on a voluntary basis, this information must also be presented in the related notes for that additional information. As a consequence of the amendment to IAS 16, 'Property, Plant and Equipment,' servicing equipment is recognised as property, plant and equipment or as inventory depending on its expected useful life. The amendment to IAS 32, 'Financial Instruments: Presentation' clarifies that the tax effect of distributions to holders of an equity instrument and the transaction costs of an equity transaction must be accounted for in accordance with IAS 12. Pursuant to the amendment to IAS 34, 'Interim Financial Reporting,' information on segment assets and liabilities is only required to be disclosed if such information is regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The Group did not have any major changes arising from their adoption.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2014 or later periods, but the Group has not early adopted them.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Group is yet to assess IFRS 9's full impact and the timing of its adoption by the Group.

- IFRIC 21, 'Levies', (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 addresses the accounting for a liability to pay a levy recognised in accordance with *IAS 37, 'Provisions'*, and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of *IAS 12, 'Income taxes'*. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. The Group is assessing the impact of adopting this interpretation.

- Amendment to IAS 32,'Financial instruments: Presentation', (effective for annual periods beginning on or after 1 January 2014). These amendments are to the application guidance in IAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group is assessing the impact of adopting this amendment.

- Amendments to IFRS 10, 12 and IAS 27 (effective for annual periods beginning on or after 1 January 2014). These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make. The Group is assessing the impact of adopting this amendment but does not expect any material impact.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Group (Continued)

- Amendment to IAS 36, 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group is assessing the impact of adopting this amendment but does not expect any material impact.

- Amendment to IAS 19 (effective for annual periods beginning on or after 1 January 2014). This applies to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group is assessing the impact of adopting this amendment.

- Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2010 – 2012 Cycle, which amended seven standards. The following amendments may have an impact on the Group: IFRS 2, 'Share-based payment.' The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'. IFRS 3, 'Business combinations.' The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation.' The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. IFRS 8, 'Operating segments.' The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. IFRS 13, 'Fair value measurement.' The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases. IAS 24, 'Related party disclosures' The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The Group is assessing the impact of adopting these amendments.

- Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The IASB issued its Annual Improvements to IFRSs 2011 – 2013 Cycle, which amended four standards. The following amendment may have an impact on the Group: IFRS 13, 'Fair value measurement.' The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9). The Group is assessing the impact of adopting these amendments.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

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2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the company trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

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2. Summary of Significant Accounting Policies (Continued)

(e) Interest income and expenses

Interest income and expense are recognised in the income statement for all interest-bearing instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on a cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(f) Fee and commission income

Fees and commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(g) Net trading income

Net trading income includes all gains and losses from changes in fair value and related income or expense and dividends for financial assets and liabilities for instruments (including derivatives) held for trading. Net trading income also includes foreign exchange on translated assets and liabilities and net gains and loss on investment securities.

2. Summary of Significant Accounting Policies (Continued)

(h) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and non-restricted balances with BOJ, balances due from other banks, investment securities, reverse repurchase agreements, repurchase agreements with financial institutions and short term amounts due to banks and other financial institutions.

2. Summary of Significant Accounting Policies (Continued)

(j) Sale and repurchase agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(k) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial asset at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consists of debt host and an embedded derivatives that must be separated.

The fair value option is applied to financial instruments that include embedded derivatives.

Financial assets for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial assets at fair value through profit or loss. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net trading gains'.

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2. Summary of Significant Accounting Policies (Continued)

(k) Financial assets (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Available-for-sale

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in consolidated statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. Unquoted securities are recorded initially at cost. They are subsequently measured at fair value. Where fair value cannot be measured reliably they are measured at cost less impairment.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

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2. Summary of Significant Accounting Policies (Continued)

(k) Financial assets (continued)

(iii) Available-for-sale (continued)

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them.

(l) Derivative financial instruments and hedging accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income.

2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. Jamaican banking regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

Statutory and other regulatory loan loss reserve requirements that are different from these amounts are dealt with in a non-distributable loan loss reserve as an adjustment to retained earnings.

(ii) Assets classified as available-for-sale

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for the available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from stockholders' equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

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2. Summary of Significant Accounting Policies (Continued)

(n) Leases

(i) As Lessee

The leases entered into by the Group are all operating leases. The total payments made under operating leases are charged to occupancy costs in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As Lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and that will probable generate economic benefits exceeding the cost beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software costs are amortised using the straight-line method over their useful lives.

2. Summary of Significant Accounting Policies (Continued)

(p) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Estimated useful lives are as follows:

Leasehold improvements	10 years
Furniture and equipment	7-10 years
Motor vehicles	5 years
Computer equipment	2 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount. These are included in other expenses in the income statement.

Repairs and renewals are charged to the income statement when the expenditure is incurred.

(q) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (Continued)

(r) Employee benefits

(i) Pension obligations

The Group participates in two retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the Group, taking into account the recommendations of qualified actuaries. The Group has a defined benefit and a defined contribution plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited or charged in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement (team member costs).

For the defined contribution plan, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate

(ii) Other post-retirement obligations

The Group provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

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2. Summary of Significant Accounting Policies (Continued)

(r) Employee benefits (continued)

(iii) Annual leave
Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

(iv) Productivity bonus plan
The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to employees based on a formula that takes into consideration the profit attributable to the company's stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(v) Share-based payments
The Group operates an equity-settled and a cash-settled share scheme. The equity-settled scheme was cancelled during the year and replaced with options in another group entity (Note 38).

Share options
The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to over the remaining vesting period. The proceeds received net of any directly attributable transaction costs, plus the fair value of the options is credited to share capital when the options are exercised and shares issued.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

For cash-settled share awards, the services received from employees are measured at fair value and recognised in the consolidated income statement as an expense over the vesting period with recognition of a corresponding liability. The fair value of the liability is re-measured at each reporting date and at the date of settlement, with changes in fair value recognised in the consolidated income statement.

Share grants
The market value of the shares issued at grant date is recognised as an expense when granted.

2. Summary of Significant Accounting Policies (Continued)

(r) Employee benefits (continued)

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(s) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

(u) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (Continued)

(v) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 2(l)). The non-derivative elements are stated at amortised cost using the effective interest method.

(w) Share capital

(i) Share issuance cost
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Mandatorily redeemable preference shares are classified as liabilities (Note 2(t)).

(iii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's stockholders.

Dividends for the year that are declared after the statement of financial position date are dealt with in the subsequent events note.

(x) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, trading securities, securities purchased under agreements to resell, investment securities, loans, lease receivables, other assets excluding property, plant and equipment, deposits by customers and all other liabilities.

The fair values of the Group and company's financial instruments are discussed in Note 45.

(y) Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

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3. Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Group participated in the National Debt Exchange (NDX) which resulted in significant changes in the Group's investment portfolio in February 2013.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established working groups for managing and monitoring risks, as follows:

(i) Risk Management Committee
The Risk Management Committee is responsible for the development of credit and investment policies and standards that conform to applicable law, regulations and corporate policies; approving credit proposal requests; reviewing and approving exceptions to core credit and investment policies that may represent unusual risk; and ensuring that aggregate credit risk exposure are within the Group's risk taking capacity. All credit facilities require the approval of at least 2 members of this Committee. This Committee is also responsible for formulating and monitoring investment portfolios and investment strategies for the Group. In addition, this Committee is responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. The Committee's decisions receive final ratification at Board Meetings.

(ii) Audit and Compliance Committee
The Audit and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Compliance Committee is assisted in its oversight role by the Internal Audit Department and the Risk Management and Compliance Unit. Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee. The Risk Management and Compliance Unit ensures adherence to internal policies and procedures, and regulatory rules and guidelines.

(iii) The Treasury Division
The Treasury Division is responsible for managing the Group's financial assets and liabilities and the overall financial structure. It is also primarily responsible for managing and maintaining appropriate funding and liquidity of the Group.

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3. Financial Risk Management (Continued)

The most important types of risks faced by the Group are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk
The Group takes on exposure to credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is an important risk for the Group's business; management therefore carefully monitors its exposure to credit risk. Credit exposures arise principally in lending and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees and letters of credit that may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit, guarantees or undertakings. They expose the Group to similar risks to loans and the same control policies and processes mitigate these.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and leases
The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Rating grades	Description of the grade
1	Standard
2	Potential problem credit
3	Sub-standard
4	Doubtful
5	Loss

3. Financial Risk Management (Continued)

Credit review process

(a) Credit risk (continued)

(i) Loans and leases (continued)

The Group's loan portfolio is managed by focusing efforts on good quality loan that is achieved through a thorough screening and credit analysis process; these loans are appropriately priced to reflect the risk associated with the expected cash flows and the collateral provided. Credit risk is managed primarily by reviewing and monitoring the financial status of counterparties and the underlying collateral. The levels of credit risk undertaken is structured by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments; these are monitored on a periodic basis and subject to annual or more frequent reviews. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments

The Group limits its exposure to credit risk by investing in marketable securities, with counterparties that have acceptable credit quality and Government of Jamaica securities. As a result of the Central Securities Depository (CSD), all domestic Government of Jamaica securities have been dematerialised which has significantly reduced the settlement risk. The credit exposure is managed by establishing exposure limits after an internal analysis and approval. Actual exposures against limits are monitored frequently. It is also the Group's policy to obtain control or take possession of securities purchased under agreements to resell. Management assesses the market value of the underlying securities that collaterise the transactions and takes the appropriate margins required. Management actively seeks to transact with counterparties that demonstrate an ability to meet its obligations.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are established regarding the acceptability of specific types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – Cash and other near cash securities, mortgages over commercial and residential properties, charges over general business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles. Fair value of properties held as collateral is mainly based on obtained valuations from third parties.

Securities lending and reverse repurchase transactions – cash or Government of Jamaica securities.

The Group also seeks to obtain guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans to private companies.

Management monitors the market value of collateral held and may request additional collateral in accordance with the underlying agreement.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group addresses impairment assessment by reviewing all loans and leases with risk ratings of 3 and above.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

Commitments and guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the statement of financial position at year-end is derived from the internal rating grades of 3 and above. However, the majority of the impairment provision comes from the last rating class.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Group's and company's rating

The tables below show the Group's and company's gross loans and leases (excluding interest receivable) and the associated impairment provision for each internal rating class:

	The Group			
	2013		2012	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Standard	10,137,762	-	8,663,076	-
Potential problem credit	320,837	-	273,082	-
Sub-standard	127,152	38,063	140,004	43,699
Doubtful	113,305	35,328	65,259	13,837
Loss	272,177	178,962	391,284	182,390
	10,971,233	252,353	9,532,705	239,926

	The Company			
	2013		2012	
	Loans and leases $'000	Impairment provision $'000	Loans and leases $'000	Impairment provision $'000
Standard	1,760,337	-	1,922,312	-
Potential problem credit	56,201	-	108,956	-
Sub-standard	37,116	23	4,915	1,532
Doubtful	777	171	-	-
Loss	150,313	92,662	259,833	102,386
	2,004,744	92,856	2,296,016	103,918

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure			
	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Credit risk exposures relating to assets on the statement of financial position are as follows:				
Cash and bank balances due from other financial institutions (excluding cash on hand)	2,975,184	2,064,285	2,633,804	2,967,036
Cash reserve at Bank of Jamaica	993,331	519,732	-	-
Financial assets at fair value through profit or loss	5,009,501	610,940	4,376,871	4,445,410
Securities purchased under agreements to resell	4,142,254	991,904	4,549,160	2,357,012
Investment securities	60,556,840	55,303,470	51,908,533	48,383,657
Derivative financial instruments	3,019,597	839,420	3,019,597	4,253,104
Loans, net of provision for credit losses	10,710,327	9,242,365	1,930,663	2,217,601
Lease receivables	109,107	15,515	-	-
Pledged assets	3,111,856	7,831,016	2,661,856	3,657,204
Due to related parties	75,554	8,527	75,505	47,888
Other assets	60,187	206,019	50,367	50,770
	90,763,738	77,633,193	71,206,356	68,379,682
Credit risk exposures relating to items not on the statement of financial position are as follows:				
Loan commitments	1,570,695	1,520,548	729,685	922,852
Guarantees and letters of credit	1,071,070	833,447	38,971	344,390
	2,641,765	2,353,995	768,656	1,267,242

The above table represents a worst-case scenario of credit risk exposure to the Group and company at 31 December 2013 and 2012, without taking account of any collateral held or other credit enhancements. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loans and leases

(i) Credit quality of loans and leases are summarised as follows:

	The Group		The Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Neither past due nor impaired -				
Standard	9,228,567	6,195,705	822,456	1,227,665
Past due but not impaired	1,230,032	2,740,453	994,082	803,603
Impaired	512,634	596,547	188,206	264,748
Gross	10,971,233	9,532,705	2,004,744	2,296,016
Less: Provision for credit losses	(252,353)	(239,926)	(92,856)	(103,918)
Net	10,718,880	9,292,779	1,911,888	2,192,098

Loans and leases become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

(ii) Aging analysis of past due but not impaired loans and leases:

	The Group		The Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Less than 30 days	226,636	628,366	207,583	167,804
31 to 60 days	950,291	1,675,961	769,075	532,391
61 to 90 days	53,105	436,126	17,424	103,408
	1,230,032	2,740,453	994,082	803,603

The Group and the company hold adequate collateral for past due but not impaired loans and leases.

There are no significant financial assets other than loans and leases that are past due.

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- **Financial Risk Management (Continued)**

(a) Credit risk (continued)

Loans and leases (continued)

(iii) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group		The Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Loans and leases	512,634	596,547	188,206	264,748

There are no financial assets other than loans and leases that were individually impaired.

(iv) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria, which, in the judgment of management, indicate that payment, will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

(v) Repossessed collateral

The Group and the company can obtain assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

The Group is in the process of repossessing collateral totalling $132,120,000 (2012 – $13,300,000).

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposure

(i) Loans and leases

The following table summarises the Group's and company's credit exposure for loans and leases at their carrying amounts, as categorised by the industry sectors:

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Agriculture, fishing and mining	1,304,747	1,415,453	31,956	101,211
Construction and real estate	2,004,948	1,506,634	305,740	313,581
Distribution	2,853,241	2,438,196	926,945	983,768
Manufacturing	255,881	86,772	47,110	25,912
Personal	1,378,326	771,126	116,437	180,277
Professional and other services	2,176,395	1,523,018	477,420	463,977
Tourism and entertainment	936,317	1,507,238	83,779	206,212
Transportation, storage and communication	61,378	284,268	15,357	21,078
	10,971,233	9,532,705	2,004,744	2,296,016
Less: Provision for credit losses	(252,353)	(239,926)	(92,856)	(103,918)
	10,718,880	9,292,779	1,911,888	2,192,098
Interest receivable	100,554	96,744	18,775	25,503
	10,819,434	9,389,523	1,930,663	2,217,601

The majority of loans and leases are extended to customers in Jamaica.

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3. **Financial Risk Management (Continued)**

(a) **Credit risk (continued)**

Credit exposure (continued)

(ii) Investments

The following table summarises the Group's and company's credit exposure for investments at their carrying amounts, as categorised by issuer:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Government of Jamaica	51,546,220	51,805,317	46,450,742	46,614,615
Bank of Jamaica	138,012	116,413	138,012	35,427
Corporate	8,555,013	7,754,916	5,966,965	4,922,329
Financial institutions	9,004,280	5,921,307	9,411,186	6,494,443
Other sovereign debt	3,576,930	964,445	1,529,517	776,470
	72,820,455	66,562,398	63,496,422	58,843,284

(b) **Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Division, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure funding if required;

(ii) Maintaining assets than can readily be liquidated (T-Bills, BoJ CDs and secured secondary market repos) as protection against any unforeseen interruption to cash flow;

(iii) Maintaining stand-by credit lines;

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Liquidity risk management process (continued)

(iv) Optimising cash returns on investment;

(v) Short-term liabilities are segmented and analysed to monitor and reduce concentrations.

(vi) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and

(vii) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and company's financial assets and liabilities based on the remaining period.

	The Group					
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2013:						
Assets						
Cash and balances due from other banks	3,559,209	-	-	-	-	3,559,209
Cash reserves at Bank of Jamaica	993,339	-	-	-	-	993,339
Financial assets at fair value through profit or loss	-	638,565	421,310	3,030,537	2,129	4,092,541
Securities purchased under agreements to resell	3,625,562	326,529	201,347	-	-	4,153,438
Investment securities and pledged assets	327,128	4,323,563	3,723,938	38,458,296	47,925,526	94,758,451
Derivative financial instruments	11,756	552,278	2,354,934	607,072	-	3,526,040
Loans, net provision for credit losses	2,655,268	1,437,291	2,574,844	4,792,702	718,490	12,178,595
Lease receivables	7,853	11,607	26,468	77,236	-	123,164
Other	110,283	-	82,181	-	-	192,464
Total assets	11,290,398	7,289,833	9,385,022	46,965,843	48,646,145	123,577,241
Liabilities						
Securities sold under agreements to repurchase	33,815,597	20,407,972	5,790,481	2,517,904	-	62,531,954
Customer deposits	7,386,980	1,117,320	2,220,078	1,447,606	-	12,171,984
Due to banks and other financial institutions	1,145,919	259,344	337,235	416,850	-	2,159,348
Structured products	917,412	19,854	59,562	829,204	-	1,826,032
Derivative financial instruments	11,731	583,703	2,001,538	622,858	-	3,219,830
Other	959,635	182,752	454	-	-	1,142,841
Total liabilities	44,237,274	22,570,945	10,409,348	5,834,422	-	83,051,989
Net Liquidity Gap	(32,946,876)	(15,281,112)	(1,024,326)	41,131,421	48,646,145	40,525,252
Cumulative Liquidity Gap	(32,946,876)	(48,227,988)	(49,252,314)	(8,120,893)	40,525,252	

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Group					
	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2012:						
Financial Assets						
Cash and balances due from other financial institutions	4,085,815	-	-	-	-	4,085,815
Cash reserves at Bank of Jamaica	735,494	-	-	-	-	735,494
Financial assets at fair value through profit or loss	1,027	511,595	1,499,550	2,391,647	8,146	4,411,965
Securities purchased under agreements to resell	1,027,651	236,670	529,120	-	-	1,793,441
Investment securities and pledged assets	250,329	6,932,230	4,597,288	44,937,080	27,955,729	84,672,656
Derivative financial instruments	1,521	501,708	1,474,367	2,360,525	-	4,338,121
Loans, net provision for credit losses	2,742,299	1,227,702	2,142,667	3,922,731	762,195	10,797,594
Lease receivables	3,251	6,503	29,262	20,119	-	59,135
Other	55,007	-	32,426	-	-	87,433
Financial assets (contractual maturity dates)	8,902,394	9,416,408	10,304,680	53,632,102	28,726,070	110,981,654
Financial Liabilities						
Securities sold under agreements to repurchase	28,726,438	19,894,652	9,371,943	31,716	-	58,024,749
Customer deposits and other accounts	6,401,673	1,715,491	1,993,314	481,446	1,378,264	11,970,188
Due to banks and other financial institutions	5,298	38,747	186,112	309,606	1,601	541,364
Derivative financial instruments	1,521	511,596	1,498,532	2,383,501	-	4,395,150
Structured products	97,641	27,346	61,997	790,042	-	977,026
Other	1,054,483	114,709	16,000	-	-	1,185,192
Financial liabilities (contractual maturity dates)	36,287,054	22,302,541	13,127,898	3,996,311	1,379,865	77,093,669
Net Liquidity Gap	(27,384,660)	(12,886,133)	(2,823,218)	49,635,791	27,346,205	33,887,985
Cumulative Liquidity Gap	(27,384,660)	(40,270,793)	(43,094,011)	6,541,780	33,887,985	

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2013:						
Financial Assets						
Cash and balances due from other financial institutions	2,633,804	-	-	-	-	2,633,804
Financial assets at fair value through profit or loss	-	620,606	403,351	2,252,973	2,129	3,279,059
Securities purchased under agreements to resell	4,051,024	326,529	182,762	-	-	4,560,315
Investment securities and pledged assets	292,956	3,977,975	3,158,857	33,681,173	39,960,838	81,071,799
Derivative financial instruments	11,756	552,278	1,876,141	607,072	-	3,047,247
Loans, net provision for credit losses	935,926	176,243	348,056	554,347	64,008	2,078,580
Other	75,505	-	82,181	-	-	157,686
Financial assets (contractual maturity dates)	8,000,971	5,653,631	6,051,348	37,095,565	40,026,975	96,828,490
Financial Liabilities						
Securities sold under agreements to repurchase	32,438,467	20,119,451	5,790,481	2,517,904	-	60,866,303
Customer accounts	2,976	6,213	27,269	67,525	-	103,983
Due to banks and other financial institutions	19	4,317	103,296	1,613	-	109,245
Derivative financial instruments	11,731	583,703	2,001,538	622,858	-	3,219,830
Structured products	917,412	19,854	59,562	829,204	-	1,826,032
Other	698,757	233,055	-	-	-	931,812
Financial liabilities (contractual maturity dates)	34,069,362	20,966,593	7,982,146	4,039,104	-	67,057,205
Net Liquidity Gap	(26,068,391)	(15,312,962)	(1,930,798)	33,056,461	40,026,975	29,771,285
Cumulative Liquidity Gap	(26,068,391)	(41,381,353)	(43,312,151)	(10,255,690)	29,771,285	

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at 31 December 2012:						
Financial Assets						
Cash and balances due from other financial institutions	2,967,040	-	-	-	-	2,967,040
Financial assets at fair value through profit or loss	1,027	511,595	1,499,550	2,391,647	8,146	4,411,965
Securities purchased under agreements to resell	1,617,247	226,536	533,853	-	-	2,377,636
Investment securities and pledged assets	122,178	5,552,765	3,408,759	38,561,438	23,919,444	71,564,584
Derivative financial instruments	1,521	501,708	1,474,367	2,360,525	-	4,338,121
Loans, net provision for credit losses	872,756	271,440	626,736	589,978	217,282	2,578,192
Other	66,231	-	32,426	-	-	98,657
Financial assets (contractual maturity dates)	5,648,000	7,064,044	7,575,691	43,903,588	24,144,872	88,336,195
Financial Liabilities						
Securities sold under agreements to repurchase	27,950,683	19,894,652	9,353,461	31,716	-	57,230,512
Customer accounts	7,252	13,641	50,425	109,781	-	181,099
Due to banks and other financial institutions	125	26,295	128,504	107,306	185	262,415
Derivative financial instruments	1,521	511,596	1,498,532	2,383,501	-	4,395,150
Structured products	97,641	27,346	61,997	790,042	-	977,026
Other	899,298	73,629	16,000	-	-	988,927
Financial liabilities (contractual maturity dates)	28,956,520	20,547,159	11,108,919	3,422,346	185	64,035,129
Net Liquidity Gap	(23,308,520)	(13,483,115)	(3,533,228)	40,481,242	24,144,687	24,301,066
Cumulative Liquidity Gap	(23,308,520)	(36,791,635)	(40,324,863)	156,379	24,301,066	-

Source of funding available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investments, loans and advances to banks and loans and advances to customers. In the normal course of business, a proportion of customer loans will be extended beyond their due dates. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from local and overseas financial institutions.

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3. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rates and equity prices. Market risk is monitored and reviewed by the Risk Management and periodically by the Risk Management Committee. The company monitors economic reports, local and international market conditions. Key market risk strategies include active monitoring of the market, portfolio sensitivity analysis, trading and position limits and liability management.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) ***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes on open position in a currency. To control this exchange risk the Risk Management Committee has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by Risk Management Unit assessment of the volatility in exchange rates and with the approval of the Risk Management Committee.

The Group also has transactional currency exposure. This exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept at approved levels.

In addition, the Group has utilise derivatives to mitigate currency risk exposure as specified in Note 23.

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3. Financial Risk Management (Continued)

(c) Market risk (continued)
(i) Currency risk (continued)

Concentrations of currency risk

The tables below summarise the Group's and company's exposure to foreign currency exchange rate risk at 31 December.

	The Group					
	Jamaican$ J$'000	US$ J$'000	GBP J$'000	CAN$ J$'000	EURO J$'000	Total J$'000
At 31 December 2013:						
Assets						
Cash and balances due from other banks and cash reserves	596,797	2,470,882	311,523	60,789	119,195	3,559,186
Cash reserves at Bank of Jamaica	453,709	498,855	28,412	12,355	-	993,331
Financial assets at fair value through profit or loss	2,291,986	19,325	-	-	2,698,710	5,010,021
Securities purchased under agreements to resell	1,573,260	2,289,664	189,771	-	89,559	4,142,254
Investment securities and pledged assets	29,095,771	33,788,629	539,499	-	321,446	63,745,345
Derivative financial instruments	-	3,019,597	-	-	-	3,019,597
Loans, net of provision for credit losses	4,559,483	6,150,844	-	-	-	10,710,327
Lease receivables	109,101	6	-	-	-	109,107
Other	3,159,117	27,997	1,284	163	197	3,188,758
Total assets	41,839,224	48,265,799	1,070,489	73,307	3,229,107	94,477,926
Liabilities and Equity						
Securities sold under agreements to repurchase	27,917,598	33,200,714	960,756	-	68,064	62,147,132
Customer deposits and other accounts	3,226,148	8,443,653	108,967	115,300	5,067	11,899,135
Structured products	-	1,841,222	-	-	-	1,841,222
Due to banks and other financial institutions	1,511,713	554,176	-	-	-	2,065,889
Derivative financial instruments	-	677,275	-	-	2,493,666	3,170,941
Other liabilities	1,309,884	317,187	3,451	2,861	483	1,633,866
Stockholders' Equity	11,719,741	-	-	-	-	11,719,741
Total liabilities	45,685,084	45,034,227	1,073,174	118,161	2,567,280	94,477,926
Net statement of financial position	(3,845,860)	3,231,572	(2,685)	(44,854)	661,827	-
Credit commitments	1,603,974	1,037,791	-	-	-	2,641,765

Sagicor Investments Jamaica Limited

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	The Group					
	Jamaican$	US$	GBP	CAN$	EURO	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2012:						
Assets						
Cash and balances due from other financial institutions and	390,622	3,225,497	230,033	96,824	142,809	4,085,785
Cash reserves at Bank of Jamaica	280,883	419,776	22,594	12,241	-	735,494
Financial assets at fair value through profit or loss	424,212	20,874	-	-	4,050,346	4,495,432
Securities purchased under agreements to resell	1,042,201	556,174	160,214	-	24,925	1,783,514
Investment securities and pledged assets	32,303,289	27,361,398	464,653	-	278,760	60,408,100
Derivative financial instruments	-	4,253,104	-	-	-	4,253,104
Loans, net of provision for credit losses	2,109,802	7,220,562	-	-	-	9,330,364
Lease receivables	59,154	5	-	-	-	59,159
Other	3,055,261	27,924	6	7	34	3,083,232
Total assets	39,665,424	43,085,314	877,500	109,072	4,496,874	88,234,184
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	26,225,012	30,378,355	922,337	-	70,174	57,595,878
Customer deposits and other accounts	2,104,692	8,919,558	41,422	142,685	6,837	11,215,194
Structured products	-	854,100	-	-	-	854,100
Derivative financial instruments	-	43,915	-	-	4,266,651	4,310,566
Due to banks and other financial institutions	426,997	41,749	-	-	-	468,746
Other liabilities	922,504	819,358	6,056	4,232	1,999	1,754,149
Stockholders' equity	12,035,551	-	-	-	-	12,035,551
Total liabilities and stockholders' equity	41,714,756	41,057,035	969,815	146,917	4,345,661	88,234,184
Net statement of financial position	(2,049,332)	2,028,279	(92,315)	(37,845)	151,213	-
Credit commitments	1,345,201	1,008,794	-	-	-	2,353,995

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3. Financial Risk Management (Continued)

(c) Market risk (continued)
(i) Currency risk (continued)

Concentrations of currency risk (continued)

	The Company					
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CA$ J$'000**	**EURO J$'000**	**Total J$'000**
At 31 December 2013:						
Assets						
Cash and balances due from other financial institutions	162,186	2,190,206	177,158	37	104,217	2,633,804
Financial assets at fair value through profit or loss	1,659,356	19,325	-	-	2,698,710	4,377,391
Securities purchased under agreements to resell	1,776,819	2,501,781	181,001	-	89,559	4,549,160
Investment securities and pledged assets	26,835,674	26,933,039	539,499	-	321,446	54,629,658
Derivative financial instruments	-	3,019,597	-	-	-	3,019,597
Loans, net of provision for credit losses	553,847	1,376,816	-	-	-	1,930,663
Other	4,507,174	-	1,243	-	197	4,508,614
Total assets	35,495,056	36,040,764	898,901	37	3,214,129	75,648,887
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	27,481,705	31,973,845	960,756	-	68,064	60,484,370
Customer accounts	99,507	-	-	-	-	99,507
Structured products	-	1,841,222	-	-	-	1,841,222
Due to banks and other financial institutions	77,371	23,915	-	-	-	101,286
Derivative financial instruments	-	677,275	-	-	2,493,666	3,170,941
Other	851,430	38,995	81	-	-	1,063,687
Stockholders' equity	8,887,874	-	-	-	-	8,887,874
Total liabilities and stockholders' equity	37,397,887	34,555,252	960,837	-	2,561,730	75,648,887
Net statement of financial position	(1,902,831)	1,485,512	(61,936)	37	652,399	-
Credit commitments	714,395	54,261	-	-	-	768,656

Sagicor Investments Jamaica Limited

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	The Company					
	Jamaican$ J$'000	**US$ J$'000**	**GBP J$'000**	**CA$ J$'000**	**EURO J$'000**	**Total J$'000**
At 31 December 2012:						
Assets						
Cash and balances due from other financial institutions	98,592	2,579,191	166,668	49	122,536	2,967,036
Financial assets at fair value through profit or loss	424,213	20,874	-	-	4,050,345	4,495,432
Securities purchased under agreements to resell	1,251,878	927,912	152,297	-	24,925	2,357,012
Investment securities and pledged assets	29,195,270	22,161,448	464,654	-	278,759	52,100,131
Derivative financial instruments	-	4,253,104	-	-	-	4,253,104
Loans, net of provision for credit losses	652,408	1,565,193	-	-	-	2,217,601
Other	4,413,412	27,724	-	-	34	4,441,170
Total assets	36,035,773	31,535,446	783,619	49	4,476,599	72,831,486
Liabilities and Stockholders' Equity						
Securities sold under agreements to repurchase	26,243,378	29,603,838	922,337	-	70,174	56,839,727
Customer accounts	171,152	-	-	-	-	171,152
Structured products	-	854,100	-	-	-	854,100
Due to banks and other financial institutions	199,715	41,749	-	-	-	241,464
Derivative financial instruments	-	43,915	-	-	4,266,651	4,310,566
Other	545,688	723,104	-	-	1,592	1,270,384
Stockholders' equity	9,144,093	-	-	-	-	9,144,093
Total liabilities and stockholders' equity	36,304,026	31,266,706	922,337	-	4,338,417	72,831,486
Net statement of financial position	(268,253)	268,740	(138,718)	49	138,182	-
Credit commitments	999,118	268,124	-	-	-	1,267,242

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end based on a change in foreign currency rates as noted below. The sensitivity analysis on pre-tax profit is based on foreign currency denominated monetary items at the year end. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis.

	The Group			
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2013 %	2013 $'000	2012 %	2012 $'000
Currency:				
USD	+1	36,798	+1	20,389
EUR	+1	2,136	+1	1,528
GBP	+1	(27)	+1	(923)
USD	-15	(551,965)	-10	(203,886)
EUR	-15	(32,045)	-10	(15,277)
GBP	-15	403	-10	9,245

	The Company			
	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2013 %	2013 $'000	2012 %	2012 $'000
Currency:				
USD	+1	17,605	+1	2,062
EUR	+1	2,042	+1	1,381
GBP	+1	(6,194)	+1	(1,387)
USD	-15	(264,079)	-10	(20,621)
EUR	-15	(30,670)	-10	(13,818)
GBP	-15	9,290	-10	13,872

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk resides primarily in its Jamaican dollar liability portfolio. Accordingly, the Group manages interest rate risk by holding a high proportion of variable rate Jamaican dollar securities linked to Treasury bill yields. There is a growing proportion of the Group's portfolio tied to their prime lending rate which is reviewed periodically based on market conditions. The interest rate risk policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Macaulay and Effective Duration analysis is also conducted on the financial assets of the Group to determine the impact of changes in interest rates. Macaulay duration is the weighted average term to maturity of a bond's cash flows, while Effective duration is the change in the value of the portfolio in response to a change in interest rates. The Duration Gap is also assessed. This is the difference between the Macaulay duration of assets and the duration of liabilities. It measures how well the average timings of cash inflows are matched to cash outflows.

The following tables summarise the Group's and the company's exposure to interest rate risk. It includes the Group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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3. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2013:							
Assets							
Cash and balances due from other banks	2,975,184	-	-	-	-	584,002	3,559,186
Cash reserves at Bank of Jamaica	993,331	-	-	-	-	-	993,331
Financial assets at fair value through profit or loss	-	-	-	2,683,189	1,958,315	368,517	5,010,021
Securities purchased under agreements to resell	3,619,614	328,295	178,135	-	-	16,210	4,142,254
Investment securities and pledged assets	13,656,935	6,289,293	513,026	24,855,456	17,161,935	1,268,700	63,745,345
Derivative financial instruments	-	-	-	2,646,127	-	373,470	3,019,597
Loans, net of provision for credit losses	1,848,721	1,083,061	1,016,838	4,966,788	1,695,124	99,795	10,710,327
Leases receivables	9,898	8,365	665	89,420	-	759	109,107
Other	-	-	-	-	-	3,188,758	3,188,758
Total assets	23,103,683	7,709,014	1,708,664	35,240,980	20,815,374	5,900,211	94,477,926
Liabilities							
Securities sold under agreements to repurchase	33,561,441	20,115,030	5,632,477	2,455,049	-	383,135	62,147,132
Customer deposits and other accounts	7,330,304	1,110,089	2,181,668	1,185,703	-	91,371	11,899,135
Structured products	915,809	-	-	637,693	-	287,720	1,841,222
Due to banks and other financial institutions	1,130,248	242,116	266,680	121,848	303,608	1,389	2,065,889
Derivative financial instruments	-	-	-	2,773,629	-	397,312	3,170,941
Other	-	-	-	-	-	1,633,866	1,633,866
Total liabilities	42,937,802	21,467,235	8,080,825	7,173,922	303,608	2,794,793	82,758,185
Net Liquidity gap	(19,834,119)	(13,758,221)	(6,372,161)	28,067,058	20,511,766	3,105,418	11,719,741
Cumulative Liquidity gap	(19,834,119)	(33,592,340)	(39,964,501)	(11,897,443)	8,614,323	11,719,741	

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3. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2012:							
Assets							
Cash and balances due from other financial institutions	3,861,147	-	-	-	-	224,638	4,085,785
Cash reserve at Bank of Jamaica	735,494	-	-	-	-	-	735,494
Financial assets at fair value through profit or loss	-	-	-	4,026,553	19,624	449,255	4,495,432
Securities purchased under agreements to resell	1,024,638	232,802	520,704	-	-	5,370	1,783,514
Investment securities and pledged assets	3,293,395	25,735,067	2,383,269	21,078,226	6,540,959	1,377,184	60,408,100
Derivative financial instruments	-	-	-	3,933,704	-	319,400	4,253,104
Loans, net of provision for credit losses	1,746,790	763,024	1,724,819	3,128,512	1,871,199	96,020	9,330,364
Leases receivables	-	-	-	58,434	-	725	59,159
Other	-	-	-	-	-	3,083,232	3,083,232
Total assets	10,661,464	26,730,893	4,628,792	32,225,429	8,431,782	5,555,824	88,234,184
Liabilities							
Securities sold under agreements to repurchase	28,486,179	19,583,818	9,043,450	29,460	-	452,971	57,595,878
Customer deposits and other accounts	6,398,394	1,689,104	1,907,618	420,575	737,732	61,771	11,215,194
Structured products	-	-	-	528,953	-	325,147	854,100
Derivative financial instruments	-	-	-	3,998,369	-	312,197	4,310,566
Due to banks and other financial institutions	-	32	32,000	384,216	51,077	1,421	468,746
Other	-	-	-	-	-	1,754,149	1,754,149
Total liabilities	34,884,573	21,272,954	10,983,068	5,361,573	788,809	2,907,656	76,198,633
Total interest repricing gap	(24,223,109)	5,457,939	(6,354,276)	26,863,856	7,642,973	2,648,168	12,035,551
Cumulative repricing gap	(24,223,109)	(18,765,170)	(25,119,446)	1,744,410	9,387,383	12,035,551	

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3. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**2 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2013:							
Assets							
Cash and balances due from other financial institutions	2,633,804	-	-	-	-	-	2,633,804
Financial assets at fair value through profit or loss	-	-	-	2,683,189	1,338,675	355,527	4,377,391
Securities purchased under agreements to resell	4,035,394	319,560	178,031	-	-	16,175	4,549,160
Investment securities and pledged assets	13,639,556	3,464,833	513,026	21,658,728	14,239,301	1,114,214	54,629,658
Derivative financial instruments	-	-	-	2,646,127	-	373,470	3,019,597
Loans, net of provision for credit losses	841,208	138,079	16,811	763,832	151,958	18,775	1,930,663
Other	-	-	-	-	-	4,508,614	4,508,614
Total assets	21,149,962	3,922,472	707,868	27,751,876	15,729,934	6,386,775	75,648,887
Liabilities							
Securities sold under agreements to repurchase	32,194,877	19,828,526	5,632,477	2,455,049	-	373,441	60,484,370
Customer accounts	2,785	5,333	23,915	65,652	-	1,822	99,507
Structured products	915,809	-	-	637,693	-	287,720	1,841,222
Due to banks and other financial institutions	13	4,160	94,833	1,495	-	785	101,286
Derivative financial instruments	-	-	-	2,773,629	-	397,312	3,170,941
Other	-	-	-	-	-	1,063,687	1,063,687
Total liabilities	33,113,484	19,838,019	5,751,225	5,933,518	-	2,124,767	66,761,013
Total interest repricing gap	(11,963,522)	(15,915,547)	(5,043,357)	21,818,358	15,729,934	4,262,008	8,887,874
Cumulative repricing gap	(11,963,522)	(27,879,069)	(32,922,426)	(11,104,068)	4,625,866	8,887,874	

Sagicor Investments Jamaica Limited

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2012:							
Assets							
Cash and balances due from other financial institutions	2,967,036	-	-	-	-	-	2,967,036
Financial assets at fair value through profit or loss	-	-	-	4,026,553	19,624	449,255	4,495,432
Securities purchased under agreements to resell	1,606,021	224,917	520,705	-	-	5,369	2,357,012
Investment securities and pledged assets	3,239,396	23,290,944	2,383,269	16,715,712	5,261,334	1,209,476	52,100,131
Derivative financial instruments	-	-	-	3,938,704	-	314,400	4,253,104
Loans, net of provision for credit losses	584,045	50,600	713,108	601,176	243,169	25,503	2,217,601
Other	-	-	-	-	-	4,441,170	4,441,170
Total assets	8,396,498	23,566,461	3,617,082	25,282,145	5,524,127	6,445,173	72,831,486
Liabilities							
Securities sold under agreements to repurchase	27,736,004	19,583,818	9,043,450	29,460	-	446,995	56,839,727
Customer accounts	4,265	13,563	49,382	100,966	-	2,976	171,152
Structured products	-	-	-	528,953	-	325,147	854,100
Due to banks and other financial institutions	5,842	-	32,000	201,183	1,077	1,362	241,464
Derivative financial instruments	-	-	-	3,998,369	-	312,197	4,310,566
Other	-	-	-	-	-	1,270,384	1,270,384
Total liabilities	27,746,111	19,597,381	9,124,832	4,858,931	1,077	2,359,061	63,687,393
Total interest repricing gap	(19,349,613)	3,969,080	(5,507,750)	20,423,214	5,523,050	4,086,112	9,144,093
Cumulative repricing gap	(19,349,613)	(15,380,533)	(20,888,283)	(465,069)	5,057,981	9,144,093	

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rate by major currencies for financial instruments of the Group and the company.

	The Group					The Company				
	J $	US $	CAN $	GBP £	EURO €	J $	US $	CAN $	GBP £	EURO €
	%	%	%	%	%	%	%	%	%	%
	2013									
Assets										
Cash and balances due from other financial institutions	0.14	0.05	0.06	0.15	0.04	0.06	0.03	-	0.28	0.05
Cash reserves at Bank of Jamaica	-	0.61	0.35	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	5.16	7.25	-	-	-	5.16	7.25	-	-	-
Securities purchased under agreements to resell	3.71	3.34	-	1.22	1.50	7.41	3.34	-	2.7	1.5
Investment securities – debt securities	3.95	3.51	-	7.5	10.5	7.86	6.95	-	7.5	10.5
Loans, net of provision for credit losses	12.40	8.65	-	-	-	12.74	8.85	-	-	-
Lease receivables	15.31	-	-	-	-	-	-	-	-	-
Liabilities										
Securities sold under agreements to repurchase	6.57	3.17	-	2.49	1.89	6.57	3.17	-	2.49	1.89
Customer deposits and other accounts	2.52	1.22	1.05	0.85	0.38	3.22	-	-	-	-
Structured products	-	4.67	-	-	-	-	4.67	-	-	-
Due to banks and other financial institutions	7.27	4.35	-	-	-	7.52	1.42	-	-	-
	2012									
Assets										
Cash and balances due from other financial institutions	0.11	0.01	-	0.12	0.05	0.01	0.01	-	0.12	0.05
Cash reserves at Bank of Jamaica	-	0.01	0.35	0.05	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	11.00	-	-	5.00	-	11.00	-	-	5.00
Securities purchased under agreements to resell	4.86	4.02	-	2.70	3.00	4.71	4.02	-	2.70	3.00
Investment securities – debt securities	9.14	7.15	-	7.50	10.5	9.05	7.46	-	7.50	10.50
Loans, net of provision for credit losses	13.01	8.73	-	-	-	12.67	8.82	-	-	-
Lease receivables	16.00	-	-	-	-	-	-	-	-	-
Liabilities										
Securities sold under agreements to repurchase	6.13	3.76	-	2.64	2.20	6.13	3.76	-	2.64	2.20
Customer deposits and other accounts	1.50	1.36	1.17	0.76	0.24	3.31	-	-	-	-
Structured products	-	6.80	-	-	-	-	6.80	-	-	-
Due to banks and other financial institutions	9.21	4.94	-	-	-	9.41	6.00	-	-	-

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and company's income statement and stockholders' equity.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on pre-tax profit or loss based on floating rate debt securities and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	The Group			
	2013		2012	
	Effect on Pre-tax Profit	Effect on Other components of Equity	Effect on Pre-tax Profit	Effect on Other components of Equity
	$'000	$'000	$'000	$'000
Change in basis points				
J$ -100, US$ - 50 (2012 J$ -100, US$ -50)	(242,376)	935,984	(271,477)	529,347
J$ +250, US$ +200 (2012 - J$ +400, US$ +250)	654,421	(2,923,318)	1,149,154	(1,470,312)

	The Company			
	2013		2012	
	Effect on Pre-tax Profit	Effect on Other components of Equity	Effect on Pre-tax Profit	Effect on Other components of Equity
	$'000	$'000	$'000	$'000
Change in basis points				
J$ -100, US$ - 50 (2012 J$ -100, US$ -50)	(241,674)	669,365	(258,738)	481,302
J$ +250, US$ +200 (2012 - J$ +400, US$ +250)	667,300	(2,073,386)	1,098,194	(1,302,921)

3. Financial Risk Management (Continued)

(d) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statements of financial position, are:

(i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ) and the Risk Management and Compliance Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

During 2013 and 2012, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following significant judgements:

Consolidation of Sagicor Sigma Funds

The Group is the Fund Manager for Sagicor Sigma Funds. In assessing whether to consolidate the Sagicor Sigma Funds, management evaluates a range of factors, including:

- Scope of the Fund Manager's decision making authority;
- Rights held by other parties;
- Exposure or rights to variable returns from the Fund Manager involvement with the investee; and
- The ability to use its power to affect the amount of return.

Management consider that the Group does not have control of Sagicor Sigma Funds. Although the Group contractual terms provide the Group with power over Sagicor Sigma Funds, the overall exposure of the Group to the variability of returns of Sagicor Sigma Funds is not sufficient to conclude that the Group has control. Therefore, the Sagicor Sigma Funds has not consolidated in these financial statements.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment losses on loans and leases

Loans and leases are evaluated for impairment on a basis described in Note 2(m)(i).

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cash flows to differ by +/-5%, the impairment loss would change by $17,880,000 and $4,796,000 for the Group and company (2012 - $17,883,000 and $8,042,000) higher or lower.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

5. Segment Reporting

Management has determined the operating segment based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group is organised and managed in five main reportable operating segments based on its business activities. The designated segments are as follows:

(a) Treasury Management– this incorporates the Primary Dealer Unit, Cash Management Services and currency exposure.

(b) Corporate and Retail Credit – this incorporates the Group's loan and leasing activities.

(c) Asset Management – this incorporates the administration of the unit trust and other fund management activities.

(d) Trading – this incorporates foreign currency trading, bond trading, equity trading and stock brokerage.

(e) Corporate Trust – this incorporates corporate trust, share register and paying agency services.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is profit before taxation.

A measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. Segment assets include interest-bearing assets. No other information is reported to or used by the CODM in order to assess performance and allocate resources.

Segment liabilities that are reviewed by the CODM include interest-bearing liabilities.

Transactions between the operating segments are on normal commercial terms and conditions. There has been no change in the basis of the pricing of transactions over the prior year.

Net interest income is reported as the CODM relies primarily on the net interest income in assessing segment performance.

The Group's operations are located in Jamaica.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2013 or 2012.

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5. Segment Reporting (Continued)

	The Group						
	Year ended 31 December 2013						
	Treasury Management	Corporate & Retail Credit	Asset Management	Trading	Corporate Trust	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross external revenues	5,686,235	1,020,542	198,208	(140,002)	51,976	-	6,816,959
Revenues/expenses from other segments	46,829	-	-	-	-	(46,829)	-
Total gross revenues	5,733,064	1,020,542	198,208	(140,002)	51,976	(46,829)	6,816,959
Total expenses	(4,063,273)	(821,637)	(157,765)	(276,097)	(72,570)	46,829	(5,344,513)
Profit/(loss) before tax	1,669,791	198,905	40,443	(416,099)	(20,594)	-	1,472,446
Tax expense							(309,833)
Net profit							1,162,613
Segment assets	70,907,196	10,819,434	-	5,010,021	-	-	86,736,651
Unallocated assets							7,741,275
Total Assets							94,477,926
Segment liabilities	79,058,430	2,065,889	-	-	-	-	81,124,319
Unallocated liabilities							1,633,866
Total Liabilities							82,758,185
Other segment items -							
Net interest income	2,239,833	612,038	-	-	-	-	2,851,871
Impairment charges	-	48,382	-	-	-	-	48,382
Capital expenditure	13,783	63,324	-	-	-	-	77,107
Depreciation	18,484	33,648	-	-	-	-	52,132
Amortisation charges	10,667	(770)	-	-	-	-	9,897

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5. Segment Reporting (Continued)

	The Group						
	Year ended 31 December 2012						
	Treasury Management	Corporate & Retail Credit	Asset Management	Trading	Corporate Trust	Eliminations	Restated Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Gross external revenues	5,601,542	934,214	160,641	646,088	58,321	-	7,400,806
Revenues/expenses from other segments	29,040	-	-	-	-	(29,040)	-
Total gross revenues	5,630,582	934,214	160,641	646,088	58,321	(29,040)	7,400,806
Total expenses	(4,029,940)	(853,466)	(154,621)	(270,573)	(71,123)	29,040	(5,350,683)
Profit/(loss) before tax	1,600,642	80,748	6,020	375,515	(12,802)	-	2,050,123
Tax expense							(587,839)
Net profit							1,462,284
Segment assets	66,444,718	9,389,523	-	4,495,432	-	-	80,329,673
Unallocated assets							7,904,511
Total Assets							88,234,184
Segment liabilities	73,975,738	468,746	-	-	-	-	74,444,484
Unallocated liabilities							1,754,149
Total Liabilities							76,198,633
Other segment items -							
Net interest income	2,510,470	506,564	-	-	-	-	3,017,034
Impairment charges	-	16,658	-	-	-	-	16,658
Capital expenditure	66,662	178,268	-	-	-	-	244,930
Depreciation	35,206	15,204	-	-	-	-	50,410
Amortisation charges	16,282	10,851	-	-	-	-	27,133

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6. Interest Income from Securities

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Securities purchased under agreement to repurchase	76,774	44,558	117,631	55,988
Available-for-sale securities	4,113,583	4,678,807	3,492,076	4,038,161
Loans and receivables	229,038	202,281	229,038	202,281
Financial assets designated at fair value	511,209	313,047	460,935	313,047
Financial assets held for trading	35,208	3,700	35,208	3,700
Derivative financial assets	147,098	159,095	147,098	159,095
	5,112,910	5,401,488	4,481,986	4,772,272

7. Interest Expense

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Customer deposits, repurchase liabilities and other accounts	2,972,087	3,037,736	2,613,811	2,678,857
Due to banks and other financial institutions	49,015	65,320	18,033	31,363
Derivative financial assets	174,198	181,366	174,198	181,366
	3,195,300	3,284,422	2,806,042	2,891,586

8. Fees and Commission Income

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Asset management fees	170,438	134,240	170,438	134,240
Banking fees	74,760	38,218	6,029	5,380
Corporate finance fees	21,997	44,314	21,997	44,314
Credit related fees	86,942	32,933	21,132	19,072
Stock brokerage fees	20,167	40,118	20,167	40,117
Trust fees	43,976	50,321	13,636	22,585
Treasury fees	11,298	19,388	6,386	6,820
Other	4,649	6,136	4,649	6,136
	434,227	365,668	264,434	278,664

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9. Net Trading Income

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Foreign exchange trading and translation gains	609,483	246,879	230,166	18,391
Equities trading gains and dividends	13,785	6,350	13,785	561
Loss on debt exchange transactions	(191,055)	-	(81,299)	-
Securities trading gains -				
Available-for-sale investment securities	185,917	289,951	113,594	278,252
Financial assets designated at fair value	(78,678)	244,643	(79,130)	244,643
Financial assets held for trading	(129,514)	(27,822)	(69,455)	(27,822)
Derivative financial instruments	(81,820)	(44,386)	(81,820)	(44,386)
	328,118	715,615	45,841	469,639

Gains or losses on currency derivatives are included in foreign exchange trading and translation gains.

Loss on debt exchange transactions
In February and March 2013, the Group and the Bank participated in the National Debt Exchange (NDX) and a Private Debt Exchange (PDX) conducted by the Government of Jamaica. These involved the non-cash exchange of existing notes with a face value of $37,372,965,000 for the Group and $34,049,823,000, for the company for new, longer-dated debt instruments with lower coupon rates (new notes) of equivalent face value. Certain new notes issued under the PDX included instruments with embedded put options (Note 20).

The loss arising on the exchanges represents the difference between the carrying value of the existing notes and the fair value of the new notes (including the value of the embedded put option) at the date of exchange.

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10. Other Revenue

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Dividend income from subsidiary	-	-	265,030	-
Structured products	5,772	15,863	5,772	15,863
Other	1,671	2,204	942	4,256
	7,443	18,067	271,744	20,119

11. Team Member Costs

	The Group		The Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	2012 $'000
Wages and salaries	885,231	869,998	532,477	560,829
Termination costs	16,982	-	16,768	-
Statutory contributions	83,816	81,603	49,525	52,491
Pension costs – Defined contribution scheme	14,605	10,316	6,424	5,180
Pension costs - Defined benefit scheme (Note 32)	17,946	8,259	-	-
Other post-employment benefits (Note 32)	104,643	6,590	-	-
Other team member benefits	44,013	98,922	28,683	96,521
Stock options expense (Note 38)	15,000	6,296	15,000	6,295
Share grant expense	9,000	24,737	9,000	24,737
	1,191,236	1,106,721	657,877	746,053

The number of persons employed at the end of the year :

	The Group		The Company	
	2013 No.	2012 No.	2013 No.	2012 No.
Full-time	271	272	124	135
Part-time	30	25	21	20
	301	297	145	155

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12. Impairment Charges/(Reversals)

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Loans	59,159	8,255	26,804	(11,174)
Lease receivables	(8,302)	3,360	-	-
Other	(2,475)	5,043	(3,379)	897
	48,382	16,658	23,425	(10,277)

13. Other Expenses

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Amortisation (Note 29)	9,897	27,133	10,667	16,282
Asset tax expense	113,188	110,271	91,332	84,301
Audit fees -				
Current	12,360	12,360	6,530	6,530
Prior	350	635	-	761
Automated banking fees	15,466	9,614	-	-
Bad debt written-off	2,670	-	2,670	-
Bank charges	43,990	32,194	11,861	12,640
Commissions and fees	32,680	28,217	20,723	17,015
Consultancy fees	3,762	7,807	-	-
Depreciation (Note 30)	52,132	50,410	18,484	35,206
Donations	185	1,618	124	1,206
Insurance	39,080	30,801	13,453	6,159
Investment management expense	-	2,213	-	2,213
Irrecoverable General Consumption Tax	91,713	69,796	47,390	33,007
Legal and professional fees	17,535	24,533	11,674	17,188
Licensing fees	50,315	32,048	10,845	10,180
Miscellaneous	5,097	10,545	2,474	5,349
Motor vehicle expense	7,668	7,642	3,125	2,781
Office expenses	7,460	7,000	1,479	1,875
Printing and stationery	13,741	11,418	2,097	2,655
Promotion and advertising	79,271	136,118	32,343	80,346
Repairs and maintenance	7,654	11,680	2,323	5,103
Security	17,427	14,006	131	787
Stamp duty	401	263	293	258
Technology project expense	78,658	119,470	78,657	119,470
Telephone and postage	25,068	24,515	9,577	12,608
Travelling and entertainment	12,270	9,341	5,751	4,103
	740,038	791,648	384,003	478,023

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14. Taxation

(a) Income tax is computed on the profit for the years adjusted for tax purposes. The charge for taxation comprises income tax at 33⅓%:

	The Group		The Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	2012 $'000
Current tax	444,931	566,044	311,064	439,650
Prior year (over)/ under provision	(1,744)	13,383	98	9,790
Deferred tax (Note 31)	(133,354)	8,412	(90,610)	(20,183)
	309,833	587,839	220,552	429,257

(b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33⅓% as follows:

	The Group		The Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	2012 $'000
Profit before taxation	1,472,446	2,050,123	1,328,482	1,574,595
Tax calculated at 33⅓%	490,815	683,374	442,827	524,865
Adjusted for the effects of:				
Income not subject to tax	(206,736)	(154,381)	(257,038)	(123,046)
Asset tax not deductible for taxation purposes	37,729	36,757	30,444	28,100
Prior year (over)/under provision	(1,744)	13,383	98	9,790
Net effect of other charges and allowances	(10,231)	8,706	4,221	(10,452)
	309,833	587,839	220,552	429,257

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14. Taxation (Continued)

(c) The deferred tax credited, relating to components of other comprehensive income, are as follows:

	The Group		The Company	
	2013 $'000	Restated 2012 $'000	2013 $'000	2012 $'000
Arising on (gains)/ losses recognised in other comprehensive income -				
Available-for-sale investments	(125,348)	193,276	(127,201)	163,791
Re-measurements of post-employment benefits	22,548	5,501	-	-
	(102,800)	198,777	(127,201)	163,791
Reclassifications from other comprehensive income to income statement -				
Available-for-sale investments	380,118	138,752	345,317	138,157
Cash flow hedge	-	19,949	-	19,949
	380,118	158,701	345,317	158,106
	277,318	357,478	218,116	321,897

15. Net Profit

	2013 $'000	Restated 2012 $'000
Dealt with in the financial statements of:		
The company	1,107,930	1,145,338
The subsidiaries	54,683	316,946
	1,162,613	1,462,284

16. Retained Earnings

	2013 $'000	Restated 2012 $'000
Reflected in the financial statements of:		
The company	4,749,605	4,418,979
The subsidiaries	159,938	257,287
	4,909,543	4,676,266

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17. Earnings per Stock Unit

(i) Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the company by the weighted average number of ordinary stock units in issue during the year.

	2013	Restated 2012
Net profit attributable to stockholders ($'000)	1,162,613	1,462,284
Weighted average number of ordinary stock units in issue ('000)	552,146	552,146
Basic earnings per stock unit ($)	2.11	2.65

(ii) Diluted earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units, as adjusted for the effects of potential dilutive effect of the stock options.

	2013	Restated 2012
Net profit attributable to stockholders ($'000)	1,162,613	1,462,284
Weighted average number of ordinary stock units in issue ('000)	552,146	555,556
Diluted earnings per stock unit ($)	2.11	2.63

(iii) The weighted average number of ordinary stock units used in the basic and diluted earnings per stock unit computations may be reconciled as follows:

	2013 '000	2012 '000
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	552,146	552,146
Effect of dilutive potential ordinary stock units – stock options	-	3,410
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	552,146	555,556

18. Cash and Balances Due from Other Financial Institutions

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Placements with other financial institutions	413,730	355,970	413,730	230,989
Items in the course of collection	183,097	154,475	-	-
Cash in hand and at bank	2,962,359	3,575,340	2,220,074	2,736,047
	3,559,186	4,085,785	2,633,804	2,967,036

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18. Cash and Balances Due from Other Financial Institutions (Continued)

Included in cash and balances due from other financial institutions are the following amounts, which are regarded as cash equivalents for purposes of the statement of cash flows:

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Cash and balances due from other financial institutions (Note 24)	3,145,456	3,854,797	2,220,074	2,736,047

Cash and cash equivalents include $413,750,000 (2012 -$230,988,000) that are held on a margin facility with a financial institution and therefore not available for general use by the Group and company.

19. Cash Reserve at Bank of Jamaica

A prescribed minimum of 26% (2012 - 26%) of deposit liabilities are required to be maintained by the banking subsidiary in liquid assets, of which 12% (2012 - 12%) must be maintained as cash reserve with the Bank of Jamaica for Jamaican dollar currency and 9% (2012 – 9%) for the relevant foreign currency. The cash reserve is not available for investment, lending or other use by the Group.

20. Financial Assets at Fair Value through Profit or Loss

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets held for trading -				
Debt securities -				
Corporate bonds	-	19,623	-	19,623
Sovereign	18,412	-	18,412	-
Unquoted preference shares	312,904	374,413	312,904	374,413
Quoted equity security	520	50,022	520	50,022
	331,836	444,058	331,836	444,058
Interest receivable	115	1,028	115	1,028
	331,951	445,086	331,951	445,086
Financial assets designated at fair value -				
Debt securities -				
Government of Jamaica promissory note	2,683,189	4,026,553	2,683,189	4,026,553
Government of Jamaica	1,939,903	-	1,320,263	-
	4,623,092	4,026,553	4,003,452	4,026,553
Interest receivable	54,978	23,793	41,988	23,793
	4,678,070	4,050,346	4,045,440	4,050,346
	5,010,021	4,495,432	4,377,391	4,495,432

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20. Financial Assets at Fair Value through Profit or Loss (Continued)

Included in Government of Jamaica debt securities is a Euro dollar promissory note which has been designated as financial asset at fair value through profit or loss. The company has also entered into a cross currency swap to mitigate the currency risk associated with this security (Note 23).

Unquoted preference shares consist of Equity Linked (ELP) and Dividend linked (DLP) preference shares. The ELP will provide returns based on the capital gains/loss from movement in the price of a listed stock and the DLP will provide returns based on the dividend income of the same stock. The terms of the preference shares provide for ELPs to receive twice the capital gain or loss from movement in the price of the underlying listed stock while the DLPs receive none of the capital gains or loss.

The Group holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. This embedded put option has not been separated but is recognised as part of fair value of the debt security. The initial recognition of the option is included in the determination of the "Loss on debt exchange transactions" and gains and losses on subsequent revaluations of the option are included in Note 9. The value of these options is $354,269,000 for the Group and $243,725,000 for the company.

21. Securities Purchased Under Agreements to Resell

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Principal	4,126,044	1,778,058	4,532,985	2,351,642
Interest receivable	16,210	5,456	16,175	5,370
	4,142,254	1,783,514	4,549,160	2,357,012

The Group and the company entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligation.

As at 31 December 2013, the Group held $4,480,307,000 (2012 - $2,078,780,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Securities purchased under agreement to resell with an original maturity of less than 90 days (Note 24)	3,627,197	1,227,608	4,043,163	1,809,291

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22. Investment Securities

	The Group		The Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Available-for-sale securities -				
Debt securities -				
Government of Jamaica	46,150,757	46,840,407	41,750,475	41,756,094
Corporate bonds	8,149,025	7,267,996	5,595,287	4,477,407
Credit linked notes	2,494,253	2,100,136	2,494,252	2,100,136
Bank of Jamaica Certificates of Deposit	-	115,000	-	35,000
Bank of Jamaica Indexed bonds	137,071	-	137,071	-
Other sovereign debt	3,492,194	930,066	1,485,014	744,707
	60,423,300	57,253,605	51,462,099	49,113,344
Unit Trust -				
Quoted – at fair value	219,420	178,680	219,420	178,680
Equity securities -				
Unquoted – at cost	281,500	279,477	264,121	264,121
	60,924,220	57,711,762	51,945,640	49,556,145
Loans and receivables investments -				
Credit linked notes	2,053,345	1,777,293	2,053,345	1,777,293
	62,977,565	59,489,055	53,998,985	51,333,438
Less: Pledged assets (Note 27)	(3,268,856)	(3,943,434)	(2,661,856)	(3,657,204)
	59,708,709	55,545,621	51,337,129	47,676,234
Less: Impairment charges	(204,852)	(204,852)	(204,852)	(204,852)
	59,503,857	55,340,769	51,132,277	47,471,382
Interest receivable	972,632	1,123,897	835,525	971,545
	60,476,489	56,464,666	51,967,802	48,442,927

Credit linked notes are structured securities with embedded credit swaps allowing the issuer to transfer specific credit risks to the holder. The coupon or price of these note are linked to the performance of a specific Government of Jamaica security. Investors in these instruments are given higher yields for accepting exposure to specified credit events.

22. Investment Securities (Continued)

During 2008, the Group and the Company reclassified certain financial assets out of available-for-sale category into the loans and receivable category. As at 31 December 2013, the fair values and carrying values of financial assets reclassified is $2,169,269,000 (2012 - $2,023,535,000) and $2,141,115,000 (2012 - $1,853,904,000). The effective interest rate on these instruments ranges from 12.7% to 12.9%.

The fair value gain that would have been recognised in other comprehensive income for the Group and company if these investment securities had not been reclassified is $115,924,000 (2012 – $169,631,000).

There was no reclassification of financial assets during the year.

The following are included in the income statement for investment securities reclassified in 2008:

	The Group and The Company	
	2013	2012
	$'000	$'000
Interest income	229,038	202,281
Foreign exchange gain	270,889	146,660
	499,927	348,941

23. Derivative Financial Instruments and Hedging Activity

Derivatives are at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group were to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis.

The fair values are set out below –

	The Group and Company			
	Assets		Liabilities	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(i) Currency forward	284,407	257,187	292,854	245,055
(ii) Cross currency swap	2,646,127	3,952,001	2,789,049	4,021,595
(iii) Equity indexed options	89,063	43,916	89,038	43,916
	3,019,597	4,253,104	3,170,941	4,310,566

(i) Currency forwards

The company has entered into a currency forward to buy US dollars and sell Euro dollars totalling €2,000,000 (2012 - €2,000,000) to be settled on a gross basis at a future date at a specified price. The credit risk is evaluated for each contract and is collateralised where deemed necessary. The contract expires in November 2014.

(ii) Cross currency swap

The company entered into a currency swap with an initial notional principal amount of €45 million maturing in February 2015. Under the terms of this swap, the company pays euro at a rate of 5% and receives 4.26% in US dollars on the notional principal amount outstanding at each quarter.

The company obtains principal and interest receipts in euros on a promissory note included in Note 20.

(iii) Equity indexed options

These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers (Note 34). The Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

23. Derivative Financial Instruments and Hedging Activity (Continued)

(iv) Interest rate swap and hedging activity – cash flow hedge

In 2010, hedge accounting was discontinued as the hedge relationship was no longer effective.

The contract was closed in February 2012. Accordingly, the remaining unamortised gains included in the fair value reserve were reclassified to the net trading income. The amount reclassified, net of deferred taxation, was $39,897,000 in 2012.

(v) OTC currency put options
Foreign currency put options are contractual agreements under which the seller grants the purchaser the right but not the obligation to sell at a set date, a specified amount of a foreign currency at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange risk.

The company has entered into a currency option with its parent company (Sagicor Life Jamaica Limited) to purchase a set amount of United States dollars at an agreed price if the closing Bank of Jamaica weighted average selling rate for the United States Dollar is less than the stated amount. The expiration date of this contract is 2039. The fair value of this option was $Nil at the year end.

24. Cash and Cash Equivalents

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and balances due from other financial institutions (Note 18)	3,145,456	3,854,797	2,220,074	2,736,047
Securities purchased under agreements to resell (Note 21)	3,627,197	1,227,608	4,043,163	1,809,291
Repurchase agreements with financial institutions	(2,383,734)	(2,868,944)	(1,015,156)	(2,348,433)
Items in the course of payment (Note 36)	(68,364)	(89,962)	-	-
Short term loan (Note 35)	(1,130,368)	-	-	(5,842)
	3,190,187	2,123,499	5,248,081	2,191,063

25. Loans, Net of Provision for Credit Losses

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Gross loans and advances	10,847,164	9,450,247	2,004,744	2,296,016
Less: Provision for credit losses	(236,632)	(215,902)	(92,856)	(103,918)
	10,610,532	9,234,345	1,911,888	2,192,098
Loan interest receivable	99,795	96,019	18,775	25,503
	10,710,327	9,330,364	1,930,663	2,217,601

The aggregate amount of non-performing loans on which interest was not being accrued is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Total non-performing loans	522,510	517,556	188,206	264,748

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	215,902	230,315	103,918	108,119
Provided during the year	64,546	75,882	28,441	12,958
Recoveries	(5,387)	(67,627)	(1,637)	(24,132)
Net charge/(credit) to the income statement (Note 12)	59,159	8,255	26,804	(11,174)
Write-offs	(42,362)	(31,244)	(45,548)	-
Currency revaluation adjustment	3,933	8,576	7,682	6,973
Balance at end of year	236,632	215,902	92,856	103,918

26. Lease Receivables, Net of Provision for Credit Losses

	The Group	
	2013	2012
	$'000	$'000
Gross investment in finance leases -		
Not later than one year	107,783	81,790
Later than one year and not later than five years	53,783	21,890
	161,566	103,680
Unearned finance income	(37,497)	(21,222)
Net investment in finance leases	124,069	82,458
Net investment in finance leases -		
Not later than one year	63,035	67,289
Later than one year and not later than five years	61,034	15,169
	124,069	82,458
Less Provision for credit losses	(15,721)	(24,024)
	108,348	58,434
Interest receivable	759	725
	109,107	59,159

The aggregate amount of non-performing lease receivables on which interest was not being accrued is $25,620,000 (2012 - $30,244,000).

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group	
	2013	2012
	$'000	$'000
Balance at beginning of year	24,024	20,664
(Credited)/charged in the income statement (Note 12)	(8,302)	3,360
Balance at end of year	15,722	24,024

27. Pledged Assets

Assets are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions and with the Bank of Jamaica.

	The Group			
	Asset		Related liability	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Investment securities and securities purchased under resale agreements	61,883,439	59,007,906	62,147,132	57,595,878

	The Company			
	Asset		Related liability	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Investment securities and securities purchased under resale agreements	59,387,104	57,891,569	60,484,370	56,839,727

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Investment securities (Note 22)	3,268,856	3,943,434	2,661,856	3,657,204

28. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. There were no related party transactions with the ultimate parent company.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Group and its parent company provide management services. Pan Jamaican Trust Investment Limited is a related party by virtue of being a shareholder with significant influence over the parent company.

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28. Related Party Transactions and Balances (Continued)

(i) The following transactions were carried out with related parties and companies:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
With parent company -				
Management fees earned	-	152	-	152
Interest and other income earned	2,280	52,985	-	45,438
Interest and other expenses paid	(408,457)	(210,924)	(365,495)	(192,482)
Rent and net lease recoveries paid to related party	(1,814)	(5,743)	(1,814)	(1,869)
With fellow subsidiaries -				
Interest income earned	44,534	18,343	44,534	18,343
Interest expense paid	(32,995)	(18,943)	(32,038)	(18,863)
With directors and key management -				
Interest expense paid	(3,692)	(6,940)	(3,533)	(6,565)
Interest income earned	33,799	2,728	31,667	517
Post-employment benefits	9,294	2,265	-	-
Share based payments and grants	24,000	36,165	24,000	36,165
Salaries and other short-term benefits	191,901	224,254	121,350	135,548
Party with significant influence over party company				
Fee income earned	1,875	32,500	1,875	32,500
Rent and net lease	(118,220)	(117,894)	(58,361)	(46,424)
Interest expense paid	(3,670)	(9,092)	(3,670)	(9,092)
Interest income earned	1,516	3,157	-	-
With managed funds -				
Management fees earned	139,647	109,817	139,647	109,817
Interest expense paid	(59,944)	(42,697)	(27,819)	(42,697)
Directors' emoluments -				
Fees	19,241	18,057	14,482	12,995
Other	59,731	77,782	59,731	77,782
	78,972	95,839	74,213	90,777

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28. Related Party Transactions and Balances (Continued)

(ii) Year-end balances with related companies and parties are as follows:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
With ultimate parent company -				
Balances due from ultimate parent company	20	609	-	-
With parent company -				
Customer deposits	(41,505)	(144,566)	-	-
Customer deposits – managed funds	(192,044)	(124,247)	-	-
Securities sold under agreements to repurchase	(5,415,057)	(1,431,568)	(5,415,057)	(1,431,568)
Securities sold under agreements to repurchase - managed funds	(5,796,043)	(3,349,004)	(5,796,043)	(3,349,004)
Balances due to parent company	(98,175)	(36,588)	(37,343)	(36,588)
With fellow subsidiaries -				
Cash and bank balances	-	-	563,596	330,080
Securities purchased under agreement to resell	-	-	420,966	681,674
Customer deposits	(377,446)	(196,225)	-	-
Securities sold under agreements to repurchase	(313,850)	(260,826)	(313,850)	(260,844)
Securities sold under agreements to repurchase - managed funds	(81,672)	(185,864)	(81,672)	(185,864)
Due to banks and other financial institutions	-	-	-	(5,482)
Balances due to fellow subsidiaries	-	(9,028)	(35,064)	(53,638)
Party with significant influence over party company				
Securities sold under agreements to repurchase	(196,197)	(514,559)	(195,311)	(514,559)
Customer deposits	(67,595)	(80,230)	-	-
Loans	7,244	23,471	-	-

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28. Related Party Transactions and Balances (Continued)

(iii) Year-end balances with related companies and parties are as follows (continued):

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
With directors and key management personnel -				
Loans	25,820	20,494	989	2,058
Customer deposits and other accounts	(33,296)	(28,578)	-	-
Structured products	(4,927)	-	(4,927)	-
Securities sold under agreements to repurchase	(67,753)	(86,949)	(67,753)	(86,949)
With managed funds -				
Loans	4,735	6,361	-	-
Customers deposits	(70,770)	(12,130)	-	-
Securities sold under agreements to repurchase	(3,059,744)	(742,346)	(3,059,744)	(742,346)
Balances due from related parties	75,534	47,887	75,505	47,888
Balances due to related parties	(30)	(59,896)	(30)	(59,896)

29. Intangible Assets

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Computer software	76,782	73,826	54,207	63,673
Goodwill	733,750	733,750	143,263	143,263
	810,532	807,576	197,470	206,936

29. Intangible Assets (Continued)

Computer software

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Opening net book value	73,826	47,550	63,673	26,547
Additions	12,853	53,409	1,201	53,408
Amortisation	(9,897)	(27,133)	(10,667)	(16,282)
	76,782	73,826	54,207	63,673
Cost	422,572	409,859	200,296	199,115
Accumulated amortisation	(345,790)	(336,033)	(146,089)	(135,442)
	76,782	73,826	54,207	63,673

The intangible assets have finite useful lives and are amortised over three to five years. The amortisation of computer software is included in other expenses in the income statement.

Goodwill

Impairment test for goodwill
Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the lines of business.

The impairment test is carried out by comparing the recoverable amount of the Group's cash generating units (CGUs) to which goodwill has been allocated to the carrying amount of those CGUs plus goodwill. For the purposes of the impairment assessment, goodwill has been allocated to the Group's cash generating units as follows:

	2013	2012
	$'000	$'000
Asset Management	54,604	54,604
Credit	75,417	75,417
Treasury, PDU & Investment Services	443,992	443,992
Trading & Brokerage	152,437	152,437
Trust Services	7,300	7,300
	733,750	733,750

The recoverable amount is based on its fair value less costs to sell, as estimated on the basis of the price/earnings ratios of similar businesses. Observable market prices are used.

There was no impairment of any of the Group's CGUs.

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30. Property, Plant and Equipment

	Leasehold Improvement	Furniture and Equipment	Motor Vehicles	Computer Equipment	Total
	$'000	$'000	$'000	$'000	$'000
			The Group		
Cost					
At 1 January 2012	163,294	162,298	12,154	179,658	517,404
Additions	137,535	37,567	9,402	7,017	191,521
Disposals	-	(1,111)	(315)	(92)	(1,518)
At 31 December 2012	300,829	198,754	21,241	186,583	707,407
Additions	20,454	25,688	-	18,112	64,254
Write-offs/reclassification	(3,721)	(730)	-	163	(4,288)
Disposals	(55)	(2,816)	-	(1,216)	(4,087)
At 31 December 2013	317,507	220,896	21,241	203,642	763,286
Accumulated Depreciation					
At 1 January 2012	72,599	127,290	3,727	145,097	348,713
Charge for the year	18,436	17,414	3,371	11,189	50,410
Disposals	-	(1,111)	(315)	(29)	(1,455)
At 31 December 2012	91,035	143,593	6,783	156,257	397,668
Charge for the year	28,698	8,674	4,067	10,693	52,132
Disposals	(44)	(2,454)	-	(1,084)	(3,582)
At 31 December 2013	119,689	149,813	10,850	165,866	446,218
Net Book Value					
At 31 December 2013	197,818	71,083	10,391	37,776	317,068
At 31 December 2012	209,794	55,161	14,458	30,326	309,739
			The Company		
Cost					
At 1 January 2012	112,015	75,365	10,464	104,122	301,966
Additions	255	7,352	1,404	4,242	13,253
Disposals	-	-	-	(92)	(92)
At 31 December 2012	112,270	82,717	11,868	108,272	315,127
Additions	590	771	-	17,859	19,220
Write-offs/reclassifications	-	(112)	-	163	51
Disposals	-	(356)	-	(249)	(605)
At 31 December 2013	112,860	83,020	11,868	126,045	333,793
Accumulated Depreciation					
At 1 January 2012	46,140	42,845	3,054	88,096	180,135
Charge for the year	11,214	12,866	2,297	8,829	35,206
Disposals	-	-	-	(29)	(29)
At 31 December 2012	57,354	55,711	5,351	96,896	215,312
Charge/recoveries for the year	9,926	(819)	2,193	7,184	18,484
Disposals	-	(276)	-	(117)	(393)
At 31 December 2013	67,280	54,616	7,544	103,963	233,403
Net Book Value					
At 31 December 2013	45,580	28,404	4,324	22,082	100,390
At 31 December 2012	54,916	27,006	6,517	11,376	99,815

31. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓% for the company and the subsidiaries. Net deferred tax assets and liabilities recognised on the statement of financial position comprises:

	The Group		The Company	
	2013	Restated 2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred income tax assets	295,903	47,932	235,095	28,025
Deferred income tax liabilities	(67,643)	(230,344)	(26,939)	(128,595)
Net deferred income tax asset/(liability)	228,260	(182,412)	208,156	(100,570)

The movement in the net deferred income tax balance is as follows:

	The Group		The Company	
	2013	Restated 2012	2013	2012
	$'000	$'000	$'000	$'000
Balance at beginning of year	(182,412)	(531,478)	(100,570)	(442,650)
Credited/(charged) to the income statement (Note 14)	133,354	(8,412)	90,610	20,183
Tax credited relating to components in other comprehensive income (Note 14)	277,318	357,478	218,116	321,897
Balance at end of year	228,260	(182,412)	208,156	(100,570)

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31. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Company	
		Restated		
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Property, plant and equipment	-	1,470	-	1,470
Investment securities	178,464	-	180,955	-
Derivatives financial instruments	49,853	21,555	49,853	21,555
Post-employment benefit obligations	56,265	13,312	-	-
Other	11,321	11,595	4,287	5,000
	295,903	47,932	235,095	28,025
Deferred income tax liabilities -				
Property, plant and equipment	7,737	21,385	2,059	-
Investment securities	-	76,437	-	37,291
Financial assets at fair value through profit or loss	12,419	69,393	14,567	69,393
Loan loss provision	47,487	51,219	10,313	21,911
Post-employment benefit assets	-	11,910	-	-
	67,643	230,344	26,939	128,595
Net deferred tax asset/(liability)	228,260	(182,412)	208,156	(100,570)

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31. Deferred Income Taxes (Continued)

The movement in deferred tax assets and liabilities is as follows:

	The Group					
	Accelerated tax depreciated $'000	Fair value gains $'000	Loan loss provision $'000	Post-employment benefits $'000	Other $'000	Total $'000
At 1 January 2012, restated	3,788	(497,331)	(50,682)	1,891	10,856	(531,478)
(Charged)/credited to income statement	(23,700)	20,069	3,250	(5,990)	(2,041)	(8,412)
Credited to other comprehensive income	-	351,977	-	5,501	-	357,478
At 31 December 2012, restated	(19,912)	(125,285)	(47,432)	1,402	8,815	(182,412)
Credited/(charged) to income statement	12,175	85,087	(55)	33,641	2,506	133,354
Credited to other comprehensive income	-	256,096	-	21,222	-	277,318
At 31 December 2013	(7,737)	215,898	(47,487)	56,265	11,321	228,260

	The Company				
	Accelerated tax depreciated $'000	Fair value gains $'000	Loan loss provision $'000	Other $'000	Total $'000
At 1 January 2012	1,519	(427,344)	(21,639)	4,814	(442,650)
Credited/(charged) to income statement	(49)	20,070	(272)	434	20,183
Charged to other comprehensive income	-	321,897	-	-	321,897
At 31 December 2012	1,470	(85,377)	(21,911)	5,248	(100,570)
(Charged)/credited to income statement	(3,529)	83,378	11,598	(837)	90,610
Credited to other comprehensive income	-	218,116	-	-	218,116
At 31 December 2013	(2,059)	216,117	(10,313)	4,411	208,156

32. Post-employment Benefits

	2013 $'000	2012 $'000
(a) Pension benefits	(13,643)	35,729
(b) Other post-employment benefit obligations	(155,151)	(39,936)
	(168,794)	(4,207)

(a) Pension schemes

The Group has established a number of pension schemes covering all permanent employees, a defined benefit plan and a defined contribution plan. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds.

Defined contribution plan
The Defined contribution plan received regulatory approval in 2012 and all new employees subsequently are included in this plan.

Defined benefit plan
The defined benefit plan is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2013. The plan provides pensionable salary to members based on the average member's earnings over the 5 years immediately prior to exit.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension scheme ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile.

The next triennial valuation is due to be completed as at 31 December 2013.

Any plan surplus or funding deficiency is absorbed by the Group.

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32. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the statement of financial position are determined as follows:

	2013 $'000	2012 $'000
Present value of funded obligations	583,453	441,435
Fair value of plan assets	(569,810)	(477,164)
Deficit/(surplus) of funded plan	13,643	(35,729)

The movement in the defined benefit obligation over the year is as follows:

	2013 $'000	2012 $'000
Balance at beginning of year	441,435	387,321
Current service cost	22,712	16,961
Interest cost	40,929	34,025
	63,641	50,986
Re-measurements -		
Change in demographic assumptions	24,605	-
Change in financial assumptions	87,709	(33,552)
Experience adjustments	(33,815)	33,307
	78,499	(245)
Members' contributions	21,569	22,315
Benefits paid	(43,344)	(20,796)
Purchased annuities	21,653	1,854
Balance at end of year	583,453	441,435

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32. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The movement in the defined benefit asset during the year is as follows:

	2013 $'000	2012 $'000
Balance at beginning of year	477,164	415,794
Return on plan assets	45,695	42,727
Re-measurements -		
Change in demographic assumptions	435	-
Change in financial assumptions	826	(291)
Experience adjustment	16,192	(15,523)
Members' contributions	21,569	22,315
Employer's contributions	29,620	31,084
Benefits paid	(43,344)	(20,796)
Purchased annuities	21,653	1,854
Balance at end of year	569,810	477,164

The amounts recognised in the income statement are as follows:

	2013 $'000	2012 $'000
Current service cost	22,712	16,961
Interest cost on plan obligation	40,929	34,025
Interest income on plan assets	(45,695)	(42,727)
Total, included in team member costs (Note 11)	17,946	8,259

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32. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amount recognised in other comprehensive income is as follows:

	2013 $'000	2012 $'000
Change in demographic assumptions	24,170	-
Change in financial assumptions	86,883	(33,192)
Experience adjustments	(50,007)	48,761
	61,046	15,569
Deferred tax	(20,349)	(5,190)
	40,697	10,379

Plan assets are comprised as follows:

	2013		2012	
	Level 2		Level 2	
Equities Fund	33,160	5%	15,337	3%
Mortgage & Real Estate Fund	169,836	30%	27,942	6%
Fixed Income Fund	56,225	10%	251	0%
Money Market Fund	82,463	14%	302,673	63%
Foreign Currency Fund	162,519	29%	121,834	26%
CPI Indexed Fund	33,735	6%	63	0%
Purchased annuities	31,872	6%	9,064	2%
	569,810	100%	477,164	100%

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32. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Expected contributions to the post-employment plan for the year ending 31 December 2014 are $28,240,000.

Movements in the amounts recognised in the statement of financial position:

	2013 $'000	2012 $'000
Asset at beginning of year	(35,729)	(28,473)
Amounts recognised in the income statement (Note 11)	17,946	8,259
Re-measurements recognised in other comprehensive income	61,046	15,569
Contributions paid	(29,620)	(31,084)
Liability/(asset) at end of year	13,643	(35,729)

The significant actuarial assumptions used were as follows:

	2013	2012
Discount rate	9.5%	10.5%
Future salary increases	6%	8%

The sensitivity of post-employment benefits to changes in the weighted principal assumptions is:

	Impact on post-employment benefits		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate – pension scheme	1%	(98,478)	119,742
Discount rate – medical scheme	1%	(30,335)	41,091
Future salary increases	1%	50,793	(44,215)
Health cost	1%	47,963	(34,293)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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32. Post-employment Benefits (Continued)

(b) Other post-employment benefits

In addition to pension benefits, the Group offers retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is the long-term increase in health cost of 8% (2012 - 9%) per annum.

The amounts recognised in the statement of financial position are determined as follows:

	2013 $'000	Restated 2012 $'000
Present value of unfunded obligations	155,151	39,936

The movement in the defined benefit obligation over the year is as follows:

	2013 $'000	Restated 2012 $'000
Balance at beginning of year	39,936	34,147
Current service cost	3,525	3,371
Past service cost	96,946	-
Interest expense	4,172	3,406
Re-measurements -		
Loss from change in demographic assumptions	21,844	-
Loss/(gain) from change in financial assumptions	39,709	(2,981)
Experience adjustments	(50,568)	2,180
	10,985	(801)
Benefits paid	(413)	(187)
Balance at end of year	155,151	39,936

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32. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The amounts recognised in the income statement are as follows:

	2013 $'000	Restated 2012 $'000
Current service cost	3,525	3,371
Past service cost	96,946	-
Interest cost	4,172	3,406
Benefits paid	-	(187)
Total, included in team member costs (Note 11)	104,643	6,590

The amount recognised in other comprehensive income is as follows:

	2013 $'000	Restated 2012 $'000
Change in demographic assumptions	21,844	-
Change in financial assumptions	39,709	3,128
Experience adjustments	(50,568)	(3,929)
	10,985	(801)
Deferred tax	(3,662)	267
	7,323	(534)

Movement in the amounts recognised in the statement of financial position:

	2013 $'000	Restated 2012 $'000
Liability at beginning of year	39,936	34,147
Amounts recognised in the income statement (Note 11)	104,643	6,590
Amount recognised in other comprehensive income	10,572	(801)
Liability at end of year	155,151	39,936

32. Post-employment Benefits (Continued)

Plan risks
Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks. The Group does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Group has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

Investment risk
The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

Changes in bond yields
A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investment.

Salary risk
The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore an increase in the salary of members will increase the plan's liability.

Life expectancy
The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

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32. Post-employment Benefits (Continued)

The weighted average duration of liability of the defined benefit obligation is as follows:

	2013 Years	2012 Years
Active members	14	15
Deferred pensioners	17	21

33. Other Assets

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Withholding tax recoverable from Government of Jamaica	1,296,999	1,705,512	1,197,448	1,433,846
Customer settlement accounts	36,835	18,585	31,857	18,343
Prepayments	20,811	23,794	20,811	23,794
Staff receivables	19,698	58,396	19,698	58,396
Property, plant and equipment deposits	183,090	15,574	7,244	7,461
Other	87,924	54,353	30,626	31,791
	1,645,357	1,876,214	1,307,684	1,573,631

Property, plant and equipment deposits include costs associated with its subsidiary, Sagicor Bank Jamaica Limited, new branch.

34. Structured Products

	The Group and The Company	
	2013	2012
	$'000	$'000
Principal protected notes -		
With no interest guaranteed	267,424	315,566
With interest guaranteed	1,459,338	386,051
7.15% U.S. Dollar amortising notes	94,164	142,902
	1,820,926	844,519
Interest payable	20,296	9,581
	1,841,222	854,100

Principal protected notes
Principal protected notes comprise a fixed income element with or without an interest guarantee (included above) and an equity indexed option element disclosed in Note 23. These notes entitle the holders to participate in any positive returns on the equity indexed options and they also include a principal protection feature. If the return on the index is negative, the holder will obtain the principal invested for notes with no interest guarantee and principal invested plus interest for notes with an interest guarantee. The maturity of these notes ranges from 2014 and 2017.

U.S. Dollar amortising notes
The 7.15% US dollar amortising notes are structured securities whereby the principal is amortising quarterly with final repayment by February 2015.

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35. Due to Banks and Other Financial Institutions

			The Group		The Company	
		Rate	2013	2012	2013	2012
	Currency	%	$'000	$'000	$'000	$'000
Long Term Loans -						
The National Export Import Bank of Jamaica						
Repayable in 2 installments in March 2013 and April 2013	J$	8.00	-	32,000	-	32,000
Development Bank of Jamaica Limited -						
Repayable over varying periods from 24 to 96 months	J$	various	10,476	28,265	10,476	28,265
European Investment Bank -						
Repayable in 7 equal annual installments commencing on 5 December 2008 and ending 2014	J$	various	66,215	132,430	66,215	132,430
Repayable in 7 equal annual installments commencing on 5 December 2008 and ending 2014	US$	various	23,810	41,565	23,810	41,565
Development Bank of Jamaica Limited (DBJ)						
Repayable over varying periods from 6 months to121 months	J$	various	809,855	187,475	-	-
The National Export-Import Bank of Jamaica Limited -						
Repayable over varying periods from 48 months to 50 months	J$	13.00/ 8.00	23,909	45,591	-	-
			934,265	467,326	100,501	234,260
Short –Term Loans						
National Commercial Bank Jamaica Limited						
Repayable in one installment on 2 January 2014	J$	6.5	600,000	-	-	-
Citibank N.A						
Repayable in one installment on 2 January 2014	US$	1.75	530,235	-	-	-
			1,130,235	-	-	-
Bank overdraft -						
Sagicor Bank Jamaica Limited	J$		-	-	-	5,842
			-	-	-	5,842
			2,064,500	467,326	100,501	240,102
Interest payable			1,389	1,420	785	1,362
			2,065,889	468,746	101,286	241,464

35. Due to Banks and Other Financial Institutions (Continued)

(a) Development Bank of Jamaica Limited (DBJ)
The agreement with the Development Bank of Jamaica Limited allows DBJ, at its absolute discretion, to approve financing to the company for on-lending to customers for development projects which meet the criteria of DBJ and on such terms and conditions as DBJ may stipulate.

Funds disbursed to the company bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ and are extended to the clients at a maximum spread as stipulated by DBJ.

(b) European Investment Bank (EIB)
A facility was established in the amount of €4,000,000 on 20 December 2002 for the provision of financing to small and medium sized projects in the productive and related service sectors in Jamaica. The loan is disbursed to the company in tranches. The draw downs may be done in US$ or J$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal annual instalments commencing 5 December 2008.

(c) The National Export-Import Bank of Jamaica Limited (EXIM)
The company and its subsidiary Sagicor Bank Jamaica Limited (SBJ) are approved financial institutions of the National Export-Import Bank of Jamaica (EXIM). Through this partnership financing is provided, which is utilised to finance customers with viable projects within EXIM's guidelines.

Trade credit, short and medium term loans are offered to customers engaged in manufacturing, agriculture, tourism and export trading. The loans to customers are for varying terms and at a maximum spread as stipulated by EXIM.

(d) Bank Overdrafts

The bank overdraft balances represented book overdrafts. The actual balance at the bank was positive at year end.

Included in due to banks and other financial institutions are $1,130,368,000 which is regarded as cash equivalents for purposes of the statement of cash flows (Note 24).

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

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36. Other Liabilities

	The Group		The Company	
	2013 **$'000**	**2012** **$'000**	**2013** **$'000**	**2012** **$'000**
Accruals	32,783	81,345	14,009	46,466
Asset tax	114,926	110,271	88,126	84,301
Customer settlement accounts	207,407	752,796	180,223	704,735
Items in the course of payment	68,364	89,962	-	-
Staff related payables	209,678	161,284	153,266	111,037
Stale dated cheques	114,581	90,794	34,735	29,631
Dividends payable (Note 44)	502,453	-	502,453	-
Other	71,704	31,419	18,438	12,954
	1,321,896	1,317,871	991,250	989,124

37. Share Capital

The total authorised number of ordinary stock units is 675,613,376 (2012 - 675,613,376), of which 552,145,844 (2012 – 552,145,844) was issued and fully paid.

The stock units in 2013 and 2012 are stated in these financial statements without a nominal or par value.

Sagicor Investments Jamaica Limited

38. Stock Options and Grants

During the year, it was decided that with effect from 31 December 2013 no new shares will be issued by the company and existing outstanding options will be converted to options in Sagicor Group Jamaica Limited shares. New exercise prices and new outstanding option amounts were determined to ensure option holders were no better or worse off. All other terms of the options agreement remain unchanged.

The company offers stock options to employees who have completed the minimum eligibility period of employment. Options are conditional on the employee completing a minimum service period of one year (the eligibility period). Options are forfeited if the employee leaves the Group before the options vest. Options were granted as follows:

(i) 4,074,246 stock options on 1 April 2007. These options expire on 31 March 2014. The exercise price for the options is $18.00. These options vest over four years – 25% each anniversary date of the grant. No stock units have been taken up during the year (485,791 to date). Contracts for 1,329,383 of these stock units were forfeited to date. The 2,259,072 options outstanding at 31 December 2013 were converted to 3,649,711 options in the shares of Sagicor Group Jamaica Limited with exercise price of $11.14.

(ii) 3,100,273 stock options on 1 April 2008. These options expire on 31 March 2015. The exercise price for the options is $20.50. These options vest over four years – 25% each anniversary date of the grant. No stock units have been taken up during the year (470,347 to date). Contracts for 710,753 of these stock units were forfeited to date. The 1,919,173 options outstanding at 31 December 2013 were converted to 3,321,771 options in the shares of Sagicor Group Jamaica Limited with exercise price of $11.84.

(iii) 5,785,288 stock options on 1 April 2009. These options expire on 31 March 2016. The exercise price for the options is $12.20. These options vest over four years – 25% each anniversary date of the grant. 239,357 stock units have been taken up during the year (2,025,033 to date). Contracts for 578,137 of these stock units were forfeited to date. The 3,182,118 options outstanding at 31 December 2013 were converted to 5,069,770 options in the shares of Sagicor Group Jamaica Limited with exercise price of $7.66.

(iv) 3,137,791 stock option on 1 April 2011. These options expire on 31 March 2017. The exercise price for the option is $18.00. These options vest over four years – 25% each anniversary date of the grant. No stock units have been taken up during the year (244,044 to date). Contracts for 548,146 of these stock units were forfeited to date. The 2,345,601 options outstanding at 31 December 2013 were converted to 4,039,454 options in the shares of Sagicor Group Jamaica Limited with exercise price of $10.45.

(v) 2,635,606 stock option on 1 April 2012. These options expire on 31 March 2018. The exercise price for the option is $19.20. These options vest over four years – 25% each anniversary date of the grant. 86,528 stock units have been taken up to date. Contracts for 601,300 of these stock units were forfeited to date. The 1,947,778 options outstanding at 31 December 2013 were converted to 3,413,274 options in the shares of Sagicor Group Jamaica Limited with exercise price of $10.96.

(vi) 1,172,441 stock option on 1 April 2013. These options expire on 31 March 2019. The exercise price for the option is $26.48. These options vest over four years – 25% each anniversary date of the grant. Contracts for 207,302 of these stock units were forfeited to date. The 965,139 options outstanding at 31 December 2013 were converted to 1,813,036 options in the shares of Sagicor Group Jamaica Limited with exercise price of $14.10.

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38. Stock Options and Grants (Continued)

Details of the stock options outstanding are as follows:

	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
	2013	2013	2012	2012
	'000	$	'000	$
Balance at beginning of year	14,479	16.54	12,956	16.54
Granted	-	-	3,808	21.44
Exercised	(240)	12.20	(1,605)	15.68
Lapsed/forfeited	(1,620)	19.55	(680)	17.92
Sagicor Investments Jamaica Limited options outstanding	12,619	-	14,479	17.76
Conversion to Sagicor Group Jamaica Limited options	21,307	10.51	-	-
Exercisable at the end of the year	17,230	10.19	8,384	17.36

The Sagicor Investments Jamaica Limited outstanding options above were prior to the conversion to Sagicor Group Jamaica Limited options.

Stock options outstanding at the end of the year for the company have the following expiry date and exercise price. The 2013 exercise price reflects the price for the converted options:

Expiry date	Exercise price	Exercise price	No. of stock options	
	2013	2012	2013	2012
31 March 2014	$11.14	$18.00	3,649,711	2,661,339
31 March 2015	$11.84	$20.50	3,321,771	2,294,568
31 March 2016	$7.66	$12.20	5,069,770	3,421,475
31 March 2017	$10.45	$18.00	4,039,454	2,709,525
31 March 2018	$10.96	$19.20	3,413,274	2,289,492
31 March 2019	$14.10	$26.48	1,813,036	1,101,824
			21,307,016	14,478,223

For the new Sagicor Group Jamaica Limited options outstanding at the end of the year, the weighted average remaining contractual term to expiry is 3 years (2012 – 3 years).

Options for 239,357 stock units were exercised during the current year (2012 – 1,605,067). The weighted average stock unit price at the date of exercise for options exercised during the year was $15.80 (2012 - $21.65).

Sagicor Investments Jamaica Limited

38. Stock Options and Grants (Continued)

With effect from 31 December 2013, stock options are equity–settled by Sagicor Group Jamaica Limited and the provision made represents the fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares for outstanding options. The fair value of the options at the year end is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services is recognised over the expected vesting period. The significant inputs into the model were weighted average stock unit prices at the grant date, exercise price shown above; standard deviation of expected share price returns, option life disclosed above, and annual average risk free interest rate. The expected volatility is based on statistical analysis of daily stock unit prices over one year.

The company recognised cumulative expenses of $95,551,000 (2012 - $80,551,000) as stock options expense of which $15,000,000 (2012 - $6,296,000) was recognised in the income statement during the year for the previous scheme.

The company provides share grants to executives based on the performance of the Group. No shares were granted during the current year (2012 – 427,756, average fair value of $26.48). The prices are based on the trading price on the Jamaica Stock Exchange.

39. Retained Earnings Reserve

Section 2 of the Banking Act of 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

Transfers to the retained earnings reserve are made at the discretion of the subsidiary's Board of Directors; such transfers must be notified to the Bank of Jamaica.

40. Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profit of the banking subsidiary as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the subsidiary, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the subsidiary.

The deposit liabilities and other indebtedness for borrowed money together with all interest accrued should not exceed twenty times its capital base for the banking subsidiary.

41. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

The loss loan reserve is determined as follows:

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Provision for credit losses determined under IFRS -				
Loans (Note 25)	236,632	215,902	92,856	103,918
Lease receivables (Note 26)	15,721	24,024	-	-
	252,353	239,926	92,856	103,918
The provision for credit losses determined under regulatory requirements -				
Specific provision	394,814	393,593	123,794	169,650
General provision	114,916	98,066	20,903	24,138
	509,730	491,659	144,697	193,788
Excess of regulatory provision over IFRS provision reflected in a non distributable loan loss reserve	257,377	251,733	51,841	89,870

42. Capital Redemption Reserve

The capital redemption reserve was created on the redemption of preference shares in conformity with the provisions of the Jamaican Companies Act. The preference shares were fully redeemed in 2011.

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43. Fair Value Reserve

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments and the unamortised loss relating to securities reclassified to loans and receivables.

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Available-for-sale investments	(248,373)	322,718	(311,160)	186,619
Unamortised loss - reclassified investments	(62,301)	(69,353)	(62,301)	(69,353)
	(310,674)	253,365	(373,461)	117,266

44. Dividends

	The Group and The Company	
	2013	2012
	$'000	$'000
First interim dividend – 48 cents (2012 – 74.3 cents)	265,030	410,244
Second interim dividend – 12 cents (2012 - 57 cents)	66,257	314,723
Third interim dividend – 91 cents (2012 - nil)	502,453	-
	833,740	724,967

The dividends declared for 2013 and 2012 represented a dividend per stock unit of $1.51 and $1.313, respectively. The third interim dividend was declared in December 2013 for payment on 28 January 2014.

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45. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are estimated on the basis discounted cash flows. Fair value is equal to the carrying amount of these items;

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques. Investments in unit trusts are based on prices quoted by the fund managers.

(iii) The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates. The fair value of the equity indexed options and the exchange traded funds that are shorted are based on quoted prices. The fair value of the cross currency swap is based on the present value of the net future cash payments and receipts, which fluctuate based on changes in market interest rates and the euro/U.S. dollar exchange rate.

(iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the statement of financial position date. The estimated fair value of fixed interest bearing deposits, disclosed below, is based on discounted cash flows using interest rates for new deposits.

(v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;

(vi) Loans are net of provision for impairment. The estimated fair value of loans, disclosed below, represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and

(vii) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

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45. Fair Value of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Group and company's statement of financial position at their fair value:

	The Group			
	Carrying Value 2013 $'000	Fair Value 2013 $'000	Carrying Value 2012 $'000	Fair Value 2012 $'000
Financial Assets				
Investment securities – loans and receivable	2,141,115	2,169,269	1,853,904	2,023,535
Loans, net of provision for credit losses	10,710,327	10,457,086	9,330,364	10,123,910
Financial Liabilities				
Securities sold under agreements to repurchase	62,147,132	62,256,839	57,595,878	57,650,536
Customer deposits and other accounts	11,899,135	13,598,851	11,215,194	12,347,688
Due to banks and other financial institutions	2,065,889	2,060,460	468,746	480,614

	The Company			
	Carrying Value 2013 $'000	Fair Value 2013 $'000	Carrying Value 2012 $'000	Fair Value 2012 $'000
Financial Assets				
Investment securities – loans and receivables	2,141,115	2,169,269	1,853,904	2,023,535
Loans, net of provision for credit losses	1,930,663	1,874,617	2,217,601	2,322,354
Financial Liabilities				
Securities sold under agreements to repurchase	60,484,370	59,584,497	56,839,727	56,834,221
Customer accounts	99,507	106,193	171,152	178,611
Due to banks and other financial institutions	101,286	98,899	241,464	236,345

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45. Fair Value of Financial Instruments (Continued)

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2013, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by the Fund is the current bid price;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	The Group			
	2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Fair value through profit or loss securities	520	4,696,597	312,904	5,010,021
Investment securities	-	56,826,450	597,024	57,423,474
Derivative financial instruments	-	3,019,597	-	3,019,597
Pledged assets	-	3,268,856	-	3,268,856
	520	67,811,500	909,928	68,721,948
Financial Liabilities				
Derivative financial instruments	-	3,170,941	-	3,170,941

	The Group			
	2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Fair value through profit or loss securities	50,022	4,070,997	374,413	4,495,432
Investment securities	-	50,724,835	2,606,904	53,331,739
Derivative financial instruments	-	4,253,104	-	4,253,104
Pledged assets	-	3,943,434	-	3,943,434
	50,022	62,992,370	2,981,317	66,023,709
Financial Liabilities				
Derivative financial instruments	-	4,310,566	-	4,310,566

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45. Fair Value of Financial Instruments (Continued)

	The Company			
	2013			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Fair value through profit or loss securities	520	4,063,967	312,904	4,377,391
Investment securities	-	49,167,764	597,024	49,764,788
Derivative financial instruments	-	3,019,597	-	3,019,597
Pledged assets	-	2,661,856	-	2,661,856
	520	58,826,759	909,928	60,736
Financial Liabilities				
Derivative financial instruments	-	3,170,941	-	3,170,941

	The Company			
	2012			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Fair value through profit or loss securities	50,002	4,070,997	374,413	4,495,412
Investment securities	-	43,887,424	2,606,904	46,494,328
Derivative financial instruments	-	4,253,104	-	4,253,104
Pledged assets	-	3,657,204	-	3,657,204
	50,002	55,868,729	2,981,317	58,900,048
Financial Liabilities				
Derivative financial instruments	-	4,310,566	-	4,310,566

There were no transfers between Level 1 and 2 in the year.

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45. Fair Value of Financial Instruments (Continued)

Reconciliation of level 3 items -

	The Group and The Company	
	2013	2012
	$'000	$'000
Balance at beginning of year	2,981,317	3,075,673
Transfer to level 2	(2,107,080)	-
Total gain - other comprehensive income	-	2,452
Total (loss)/gain – income statement	(17,408)	221,935
Purchases	53,099	-
Settlements	-	(318,743)
Balance at end of year	909,928	2,981,317

The gains or losses recorded in the profit or loss are included in Note 9.

The transfer from level 3 to 2 is attributable to changes in the observability of market data.

There was no material impact from changes in the assumptions for level 3 securities.

46. Assets under Administration

The Group and the company provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets are not included in these financial statements. As at 31 December 2013, the Group and the company had financial assets under administration of approximately $45,606,811,000 (2012 - $40,683,377,000) and $45,270,104,000 (2012 - $40,317,544,000) respectively.

47. Contingent Liabilities and Commitments

(a) Legal proceedings

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit and can be successfully defended; the total of these claims is US$9,617,000.

(b) Commitments

The tables below show the contractual expiry by maturity of the Group's and company's contingent liabilities and commitments.

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47. Contingent Liabilities and Commitments (Continued)

(b) Commitments (continued)

	The Group			
At 31 December 2013	**No later than 1 year \$'000**	**1 to 5 years \$'000**	**Over 5 years \$'000**	**Total \$'000**
Loan commitments	790,100	647,760	132,835	1,570,695
Guarantees, acceptances and other financial facilities	853,675	203,180	14,215	1,071,070
Operating lease commitments	149,852	509,156	131,246	790,254
	1,793,627	1,360,096	278,296	3,432,019
At 31 December 2012				
Loan commitments	160,938	1,282,141	77,470	1,520,549
Guarantees, acceptances and other financial facilities	382,971	417,594	32,882	833,447
Operating lease commitments	120,935	403,373	60,955	585,263
	664,844	2,103,108	171,307	2,939,259

	The Company			
At 31 December 2013	**No later than 1 year \$'000**	**1 to 5 years \$'000**	**Over 5 years \$'000**	**Total \$'000**
Loan commitments	686,563	43,122	-	729,685
Guarantees, acceptances and other financial facilities	19,652	18,319	1,000	38,971
Operating lease commitment	60,941	207,926	-	268,867
	767,156	269,367	1,000	1,037,523
At 31 December 2012				
Loan commitments	40,001	882,851	-	922,852
Guarantees, acceptances and other financial facilities	293,317	29,758	21,315	344,390
Operating lease commitment	49,755	177,044	-	226,799
	383,073	1,089,653	21,315	1,494,041

Lease payments, including maintenance, for Group during the year were \$129,226,000 (2012 - \$112,975,000).

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48. Maturity Analysis of Assets and Liabilities

The tables below show an analysis of assets and liabilities according to when they are expected to be recovered or settled. The financial statement areas shown below only reflect assets and liabilities that combine current and non-current balances.

	2013					
	The Group			The Company		
ASSETS	**Current**	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value through profit or loss	2,251,500	2,758,521	5,010,021	2,238,510	2,138,881	4,377,391
Investment securities and pledged assets	8,224,720	55,520,625	63,745,345	5,882,785	48,746,873	54,629,658
Derivative financial instruments	2,505,212	514,384	3,019,597	2,505,212	514,385	3,019,597
Loans, net of provision for credit losses	4,043,403	6,666,924	10,710,327	1,014,873	915,790	1,930,663
Lease receivables	19,687	89,420	109,107	-	-	-
Deferred income tax assets	8,816	228,633	237,449	7,584	227,635	235,219

	The Group			The Company		
LIABILITIES	**Current**	**Non-Current**	**Total**	**Current**	**Non-Current**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Securities sold under agreements to repurchase	59,692,082	2,455,050	62,147,132	58,029,321	2,455,049	60,484,370
Customer deposits and other accounts	10,713,433	1,185,702	11,899,135	33,856	65,651	99,507
Structured products	1,010,767	830,455	1,841,222	1,010,767	830,455	1,841,222
Due to banks and other financial institutions	1,640,434	425,455	2,065,889	99,791	1,495	101,286
Derivative financial instruments	2,516,515	654,426	3,170,941	2,516,515	654,426	3,170,941
Deferred income tax liabilities	124	29,087	29,211	124	26,939	27,063

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48. Maturity Analysis of Assets and Liabilities (Continued)

2012

ASSETS	The Group Current $'000	The Group Non-Current $'000	The Group Total $'000	The Company Current $'000	The Company Non-Current $'000	The Company Total $'000
Financial assets at fair value through the profit or loss	2,238,835	2,256,597	4,495,432	2,238,834	2,256,598	4,495,432
Investment securities and pledged assets	8,937,924	51,470,176	60,408,100	6,862,452	45,237,679	52,100,131
Derivative financial instruments	1,913,200	2,339,904	4,253,104	1,913,200	2,339,904	4,253,104
Loans, net of provision for credit losses	5,531,947	3,798,417	9,330,364	1,634,098	583,503	2,217,601
Lease receivables	34,923	24,236	59,159	-	-	-
Deferred income tax assets	11,595	42,370	53,965	5,000	23,025	28,025

LIABILITIES	The Group Current $'000	The Group Non-Current $'000	The Group Total $'000	The Company Current $'000	The Company Non-Current $'000	The Company Total $'000
Securities sold under agreements to repurchase	57,566,418	29,460	57,595,878	56,810,267	29,460	56,839,727
Customer deposits and other accounts	10,424,324	790,870	11,215,194	70,186	100,966	171,152
Structured products	106,775	747,325	854,100	106,775	747,325	854,100
Due to banks and other financial institutions	199,775	268,971	468,746	142,096	99,368	241,464
Derivative financial instruments	2,376,749	1,933,817	4,310,566	2,376,749	1,933,817	4,310,566
Deferred income tax liabilities	-	230,344	230,344	-	128,595	128,595

Sagicor Investments Jamaica Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

49. Restatement of Comparative Financial Information

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The effects of the changes to the accounting policies are shown in the following tables:

Year ended 31 December 2012

	The Group		
	As previously stated $'000	**Effect of Restatement $'000**	**Restated $'000**
Team member costs	1,121,711	(14,990)	1,106,721
Profit before taxation	2,035,133	14,990	2,050,123
Taxation	(582,457)	(5,382)	(587,839)
Net profit	1,452,676	9,608	1,462,284

Sagicor Investments Jamaica Limited

Notes to the Financial Statements
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49. Restatement of Comparative Financial Information (Continued)

Balance Sheet as of 31 December 2012

	The Group		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000
ASSETS			
Post-employment benefit assets	35,729	-	35,729
LIABILITIES			
Deferred income tax liabilities	176,379	6,033	182,412
Post-employment benefit obligations	58,035	(18,099)	39,936
	234,414	(12,066)	222,348
STOCKHOLDERS' EQUITY			
Retained earnings	4,664,200	12,066	4,676,266

Balance Sheet as of 31 December 2011

	The Group		
	As previously stated $'000	Effect of Restatement $'000	Restated $'000
ASSETS			
Post-employment benefit assets	28,473	-	28,473
LIABILITIES			
Deferred income tax liabilities	525,326	6,152	531,478
Post-employment benefit obligations	52,602	(18,455)	34,147
	577,928	(12,303)	565,625
STOCKHOLDERS' EQUITY			
Retained earnings	4,426,959	12,303	4,439,262

No other line items were affected.

50. Subsequent Event

On 29 January 2014, Sagicor Group Jamaica Limited signed a Purchase and Sale Agreement with RBC Financial (Caribbean) Limited and RBTT Finance Limited to acquire all of the issued shares of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively "RBC Jamaica"). The acquisition is subject to regulatory approvals. When the sale has been concluded, the operations of Sagicor Bank Jamaica Limited and RBC Royal Bank Jamaica Limited will be amalgamated to create a single commercial bank.