

Sagicor Group Jamaica Limited

Our Q1 2014 Performance



DIRECTORS' STATEMENT

On behalf of the Board of Directors of Sagicor Group Jamaica Ltd (SGJ) or the Group) we are pleased to announce the financial results of our Group of companies for the first quarter of 2014.

Highlights

	March 2014 YTD Unaudited	Restated March 2013 YTD Unaudited	% Change
Total Revenue - J\$ billions	12.61	7.97	58%
Net Profit attributable to Stockholders - J\$ billions	1.09	0.62	76%
Earnings per stock unit (EPS) - J\$	0.29	0.16	81%
Annualized Return on average Stockholders' Equity (ROE)	12%	8%	50%
Total Assets of Sagicor Jamaica Group - J\$ billions	206.29	179.60	15%
Stockholders' Equity - J\$ billions	36.46	33.22	10%
SGJ Share Price - J\$	9.34	7.11	31%
Dividend per Stock Unit - J\$	0.35	0.19	84%

Overview

The Group generated consolidated net profit, attributable to stockholders, for Q1 2014 of \$1.09 billion, a 76% improvement over the 2013 level of \$620.15 million, which was negatively impacted by the NDX and PDX. The Q1 2014 basic earnings per stock unit were \$0.29 (Q1 2013: \$0.16) and the annualized return on average Stockholders' Equity was 12% (Q1 2013: 8%).

Total Comprehensive Income, including net profit for the period and movements in reserves held in Equity, was \$1.95 billion compared to \$1.05 billion for 2013. Improved unrealized fair value gains on available-for-sale securities were recorded during the current quarter, especially for USA corporate bonds.

Overall, revenues were strong, benefits experience favorable and expenses contained.

Operations:

Consolidated Net Profit, attributable to stockholders, of \$1.09 billion was produced from consolidated Revenue of \$12.61 billion. Net profit was better than last year by 76%.

Revenue was strong at \$12.61 billion and above prior year by 58%. Net Premium Income, in aggregate, was 47% more than that for 2013. With respect to the Individual lines of business, including Universal Life Segregated Funds, earned premiums were up by 12% while Group Insurance and Annuity premiums were 88% higher than prior year, resulting mainly from a large annuity recorded in the quarter. Investment income, before interest expense and capital gains, was higher than in the prior year by 27%, reflecting portfolio growth and units' appreciation in the segregated funds. Realized capital gains from security trades were 9% less than in 2013. Fees and Other Revenues were ahead of prior year by 8%, mainly influenced by higher unrealized foreign exchange gains from the devaluation of the Jamaican dollar.

Policy benefits to our policyholders or their beneficiaries, including death claims, health claims, annuity payments, surrenders and segregated funds withdrawals, totaled \$4 billion, net of reinsurance recoveries. The amount for last year was \$3.6 billion. This 10% increase in benefits cost is attributed to portfolio growth.

The higher amount for movement in Insurance and Annuity liabilities reflect provisioning for annuity obligations and substantial growth in the segregated funds during the quarter.

Group Administrative expenses of \$1.98 billion were 11% more than in 2013, reflecting mainly higher compensation costs and other inflationary increases. The Banking Group also had costs associated with the Hope Road branch which was opened last December. The normalized Group efficiency ratio of administrative expenses to total revenue remained at 22% as posted in Q1 2013.

The Banking Group generated net profits of \$329.39 million compared with \$6.95 million for Q1 2013, which included realized capital losses from the NDX and PDX. Notwithstanding, net interest income was lower than the prior year with a net interest margin of 3.10% compared to 3.73%. Other revenue was up on prior year manifesting higher fee based income and foreign exchange gains. Operating expenses were more than last year by about 12%.

SGJ consolidated cash generated from operating activities for Q1 2014 was \$4.96 billion as against \$1.44 billion in 2013. There was a very liquid position at March 2014 with cash and cash equivalents of \$9.75 billion. The amount for the comparative quarter-end was \$4.47 billion.

Balance Sheet and Managed Funds:

Total assets of SGJ grew to \$206.29 billion, up from \$198.31 billion as at December 2013, a 4% increase. Total assets under management, as at March 2014, including pension fund assets managed on behalf of clients and unit trusts, amounted to \$345.3 billion, up from \$329.5 billion as at December 2013.

There was good balance sheet growth in the Banking Group with assets

of about \$100 billion. Total interest bearing assets of \$82.7 billion were lower than at December 2013 as \$10 billion was carried in cash compared to \$3.6 billion at December. The credit portfolio grew by 11% during the quarter to reach \$12 billion. Interest bearing liabilities stood at \$85.8 billion, an increase of 6%.

The Stockholders' Equity of SGJ stood at \$36.46 billion, up 1.5% from \$35.93 billion as at December 2013. The growth in equity was driven mainly by Earnings and unrealized fair value gains on USA corporate bonds. Market capitalization of SGJ at March 2014 was \$35.13 billion (March 2013: \$26.74 billion).

During March 2014, the SGJ Board of Directors declared an interim dividend distribution of \$1.32 billion to Stockholders or a dividend per share of 35 cents.

SLJ's risk adjusted capital, measured by the Minimum Continuing Capital and Solvency Requirement (MCCSR), was 164.4% as at March 2014. The regulated minimum ratio is 150%.

The risk-weighted capital ratios of the Sagicor Investments (Securities Dealer) and Sagicor Bank (Commercial Bank) were 15.5% and 18.5% respectively. The required minimum regulatory ratio is 10%.

Corporate Social Activities:

In the first quarter of 2014, we continued our commitment to improve the community particularly in the areas of health, education and sports.

In February, we hosted the largest Sagicor Sigma Corporate Run since its inception, with 22,373 persons participating. The 5K run raised over \$21 million for the Sickle Cell Unit TMRI at the University of the West Indies (UWI), the Sickle Cell Trust, the Special Care Nursery at the University Hospital of the West Indies (UHWI) and Jamaica Kidney Kids Foundation.



DIRECTORS' STATEMENT (Continued)



Ready, set, GO! The over 22,000 strong crowd are off as the 16th staging of the Sagikor Sigma Corporate Run begins at the start line on Knutsford Boulevard.

In the area of Education, Sagikor retained title sponsorship of the UTECH National Debating Championships. The Championships, which uses a four-team format of debating modelled on the

British Parliamentary system, was aimed at encouraging constructive intellectual engagement amongst tertiary and sixth form students island wide.

Corporate Reorganization

The first phase of the Group reorganization was completed last December. The second phase will see Sagikor Investments Limited and Sagikor Bank Limited become wholly-owned subsidiaries of the holding company, SGJ. This will be effective May 5, 2014.

Agreement to purchase RBC Jamaica

On January 29, 2014, Sagikor Group Jamaica Limited signed a Sale and Purchase Agreement to acquire all of the issued shares of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively "RBC Jamaica") from Royal Bank of Canada. Regulatory approval is pending.

Outlook for 2014

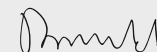
During the past year, Jamaica recorded improvements in a

number of economic indices and the economy is showing modest growth. We are encouraged by the economic growth and the uptick in business confidence. The national budget for FY 2014/2015 was delivered by the Minister of Finance at the end of April. It included significantly higher taxes for the financial services sector. 2014 will therefore be another difficult year for Sagikor Jamaica Group but we will rise to the challenges.

On behalf of The Board of Directors:



DR. THE HON. R.D. WILLIAMS
Chairman



RICHARD O. BYLES
President & CEO


6 May 2014

Consolidated Statement of Financial Position

as at 31 March 2014

(Expressed in thousands of Jamaican dollars)

	March 2014 Unaudited	Restated March 2013 Unaudited	December 2013 Audited
ASSETS:			
Cash resources	12,021,861	5,119,291	5,075,694
Financial investments	155,238,668	140,443,637	157,456,132
Securities purchased under resale agreements	1,363,551	2,696,559	4,332,544
Derivative financial instruments	2,955,072	4,093,872	3,019,597
Loans & leases, after allowance for credit losses	12,021,055	8,951,690	10,821,201
Investment properties	866,116	647,501	782,345
Investment in joint venture	622,692	2,725	639,235
Property, plant and equipment	1,762,437	1,553,257	1,676,573
Pledged assets	7,870,078	3,943,434	3,278,856
Intangible assets	3,966,391	4,139,876	4,015,509
Taxation recoverable	2,384,930	2,960,182	2,327,391
Other assets	5,215,700	5,052,964	4,885,220
TOTAL ASSETS	206,288,551	179,604,988	198,310,297
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to stockholders of the company			
Share capital	7,854,938	7,854,938	7,854,938
Equity reserves	6,099,854	6,219,400	5,343,433
Retained earnings	22,502,063	19,137,493	22,727,470
	36,456,855	33,211,831	35,925,841
Non-controlling interests	1,793,075	1,707,382	1,695,002
Total Equity	38,249,930	34,919,213	37,620,843
Liabilities			
Securities sold under repurchase agreements	57,545,870	54,510,804	55,630,546
Due to banks and other financial institutions	16,967,176	13,829,697	16,716,280
Customer deposits	13,202,760	11,904,270	11,881,676
Derivative financial instruments and structured products	4,582,029	4,513,948	5,012,163
Other liabilities	7,758,543	5,080,586	6,910,341
Policyholders' Funds			
Insurance contracts liabilities	53,551,462	40,918,034	48,565,731
Investment contracts liabilities	11,842,450	11,487,523	13,260,293
Other policy liabilities	2,588,331	2,440,913	2,712,424
	67,982,243	54,846,470	64,538,448
Total Liabilities	168,038,621	144,685,775	160,689,454
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	206,288,551	179,604,988	198,310,297


DR. THE HON. R.D. WILLIAMS
Chairman
6 May 2014


RICHARD O. BYLES
President & CEO

Consolidated Income Statement

for the three-months ended 31 March 2014

(Expressed in thousands of Jamaican dollars)

	March 2014 Year-to-date Unaudited	Restated March 2013 Year-to-date Unaudited	December 2013 Full Year Audited
Revenue:			
Net premium revenue	8,599,137	5,848,594	29,224,496
Net investment income	2,916,605	1,109,956	8,784,969
Fees and other revenue	1,092,017	1,009,155	4,346,700
Total revenue	12,607,759	7,967,705	42,356,165
Benefits and Expenses:			
Net insurance benefits incurred	3,988,940	3,629,157	15,754,497
Changes in insurance and annuity liabilities	4,050,818	801,720	7,476,839
Administration expenses	1,984,782	1,787,002	7,591,707
Commissions and related expenses	982,788	845,898	3,636,250
Amortization of intangible assets	67,442	71,476	254,220
Premium and other taxes	163,925	150,199	616,452
Total benefits and expenses	11,238,695	7,285,452	35,329,965
Share of loss from joint venture	35,354	-	10,021
Share of loss from disposal of associate	-	-	1,716
Profit before Taxation	1,333,710	682,253	7,014,463
Investment and Corporation Taxes	(197,775)	(64,698)	(561,773)
NET PROFIT	1,135,935	617,555	6,452,690
Net Profit attributable to:			
Stockholders of the parent company	1,091,610	620,146	6,297,935
Non-controlling Interests	44,325	(2,591)	154,755
	1,135,935	617,555	6,452,690
Earnings per stock unit for profit attributable to stockholders of the parent company:			
Basic and Fully diluted	\$0.29	\$0.16	\$1.67



Consolidated Statement of Comprehensive Income

for the three-months ended 31 March 2014
(Expressed in thousands of Jamaican dollars)

	March 2014 Year-to-date Unaudited	March 2013 Year-to-date Unaudited	December 2013 Full Year Audited
Net profit for the year	1,135,935	617,555	6,452,690
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Available-for-sale investments:			
Unrealised gains/(losses) on available-for-sale investments	920,465	665,577	(869,109)
Gains recycled and reported in profit	(129,112)	(809,732)	(1,173,294)
	<u>791,353</u>	<u>(144,155)</u>	<u>(2,042,403)</u>
Cash flow hedge:			
Gains reclassified and reported in profit	-	-	-
Re-translation of foreign operations	18,149	571,008	1,345,070
Items that will not be subsequently reclassified to profit or loss			
Owner occupied properties:			
Unrealised gains/(losses) on owner occupied properties	-	3,760	143,299
Re-measurements of retirement benefits obligations	-	-	(1,286,821)
Total other income recognised directly in stockholders' equity, net of taxes	<u>809,502</u>	<u>430,613</u>	<u>(1,840,855)</u>
Total Comprehensive Income	<u>1,945,437</u>	<u>1,048,168</u>	<u>4,611,835</u>
Total Comprehensive Income attributable to:			
Stockholders of the parent company	1,847,365	1,062,268	4,546,349
Non-controlling interests	<u>98,072</u>	<u>(14,100)</u>	<u>65,486</u>
	<u>1,945,437</u>	<u>1,048,168</u>	<u>4,611,835</u>

Consolidated Statement of Changes in Equity

for the three-months ended 31 March 2014
(Expressed in thousands of Jamaican dollars)

	Share Capital	Equity Reserves	Retained Earnings	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Period ended 31 March 2014:						
Balance as 1 January 2014	7,854,938	5,343,428	22,727,470	35,925,836	1,695,003	37,620,839
Total comprehensive income for the period	-	755,756	1,091,610	1,847,366	98,072	1,945,438
Transactions with owners -						
Employee share option scheme - value of services provided	-	-	-	-	-	-
Employee stock grants and options exercised/expired	-	-	-	-	-	-
Dividends paid to owners of the parent	-	-	(1,316,347)	(1,316,347)	-	(1,316,347)
Dividends paid to non-controlling interests	-	-	-	-	-	-
Total Transactions with owners	-	-	(1,316,347)	(1,316,347)	-	(1,316,347)
Adjustment between regulatory loan provision and IFRS	-	4,642	(4,642)	-	-	-
To special investment reserve	-	(3,972)	3,972	-	-	-
To retained earnings	-	-	-	-	-	-
Adjustment between regulatory loan	-	-	-	-	-	-
Total transfers between reserves	-	670	(670)	-	-	-
Balance as at 31 March 2014	7,854,938	6,099,854	22,502,063	36,456,855	1,793,075	38,249,930
Period ended 31 March 2013:						
Balance as 1 January 2013 (as previously reported)	7,854,938	5,533,916	19,255,396	32,644,250	1,756,647	34,400,897
Segregated funds reserves	-	200,367	-	200,367	-	200,367
Effects of changes in accounting policies	-	-	10,935	10,935	2,632	13,567
Restated opening balance at 1 January 2013	7,854,938	5,734,283	19,266,331	32,855,552	1,759,279	34,614,831
Total comprehensive income for the period	-	442,123	620,145	1,062,268	(14,100)	1,048,168
Transactions with owners -						
Employee share option scheme - value of services provided	-	8,599	-	8,599	764	9,363
Employee stock grants and options exercised/expired	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	(38,561)	(38,561)
Dividends paid to owners of the parent	-	-	(714,588)	(714,588)	-	(714,588)
Total Transactions with owners	-	8,599	(714,588)	(705,989)	(37,797)	(743,786)
Transfer between reserves -						
To retained earnings reserve	-	-	-	-	-	-
To special investment reserve	-	26,293	(26,293)	-	-	-
To retained earnings	-	-	-	-	-	-
Adjustment between regulatory loan provision and IFRS	-	8,102	(8,102)	-	-	-
Total transfer between reserves	-	34,395	(34,395)	-	-	-
Balance as at 31 March 2013	7,854,938	6,219,400	19,137,493	33,211,831	1,707,382	34,919,213



Consolidated Segmental Financial Information

for the three-months ended 31 March 2014
(Expressed in thousands of Jamaican dollars)

	Individual Insurance	Employee Benefits	Banking and Asset Management	All other	Eliminations	Unaudited March 2014 Group
Operating results:						
External revenues	4,928,968	6,451,522	979,319	247,950	-	12,607,759
Inter-segment revenues	90,079	2,063	(47,259)	56,031	(100,914)	-
Total revenue	5,019,047	6,453,585	932,060	303,981	(100,914)	12,607,759
Benefits and expenses	(3,033,163)	(3,050,210)	(496,466)	(406,859)	84,348	(6,902,350)
Change in actuarial liabilities	(1,481,399)	(2,578,529)	-	-	9,107	(4,050,821)
Depreciation	(19,242)	(7,625)	(17,272)	(10,018)	-	(54,157)
Amortization of intangibles	(3,871)	(29,415)	(31,126)	(3,030)	-	(67,442)
Finance costs	-	-	-	(7,459)	7,459	-
Premium and other taxes	(99,929)	(15,221)	(31,726)	(17,049)	-	(163,925)
Total benefits and expenses	(4,637,604)	(5,681,000)	(576,590)	(444,415)	100,914	(11,238,695)
Share of loss from joint venture	-	(35,354)	-	-	-	(35,354)
Profit before tax	381,443	737,231	355,470	(140,434)	-	1,333,710
taxes	(104,535)	(62,081)	(50,831)	19,672	-	(197,775)
Profit after taxation	276,908	675,150	304,639	(120,762)	-	1,135,935
Segment assets:	55,031,218	50,957,529	100,655,580	11,556,080	(12,673,153)	205,527,254
Unallocated assets						
Investment in joint venture						622,692
Deferred tax asset						138,605
Total assets						206,288,551
Segment liabilities:	37,556,392	40,181,266	97,552,375	3,056,769	(12,980,510)	165,366,292
Unallocated liabilities						
Deferred tax liabilities						13,061
Retirement benefits obligations						2,659,268
Total liabilities						168,038,621
Other Segment items:						
Capital expenditure: Computer software						1,210
Property, plant and equipment						139,136
						140,346

Geographical information:

	Jamaica	Cayman Islands	Other	Total Group
Revenue	11,774,354	833,405	-	12,607,759
Total assets	181,346,778	24,312,103	629,670	206,288,551

	Individual Insurance	Employee Benefits	Banking and Asset Management	All other	Eliminations	Restated Unaudited March 2013 Group
Operating results:						
External revenues	2,923,194	3,726,024	569,598	468,599	-	7,687,415
Inter-segment revenues	153,520	2,452	(25,998)	43,904	(173,878)	-
Total revenue	3,076,714	3,728,476	543,600	512,503	(173,878)	7,687,415
Benefits and expenses	(2,509,150)	(2,781,574)	(436,523)	(334,817)	103,909	(5,958,155)
Change in actuarial liabilities	(462,761)	(351,498)	-	-	55,068	(759,191)
Depreciation	(23,548)	(10,548)	(16,694)	(12,615)	-	(63,405)
Amortization of intangibles	(3,483)	(29,428)	(35,174)	(3,391)	-	(71,476)
Finance costs	-	-	-	(5,234)	5,234	-
Premium and other taxes	(86,136)	(15,734)	(30,318)	(18,340)	-	(150,528)
Total benefits and expenses	(3,085,078)	(3,188,782)	(518,709)	(374,397)	164,211	(7,002,755)
Profit before tax	(8,364)	539,694	24,891	138,109	(9,667)	684,660
Investment and corporation taxes	25,475	(64,534)	(42,697)	14,651	-	(67,105)
Profit after taxation	17,111	475,160	(17,806)	152,760	(9,667)	617,555
Segment assets:	47,405,687	38,300,378	89,017,507	12,385,031	(7,562,312)	179,546,291
Unallocated assets						
Investment in associates						2,725
Deferred tax assets						20,243
Retirement benefits asset						35,729
Total assets						179,604,988
Segment liabilities:	32,595,933	29,645,922	76,546,738	12,158,701	(7,594,927)	143,352,367
Unallocated liabilities						
Deferred tax liabilities						323,210
Retirement benefits obligations						1,010,198
Total liabilities						144,685,775
Other Segment items:						
Capital expenditure: Computer software						16,302
Property, plant and equipment						25,763
						42,065

Geographical information:

	Jamaica	Cayman Islands	Other	Total Group
Revenue	7,120,826	568,800	(2,211)	7,687,415
Total assets	150,933,393	28,117,913	553,682	179,604,988

Consolidated Statement of Cash Flows

for the three-months ended 31 March 2014
(Expressed in thousands of Jamaican dollars)

	March 2014 Year-to-date Unaudited	Restated March 2013 Year-to-date Unaudited	December 2013 Full Year Audited
Cash Flows from Operating Activities:			
Net Profit	1,135,935	617,555	6,452,690
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	(123,284)	(372,841)	838,725
Changes in other operating assets and liabilities	3,262,407	1,917,331	3,004,279
Net investment purchases	(504,779)	(3,588,562)	(13,355,416)
Interest received	2,823,003	4,047,559	12,443,458
Interest paid	(1,108,617)	(985,164)	(4,009,269)
Income taxes paid	(522,526)	(200,577)	(1,882,830)
Net cash generated from operating activities	4,962,139	1,435,301	3,491,637
Cash Flows from Investing Activities:			
Investment in joint venture	-	-	(26,512)
Purchase of Property, plant and equipment, net	(138,135)	(23,290)	(189,652)
Purchase of intangible assets	(1,210)	(15,286)	(33,600)
Net cash used in investing activities	(139,345)	(38,576)	(249,764)
Cash Flows from Financing activities:			
Dividends paid to stockholders	(1,316,347)	(714,588)	(1,504,396)
Dividends paid to non - controlling interests	-	(38,571)	(48,204)
Net cash used in financing activities	(1,316,347)	(753,159)	(1,552,600)
Cash and cash equivalents:			
Effect of exchange rate on cash and cash equivalents	802,496	277,636	688,136
Increase/(Decrease) in cash and cash equivalents	4,308,943	921,202	2,377,409
Cash and cash equivalents at beginning of year	5,444,398	3,552,189	3,066,990
Cash and cash equivalents at end of year	9,753,341	4,473,391	5,444,399
Comprising:			
Balances with Banks	10,838,111	4,189,789	4,082,363
Short - Term Deposits	1,480,985	332,709	1,326,925
Securities purchased under resale agreements	1,127,200	2,490,329	3,816,562
Short - Term Loans	(3,544,518)	(2,397,146)	(3,582,465)
Bank overdraft	(148,437)	(142,290)	(198,986)
	9,753,341	4,473,391	5,444,399

Explanatory Notes

1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies as set out in note 2 of the December 31, 2013 audited financial statements. The comparative numbers for quarter 1, 2013 have been restated accordingly.

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Comments and Suggestions

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