Sagicor Life Jamaica Limited

Our Q3 2012 Performance

Sagicor

On behalf of the Board of Directors of Sagicor Life Jamaica Ltd (SLJ) we are pleased to share with you the Q3 2012 performance of our Group of companies.

For the period under review, The Group delivered consolidated Net Profits of $4 billion to Stockholders, an increase of 3% over prior year and a return on Stockholders equity of 18%. To our policyholders and their beneficiaries, we paid life, health and annuity benefits of $7.8 billion, 14% more than last year.

Celebrating Jamaica 50th

The Sagicor Jamaica Group proudly celebrated Jamaica's 50th year of independence under the theme 'One Vision, One People'. As a part of our internal celebrations, our Team members recreated cultural and historic images of Jamaica. A strong national pride was evident. We are also very proud that our Head-office building, R. Danny Williams Building, emerged the winner of a competition for decorated Corporate buildings to highlight the Jamaica 50 celebrations.

Furthermore, Sagicor provided support to a number of Jamaica 50 events including the Jamaica Village. This allowed thousands of attendees to celebrate the nation's Golden Jubilee, its heritage and achievements.

Giving from the heart

We supported the Best Care Foundation assisting them in their efforts to house and care for mentally challenged children and young adults. We also provided special beds to assist the physically challenged. Other commodities were donated to the institution and its residents. In true Sagicor spirit, a number of our Team members provided a much-needed facelift to the facilities of Foundation.

The spirit of volunteerism continued with the Adopt-A-School Programme for Faith Tabernacle Basic School located in Cross Roads. Sagicor Team members of our New Kingston Branch refurbished and equipped the computer lab, reading room and principal's office. Books and uniforms were also donated to the Early Childhood Education centre. Our hard-working Team members ended the outreach day with festivities for the grateful teachers and students.

Board of Directors

Mr. William Lucie-Smith, who became a member of the SLJ Board of Directors in September 2010, resigned at the end of July 2012. He continues as a Director of Sagicor Financial Corporation and a number of Group member companies. To fill the vacancy created we welcomed Mr. Peter Ellis Clarke to the SLJ Board of Directors effective 2 October 2012. Peter is also a Director of a number of companies within the Sagicor Group, including Sagicor Financial Corporation. We sincerely thank Mr. Lucie-Smith for his wise counsel and look forward to significant contributions from Mr. Clarke.

Our commitment

We remain committed to partnering with the Government, Regulators, industry associations and with other private sector interests to develop and implement the long term solutions necessary to achieving sustainable economic growth here in Jamaica.

MANAGEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS

	Sept. 2012 YTD Unaudited	Sept. 2011 YTD Unaudited	% Change
Total Revenue - J$ billions	23.33	22.15	5%
Net Profit attributable to Stockholders - J$ billions	3.99	3.88	3%
Earnings per stock unit (EPS) - J$	1.06	1.03	3%
Group Efficiency ratio (Admin. expenses/Revenue)	22%	21%	-5%
Return on average Stockholders' Equity (ROE)	18%	20%	-10%
Total Assets of the Group - J$ billions	170.76	158.70	8%
Stockholders' Equity - J$ billions	31.84	26.27	21%
SLJ Share Price	10.01	9.70	3%
Dividend per stock - J$	0.28	0.65	-57%

Overview

The SLJ Group continued to perform well through to September 2012. A Net profit of $4 billion was generated by the Group. The earnings for the first nine months of 2012 were 3% more than the corresponding period last year and represent basic earnings per stock unit of $1.06 and an annualized return on average Stockholders' Equity of 18%. The current year earnings include increased asset taxes of about $150 million, before this charge, earnings would have grown by 6% over prior year.

Total comprehensive income, including net profit for the period and movements in reserves held in Equity, was $4.68 billion compared to $3.72 billion for 2011. The fair value of some bonds increased as interest rates remained low. There were also unrealized foreign exchange gains from the translation of US dollar net assets with the depreciation of the Jamaica dollar.

The financial performance during Q3 2012 was improved. Earnings of $1.39 billion were generated. This was about 6% higher than for Q3 2011 and much better than the $1.12 billion in Q2 2012.

Operations:

The Profit outcome was produced from Consolidated Revenue of $23.33 billion. Revenue was up on prior year by 5%. Net Premium Income, in aggregate, was 2% more than that for 2011. The Individual lines of business earned premiums were up by 12% while Group Insurance and Annuity premiums were down by 4%. In Q3 2011 there was a very large single premium group annuity of over $2 billion. Individual Life new business was up on prior year by about 10%. While new business for Employee Benefits was better than plan for the current year it was below the prior year which included a large single premium annuity. Conservation programs also contributed to portfolio growth. Net Investment Income was higher than in the prior year by 11%. Fees and Other Revenues were ahead of prior year by 10%.

A total of $7.76 billion, net of reinsurance recoveries, was paid in benefits to our policyholders or their beneficiaries. This was 14% higher than the amount for last year of $6.79 billion. The increases in benefits cost is mainly a consequence of business growth as claims ratios remained stable. Health insurance claims make-up about 50% of the benefits paid.

Administrative expenses of $5.03 billion were 11% more than in 2011. The increased expenses reflect higher compensation costs. We continue to be vigilant in containing overall expenses and forcing efficiencies. At the SLJ Group level, the efficiency ratio of administrative expenses to total revenue was 22%, compared to a ratio of 21% for the nine-month period in 2011. Premium and other taxes include asset taxes of about $150 million for the Group.

Liquidity of the Group remained healthy with cash and near cash investments of $3.68 billion at the end of September 2012.

The PCFS Banking Group, in which SLJ has 85% control, generated after tax profits of $1.10 billion, 17% lower than the prior year. Operating revenues in the PCFS Group were below last year by 2%, while operating expenses grew by 10%. At the same time the Banking Group absorbed asset taxes in excess of $80 million. The efficiency ratio of administration expenses to total revenue moved to 47% compared to 42% for the nine-month period of 2011. There was a small increase in Income earning assets since December 2011 with some improvement in net interest margins.

Balance Sheet and Managed Funds:

Total assets of the SLJ Group reached $170.76 billion, up from $161.10 billion as at December 2011, a 6% growth over the nine month period. During Q1 2012, the PCFS subsidiary purchased a GOJ Note denominated in Euros. This transaction is hedged and accounts for the increase in derivative financial instruments assets and liabilities. Total assets under management, as at September 2012, including pension fund assets managed on behalf of clients and unit trusts, amounted to $281.90 billion, up from $257.80 billion as at December 2011. The market capitalization of SLJ at September 2012 was $37.65 billion, slightly more than the value at December 2011.

SLJ Stockholders' Equity as at September 2012 was $31.84 billion, compared to $28.29 billion as at December 2011. During April, the SLJ Board of Directors declared an interim dividend distribution of $1.05 billion to Stockholders or a dividend per share of 28 cents. In October the SLJ Group declared a second interim dividend of 28 cents per share.

SLJ's risk adjusted capital, measured by the Minimum Continuing Capital and Solvency Requirement (MCCSR), was 166.9% as at September 2012. The statutory minimum is 150%.

On behalf of the Board of Directors:

DR. THE HON. R.D. WILLIAMS
Chairman

RICHARD O. BYLES
President & CEO
5 November 2012

Sagicor Life Jamaica Limited

Interim Report to our Stockholders | for the nine-month period ended 30 September 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

(Expressed in thousands of Jamaican dollars)

	September 2012 Unaudited	September 2011 Unaudited	December 2011 Audited
ASSETS:			
Cash resources	4,139,154	3,004,668	3,399,905
Financial investments	121,423,065	111,749,902	114,764,371
Securities purchased under resale agreements	1,082,326	1,965,430	1,000,592
Derivative financial instruments	4,772,662	645,915	839,420
Loans & leases, after allowance for credit losses	9,228,647	9,074,841	9,259,647
Investment properties	701,761	847,076	792,452
Property, plant and equipment	1,642,000	1,518,631	1,535,046
Pledged assets	4,799,005	8,920,172	7,831,016
Intangible assets	4,176,763	4,346,644	4,314,637
Other assets	7,238,487	5,198,341	5,746,051
Segregated funds' assets	11,556,950	11,425,992	11,615,396
Total Assets	**170,760,820**	**158,697,612**	**161,098,533**
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Equity attributable to stockholders of the company			
Share capital	7,854,938	7,854,938	7,854,938
Other components of equity	5,520,513	3,525,322	4,459,464
Retained earnings	18,462,026	14,885,047	15,975,564
	31,837,477	26,265,307	28,289,966
Non-controlling interests	1,795,427	1,757,488	1,763,242
Total Equity	**33,632,904**	**28,022,795**	**30,053,208**
Liabilities			
Securities sold under repurchase agreements	53,799,614	52,211,622	53,948,289
Due to banks and other financial institutions	10,954,453	12,894,172	11,409,806
Customer deposits	10,695,537	9,916,689	10,599,897
Derivative financial instruments and structured products	5,553,397	829,574	975,513
Redeemable preference shares	-	616,026	-
Other liabilities	4,736,098	6,096,250	6,195,230
Policyholders' Funds			
Segregated funds' liabilities	11,556,950	11,425,992	11,615,396
Insurance contracts liabilities	26,915,361	23,811,371	23,642,467
Investment contracts liabilities	10,528,756	10,667,653	10,353,016
Other policy liabilities	2,387,750	2,205,468	2,305,711
	51,388,817	48,110,484	47,916,590
	170,760,820	158,697,612	161,098,533
Total Liabilities	137,127,916	130,674,817	131,045,325
Total stockholders' equity and liabilities	**170,760,820**	**158,697,612**	**161,098,533**

DR. THE HON. R.D. WILLIAMS
Chairman
5 November 2012

RICHARD O. BYLES
President & CEO

CONSOLIDATED INCOME STATEMENT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

(Expressed in thousands of Jamaican dollars)

	September 2012 Quarter Unaudited	September 2011 Quarter Unaudited	September 2012 Year-to-date Unaudited	September 2011 Year-to-date Unaudited	December 2011 Full Year Audited
Revenues:					
Net premium revenue	5,147,310	6,177,106	14,642,047	14,320,227	18,765,411
Net investment income	2,141,466	2,136,246	6,664,667	5,991,499	7,591,930
Fees and other revenues	922,162	601,181	2,024,575	1,842,306	2,312,544
Total revenue	**8,210,938**	**8,914,533**	**23,331,289**	**22,154,032**	**28,669,885**
Benefits and expenses:					
Net insurance benefits incurred	2,662,026	2,409,663	7,764,394	6,792,933	9,052,051
Changes in insurance and annuity liabilities	1,240,700	2,451,331	2,949,729	3,454,979	3,263,976
Administration expenses	1,598,648	1,481,385	4,987,410	4,496,569	6,125,848
Commissions and related expenses	761,470	708,354	2,248,211	2,071,106	2,897,686
Amortization of intangible assets	69,294	66,923	199,307	204,752	271,134
Finance cost	0	19,840	0	57,828	76,900
Premium and other taxes	229,355	86,526	425,422	252,610	343,614
Total benefits and expenses	**6,561,493**	**7,224,022**	**18,574,473**	**17,330,777**	**22,031,209**
Profit before taxation	1,649,445	1,690,511	4,756,816	4,823,255	6,638,676
Investment and corporation taxes	(218,999)	(323,006)	(616,431)	(760,884)	(884,209)
Net Profit	**1,430,446**	**1,367,505**	**4,140,385**	**4,062,371**	**5,754,467**
Attributable to:					
Stockholders of the parent company	1,387,187	1,311,012	3,990,702	3,883,585	5,522,830
Non-controlling Interests	43,259	56,493	149,683	178,786	231,637
	1,430,446	**1,367,505**	**4,140,385**	**4,062,371**	**5,754,467**
Earnings per stock unit attributable to stockholders of the parent company:					
Basic and Fully diluted	$0.37	$0.35	$1.06	$1.03	$1.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

(Expressed in thousands of Jamaican dollars)

	September 2012 Year-to-date Unaudited	September 2011 Year-to-date Unaudited	December 2011 Full Year Audited
Net profit for the period:	4,140,385	4,062,371	5,754,467
Other comprehensive income:			
Available-for-sale investments:			
Unrealised gains on available-for-sale investments	917,482	383,538	890,979
Gains reclassified and reported in profit	(671,730)	(748,314)	(843,616)
	245,752	(364,776)	47,363
Owner occupied properties:			
Unrealised gains on owner occupied properties	6,504	129	1,980
Cash Flow Hedge:			
Gains reclassified and reported in profit	-	-	(7,762)
Retranslation of foreign operations	286,175	26,797	10,637
Other comprehensive income, net of tax	538,431	(337,850)	52,218
Total comprehensive income	**4,678,816**	**3,724,521**	**5,806,685**
Total comprehensive income attributable to:			
Stockholders of the parent company	4,588,492	3,488,781	5,541,168
Non-controlling interest	90,324	235,740	265,517
	4,678,816	**3,724,521**	**5,806,685**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

(Expressed in thousands of Jamaican dollars)

	Share Capital	Retained Earnings	Currency Translation Reserves	Investment & Fair Value Reserves	Other Reserves	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
Period ended 30 September 2012:								
Balance as at 1 January 2012	7,854,938	15,975,564	1,145,784	788,175	2,525,505	28,289,966	1,763,242	30,053,208
Total comprehensive income for the period	-	3,990,702	286,175	311,615	-	4,588,492	90,324	4,678,816
Employee share option scheme - value of services provided	-	-	-	-	12,097	12,097	1,552	13,649
Dividends declared to owners	-	(1,053,078)	-	-	-	(1,053,078)		(1,053,078)
Dividends paid to non-controling interests	-		-	-	-	-	(59,691)	(59,691)
Adjustment between regulatory loan provision and IFRS	-	(25,134)	-	-	25,134	-	-	-
Transfer from special investment reserve	-	1,222	-	-	(1,222)	-	-	-
Transfer to Retained Earnings reserve	-	(427,250)	-	-	427,250	-	-	-
Balance as at 30 September 2012	7,854,938	18,462,026	1,431,959	1,099,790	2,988,764	31,837,477	1,795,427	33,632,904
Period ended 30 September 2011:								
Balance as at 1 January 2011	7,854,938	13,500,914	1,135,147	833,083	1,878,962	25,203,044	1,528,892	26,731,936
Total comprehensive income for the period	-	3,883,584	26,798	(421,601)	-	3,488,781	235,740	3,724,521
Employee share option scheme - value of services provided	-	-	-	-	18,124	18,124	2,174	20,298
Dividends declared to owners	-	(2,444,642)	-	-	-	(2,444,642)		(2,444,642)
Dividends paid to Non-controlling interest							(47,701)	(47,701)
Adjustment between regulatory loan provision and IFRS	-	(55,349)	-	-	55,349	-	-	-
Transfer from special investment reserve	-	540	-	-	(540)	-	-	-
Share capital issued	-	-	-	-	-	-	38,383	38,383
Balance as at 30 September 2011	7,854,938	14,885,047	1,161,945	411,482	1,951,895	26,265,307	1,757,488	28,022,795
Period ended 31 December 2011:								
Balance as at 1 January 2011	7,854,938	13,500,914	1,135,147	833,083	1,878,962	25,203,044	1,528,892	26,731,936
Total comprehensive income for the period	-	5,522,830	10,637	7,701	-	5,541,168	265,517	5,806,685
Employee share option scheme - value of services provided	-	-	-	-	45,488	45,488	2,937	48,425
Employee stock grants and options exercised/expired	-	-	-	-	(55,091)	(55,091)	(3,250)	(58,341)
Dividends paid to owners	-	(2,444,643)	-	-	-	(2,444,643)	-	(2,444,643)
Dividends paid to non-controling interests	-	-	-	-	-	-	(100,907)	(100,907)
Adjustment between regulatory loan provision and IFRS	-	(92,577)	-	-	92,577	-	-	-
Transfer to special investment reserve	-	(27,384)	-	-	27,384	-	-	-
Transfer to capital redemption reserve	-	(524,038)	-	-	524,038	-	-	-
Transfer to reserve Fund	-	(12,147)	-	-	12,147	-	-	-
Transfer to retained earnings reserve	-	52,609	-	(52,609)	-	-	-	-
Dilution of interest in subsidiary	-	-	-	-	-	-	70,053	70,053
Balance as at 31 December 2011	7,854,938	15,975,564	1,145,784	788,175	2,525,505	28,289,966	1,763,242	30,053,208

Sagicor Life Jamaica Limited

Interim Report to our Stockholders | for the nine-month period ended 30 September 2012

CONSOLIDATED SEGMENTAL FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

(Expressed in thousands of Jamaican dollars)

	Individual Insurance	Employee Benefits	Banking and Asset Management	All other	Eliminations	Unaudited September 2012 Group
Operating results:						
External revenues	7,818,102	11,278,253	3,063,118	1,171,816	-	23,331,289
Inter-segment revenues	87,815	9,014	(19,097)	(13,407)	(64,325)	-
Total revenue	7,905,917	11,287,267	3,044,021	1,158,409	(64,325)	23,331,289
Benefits and expenses	(4,997,212)	(7,566,736)	(1,367,785)	(1,019,850)	107,466	(14,844,117)
Change in actuarial liabilities	(1,252,447)	(1,697,282)	-	-	-	(2,949,729)
Depreciation	(65,148)	(27,838)	(36,013)	(26,899)	-	(155,898)
Amortization of intangibles	(10,097)	(89,426)	(91,866)	(7,918)	-	(199,307)
Finance costs	-	-	-	(17,894)	17,894	-
Premium and other taxes	(237,064)	(44,461)	(81,490)	(62,407)	-	(425,422)
Profit before tax	1,343,949	1,861,524	1,466,867	23,441	61,035	4,756,816
Investment and corporation taxes	(100,055)	(162,187)	(438,118)	83,929	-	(616,431)
Profit after taxation	1,243,894	1,699,337	1,028,749	107,370	61,035	4,140,385
Segment assets:	42,587,254	35,588,388	85,960,168	10,153,841	(3,908,955)	170,380,696
Unallocated assets						
Investment in associates						2,725
Deferred tax assets						164,444
Retirement benefit asset						212,955
Total assets						170,760,820
Segment liabilities:	29,392,965	27,618,043	72,735,289	9,960,291	(3,940,396)	135,766,192
Unallocated liabilities						
Deferred tax liabilities						510,651
Retirement benefit obligation						851,073
Total liabilities						137,127,916
Other Segment items:						
Capital expenditure						254,632

Geographical information:

	Jamaica	Cayman Islands	Total Group
Revenue	21,275,956	2,055,333	23,331,289
Total assets	148,752,266	22,008,554	170,760,820

	Individual Insurance	Employee Benefits	Banking and Asset Management	All other	Eliminations	Unaudited September 2011 Group
Operating results:						
External revenues	6,878,213	11,258,891	2,993,161	1,023,767	-	22,154,032
Inter-segment revenues	78,798	17,620	121,919	176,094	(394,431)	-
Total revenue	6,957,011	11,276,511	3,115,080	1,199,861	(394,431)	22,154,032
Benefits and expenses	(4,643,666)	(6,693,847)	(1,226,262)	(881,065)	226,612	(13,218,228)
Change in actuarial liabilities	(698,468)	(2,756,511)	-	-	-	(3,454,979)
Depreciation	(64,361)	(25,258)	(33,248)	(19,513)	-	(142,380)
Amortization of intangibles	(8,942)	(87,657)	(106,134)	(2,019)	-	(204,752)
Finance costs	-	-	(57,828)	(15,697)	15,697	(57,828)
Premium and other taxes	(211,696)	(40,914)	-	-	-	(252,610)
Profit before tax	1,329,878	1,672,324	1,691,608	281,567	(152,122)	4,823,255
Investment and corporation taxes	(85,591)	(131,879)	(428,103)	(115,311)	-	(760,884)
Profit after taxation	1,244,287	1,540,445	1,263,505	166,256	(152,122)	4,062,371
Segment assets:	40,250,952	32,747,557	78,940,673	11,613,887	(5,184,252)	158,368,817
Unallocated assets						
Investment in associates						2,725
Deferred tax assets						135,477
Retirement benefit asset						190,593
Total assets						158,697,612
Segment liabilities:	29,704,824	25,754,562	67,497,375	11,434,650	(5,285,774)	129,105,637
Unallocated liabilities						
Deferred tax liabilities						903,398
Retirement benefit obligation						665,782
Total liabilities						130,674,817
Other Segment items:						
Capital expenditure						190,611

Geographical information:

	Jamaica	Cayman Islands	Total Group
Revenue	20,487,590	1,666,442	22,154,032
Total assets	137,183,021	21,514,591	158,697,612

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012

(Expressed in thousands of Jamaican dollars)

	September 2012 Year-to-date Unaudited	September 2011 Year-to-date Unaudited	December 2011 Full Year Audited
Cash Flows from operating activities:			
Net Profit	4,140,386	4,062,371	5,754,467
Items not affecting cash & changes to Policyholders Funds	(1,916,639)	(354,904)	(1,893,705)
Changes in other operating assets and liabilities	(4,371,813)	7,063,151	8,114,768
Net Investment Purchases	(1,602,874)	(14,968,779)	(16,678,806)
Interest received	9,606,908	8,810,192	10,588,362
Interest paid	(3,136,602)	(3,014,182)	(3,959,851)
Income taxes paid	(1,071,660)	(743,598)	(1,019,353)
Cash generated from operating activities	1,647,706	854,251	905,882
Cash Flows from investing activities:			
Intangible Assets, net	(45,764)	(36,338)	(69,413)
Property, plant and equipment, net	(252,989)	(188,184)	(221,154)
Cash used in investing activities	(298,753)	(224,522)	(290,567)
Cash Flows from financing activities:			
Dividends paid to stockholders	(1,053,078)	(1,278,737)	(2,444,643)
Dividends paid to Minority Interest	(59,705)	(47,700)	(100,907)
Ordinary shares issued - to Minority Interest	-	(38,383)	18,490
Preference shares issued	-	-	(612,852)
Cash used in financing activities	(1,112,783)	(1,364,820)	(3,139,912)
Increase/(Decrease) in net cash and cash equivalents	**236,170**	**(735,091)**	**(2,524,597)**
Cash and cash equivalents:			
Cash and cash equivalents, at beginning of year	3,343,863	5,877,516	5,877,516
Effects of exchange rate changes	98,257	19,381	(9,056)
Increase/(Decrease) in net cash and cash equivalents	236,170	(735,091)	(2,524,597)
Net cash and cash equivalents, at end of year	**3,678,290**	**5,161,806**	**3,343,863**

Explanatory Notes

1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies as set out in note 2 of the December 31, 2011 audited financial statements.

2. Comparative figures

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

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