

“ STRENGTH, STABILITY, TRUST ”

ANNUAL  
REPORT  
2014



Sagcor Group

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Visit us at:

[www.sagicorjamaica.com](http://www.sagicorjamaica.com)

# OUR VISION

To be a great company committed to improving the lives of people in the communities in which we operate

# OUR PHILOSOPHY

To provide quality products and services to our customers while delivering strong returns on our shareholders' investments

# OUR VALUES

Our Values dictate who we are...our SCRIPT guides our actions.

- Sagicor Values
- Service
- Communication
- Respect
- Integrity
- Performance
- Teamwork

# Sagikor Group

SAGICOR MAINTAINED ITS TRACK RECORD OF 15 YEARS' UNBROKEN PROFITABILITY. DURING 2014, WE SIGNIFICANTLY EXPANDED THE GROUP THROUGH A SERIES OF MAJOR TRANSACTIONS.

## FINANCIAL HIGHLIGHTS

Total Revenue

**\$45.63B**

8% Growth over 2013

Total Assets

**\$284.22B**

43% Growth over 2013

Dividend per Stock Unit

**\$0.63**

58% Growth over 2013

Net Profit

**\$8.51B**

35% Growth over 2013

Shareholders' Equity

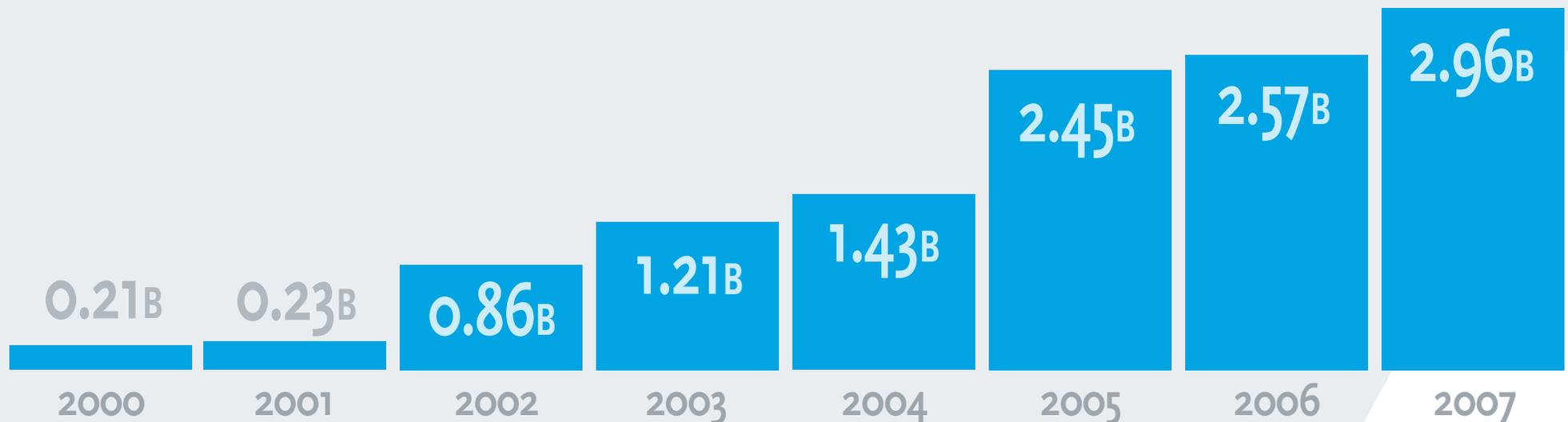
**\$46.07B**

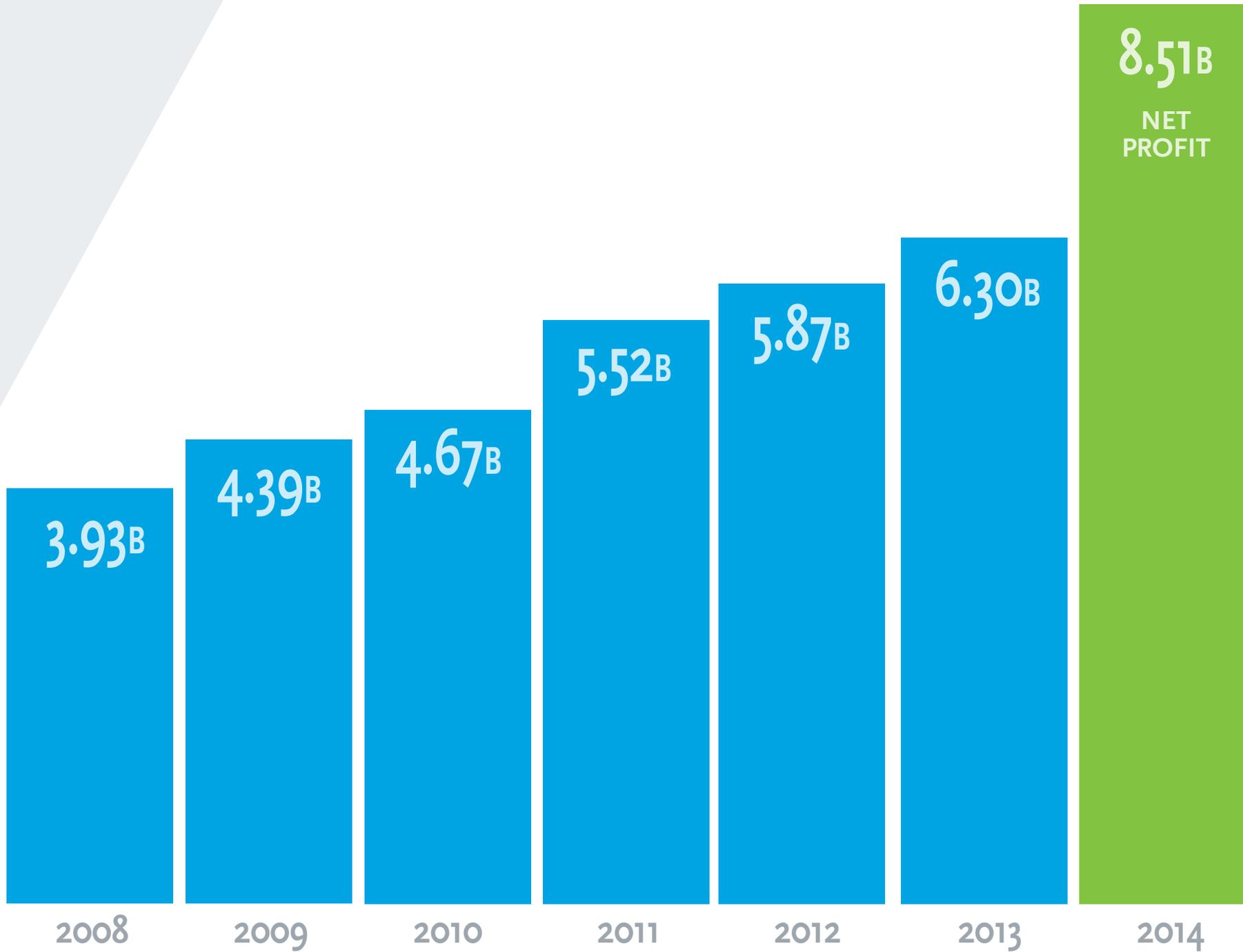
28% Growth over 2013

Earnings per Share

**\$2.21**

32% Growth over 2013







“

**WE EARN OUR CLIENTS'  
TRUST BY DELIVERING  
SUPERIOR FINANCIAL  
SOLUTIONS**”

Dr. The Hon. R.D. Williams, Chairman (left)  
Richard O. Byles, President & CEO

## STATEMENT OF THE CHAIRMAN & PRESIDENT

On behalf of the Board of Directors of Sagicor Group Jamaica Limited (SGJ or the Group), we are pleased to share with you the 2014 performance of our Group of Companies.

The growth trend continued with our team producing improved financial results for the fifteenth consecutive year. Net profit for the year was \$8.51 billion, which is 35% above 2013. Revenues were 8% ahead of prior year, reaching \$45.63 billion. We provided \$17.25 billion of insurance and annuity benefits to our customers and their families in 2014, up 9% over last year. In addition, we managed the GEASO and GPASO health business on behalf of the Government of Jamaica and the largest pool of pension funds in Jamaica. These are major businesses from which we pay out almost another \$10 billion annually. Our investment funds outperformed their respective benchmarks for the most part and some were the best performers in their asset class. Our banking reach across the island expanded exponentially.

2014 was a year of much achievement. We concluded a series of major transactions and continued laying the platform to deliver continued growth in the years ahead.

We acquired the minority shareholdings in Sagicor Investments Jamaica Limited through a share swap for SGJ shares in May.

We finalised the acquisition of RBC Jamaica, rebranded that business to Sagicor Bank and commenced the amalgamation of our commercial banking operations in June. Sagicor Bank is now the third-largest commercial bank in Jamaica.

We built out a shared services organisation to provide best-in-class common services to all entities of the Group while leveraging best talent, systems and other resources.

We embarked on an ambitious programme to reorganise the commercial and investment banking operations, upgrade to leading-edge technologies and entrench a customer-centric and sales-oriented culture.

We had excellent new business sales, again outperforming the individual and group insurance markets.

Team morale in the group improved further. The annual, independently administered staff survey indicates that 77.5% of our team members consider themselves to be highly engaged in their jobs.

Customer experience across the group showed 73% of our surveyed customers expressing satisfaction with our services across all our major product lines and 69% are confident that Sagicor provides unique benefits to customers.

We further strengthened the recognition of and affinity for the Sagicor brand through a wide array of product promotions and social initiatives focused primarily on sport, health and education.

### Strong Balance Sheet

Underpinning our commitment to deliver promised benefits to our customers is a strong balance sheet. In 2014 our assets grew 43% to \$284.22 billion and capital grew by 28% to \$46.07 billion after paying dividends of \$2.41 billion to our 8,312 shareholders. Regulated companies of the group continue to exceed the risk-adjusted capital required by our regulators.

*Our Sagicor Sigma Corporate Run was a tremendous success, raising \$22 million. Since its inception, we have raised \$141 million through Sigma*

## Sound Governance

We are pleased to report that the Board of Directors and its various committees for the Group and each subsidiary met regularly and executed their responsibilities with diligence. They deliberated on matters of proper governance, management performance, business strategy and risk management.

## Spending Time, Shaping Lives

During 2014, Sagicor Group Jamaica continued to impact lives in the areas of health, sports and education.

The Annual Sagicor Sigma Corporate Run in 2014 raised \$22 million for the Sickle Cell Unit at the University of the West Indies, the Special Care Nursery at the University Hospital of the West Indies, the Sickle Cell Trust and the Jamaica Kidney Kids Foundation. Since its inception, the Sagicor Sigma Corporate Run has raised more than \$141 million for various child and health related causes.

We were also particularly pleased to award 200 educational scholarships islandwide, touching every educational level, valued at over \$7 million.

Further, we contributed \$8.8 million to the growth of youth sports through sponsorship of the JTA/Sagicor National Athletic Championships, the Sagicor UWI Guild Champions League football tournament, as well as other sporting initiatives.

## Our efforts were recognised

**2014 was the most awarded year in Sagicor's history. We won several corporate awards.**

- Overall winner of the Jamaica Customer Service Association/PSOJ service excellence awards – winning 6 of the 8 awards categories.
- Jamaica Bureau of Standards overall winner for the National Quality Awards and winner of 3 of the 5 awards categories.

- Jamaica Stock Exchange Governor General Award for Excellence and was the overall winner for the Main Market award.
- American Chamber of Commerce award for Corporate Social Responsibility (Sigma Run) and Civic Leadership award for Excellence.
- Corporate Entrepreneur of the Year from the University of Technology.

## Thank you

We thank our customers for the confidence placed in us to provide for all their financial needs through Health Insurance, Life Insurance, Annuities, Pensions Management, and Commercial and Investment Banking. We thank our entire team of 2,100 individuals and our business partners for their continuing support and professionalism.

To our committed Directors, we say thank you for the untiring support. We take this opportunity to say a special thanks to Professor Sir Hilary Beckles, who demitted office during the year. We wish him every success for the future.

## Outlook for 2015

The Jamaican economy continues to show improvements and signs of growth. Much work remains and it is critical that the Government stays the course of tight fiscal management and reform. So far each of the quarterly IMF tests have been passed. We therefore look forward to 2015 with optimism.



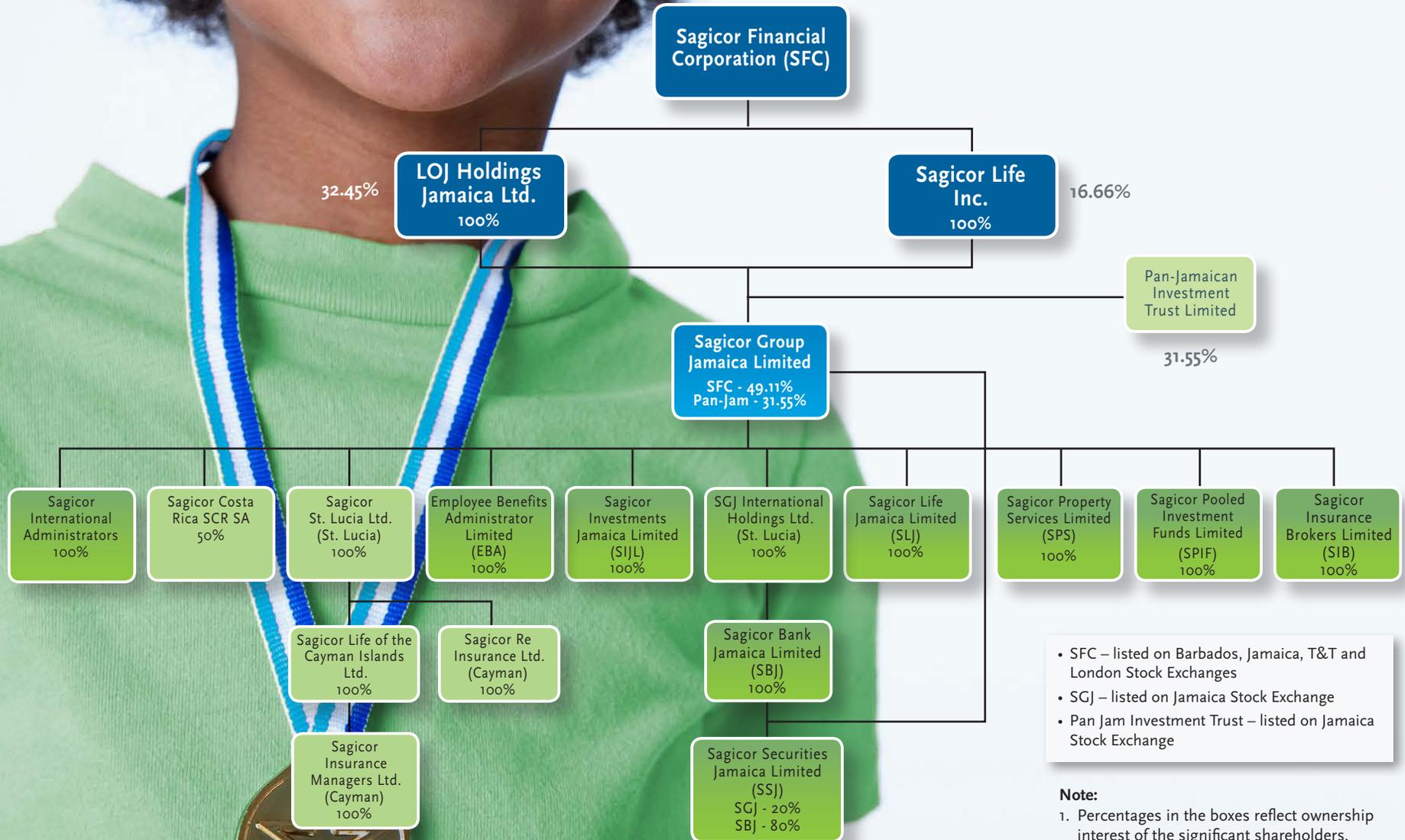
Dr. The Hon. R.D. Williams  
Chairman

27th February, 2015



Richard O. Byles  
President & CEO

# Sagicor Group



- SFC – listed on Barbados, Jamaica, T&T and London Stock Exchanges
- SGJ – listed on Jamaica Stock Exchange
- Pan Jam Investment Trust – listed on Jamaica Stock Exchange

# WHAT WE DO

## Sagicor Group

**Sagicor Group Jamaica** is a full-service financial group offering banking, investments, life & health insurance, annuities pensions, and real estate services.

We have 45 years of proven expertise in the insurance business with an outstanding history and reputation for leading innovation.

We are:  
Professional  
Experienced  
Focused  
Flexible  
Transparent  
Service Oriented

## Sagicor Life

**Sagicor Life Jamaica** provides a suite of life and health insurance products: annuities, personal accident insurance, investment opportunities, living benefits, pension fund administration services and other insurance-related solutions.

Our products cater to the diverse and dynamic needs of our individual and corporate clients.

We sell products through our large distribution network of financial advisors and broker/agency channels in Jamaica and the Cayman Islands.

## Sagicor Bank

**Sagicor Bank Jamaica**, our retail, business and corporate banking arm, is the third-largest bank in Jamaica with an outstanding history for leading and innovating in the banking and finance industry.

We remain committed to assisting clients to maximise their growth opportunities and make crucial decisions that make a difference in their bottom line.

We continue to experience consistent growth through cross-selling, improved distribution and building high performance teams.

## Sagicor Investments

**Sagicor Investments Jamaica** is one of Jamaica's top investment service providers with nearly three decades of experience in the market.

We offer value-added investment solutions tailored to meet our clients' personal goals whilst matching their appetite for risk.

We are focused on providing expert guidance for individuals and businesses seeking to maximise their growth potential.

**We provide:**

**Banking:** With our world-class suite of highly competitive products and service offerings, along with our expert team, Sagicor Bank offers the very best in banking to help our clients to maximise their opportunities and provide them with relevant solutions to meet their financial needs.

**Investments:** Knowing when to invest is as important as knowing what to invest in. We provide individual and business clients with the necessary insight and expert guidance to make strategic decisions to achieve their financial goals through a wide array of local and global investment options.

**Life Insurance:** For over 40 years, Sagicor Life Jamaica has provided a wide-ranging suite of life insurance products with benefits to meet diverse and ever-changing needs, that have established our customers' legacies, helping them and their family when they need it most.

**Health Insurance:** Sagicor Life offers comprehensive health insurance plans that are designed to protect from financial hardships resulting from sickness or injury. We have the largest network of health-care providers, pharmacies, doctors and hospitals to support the health care needs of our clients.

**Mortgage Services:** At Sagicor, we have a plethora of residential and commercial mortgage solutions to fit the needs and budgets of our individual and corporate clients.

**Pension Services:** Over 40 years' experience and a market leader for over 20 years in Jamaica and the Caribbean, Sagicor offers the most efficient retirement services available. We enable our clients to live their dream retirement lifestyles, without compromising their lifestyles today.

**Real Estate:** Sagicor Property Services is one of the premier real estate companies in Jamaica. Meeting the needs of individual and corporate clientele based on their residential and commercial property needs, including but not limited to: sales, leasing, property management and strata management.

**Our Business Lines and Leaders:**

**Mark Chisholm**  
Executive Vice President  
Individual Insurance Division

The Individual Insurance Division provides individual clients with life and health insurance products, individual annuities, investment opportunities, living benefits and other insurance-related solutions. This is done through its large distribution network of financial advisors and broker/agency channels in Jamaica and the Cayman Islands. The Division has remained committed to providing flexible approaches for customers to meet their diverse and dynamic financial objectives and protect them against life's eventualities.



**Willard Brown**  
Executive Vice President  
Employee Benefits Division

The Employee Benefits Division provides group health, group life and personal accident insurance to institutional clients for their employees. The Division also provides pension funds administration services and annuity products to corporate clients. We focus on building financial security programmes that balance the needs of both employer and employees. Sagicor Life Jamaica is the largest provider of these services in Jamaica.



**Rohan Miller**  
President and CEO  
Sagicor Investments

Sagicor Investments is one of Jamaica's top financial service providers with nearly three decades of experience in the market. We are focused on providing expert guidance to individuals and businesses seeking to maximise their growth potential through a diverse range of value-added investment solutions across a varied selection of asset classes and investment styles. Our hallmark is recognised as offering wise, insightful advice that matches personal objectives with the best local, regional and global opportunities available today.



**Donovan Perkins**  
President and CEO  
Sagicor Bank

Sagicor Bank is the retail, business and corporate banking arm of Sagicor Group Jamaica. It has an outstanding history of leading and innovating in the banking and finance industry by remaining committed to assisting clients to maximise their growth opportunities and make crucial decisions that make a difference in their bottom line. The subsidiary continues to experience consistent growth through cross-selling, improved distribution channels, a keen focus on customer experience and high performance teams.

**Our customers are served through:**

**Financial/Investment Advisors, Independent Vendors and Brokers:** Our products are sold through our large distribution network of financial/investment advisors and broker/agency channels in Jamaica and the Cayman Islands.

**Telephone Service Centre and Online Services:**

In addition to our 24-hour telephone service centre via our Client Care Centre, we also offer an online live chat service and a request a call service directly from one of our client

care representatives. Our customers may also access their account information, pay bills, manage their payroll and make intra-bank transfers via our online banking portal and utilise our varying self-service facilities to manage their insurance policies.

**Let's talk.**

Call us at 1-888-SAGICOR  
(724-4267)

## GROUP 10-YEAR FINANCIAL STATISTICS

Year ended December 31, 2014

### The Group

|  | 2014 | Revised<br>2013 | Revised<br>2012 | Revised<br>2011 | Revised<br>2010 | Revised<br>2009 | Revised<br>2008 | Revised<br>2007 | Revised<br>2006 | Revised<br>2005 |
|--|------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|--|------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|

### SALES:

#### INSURANCE AMOUNTS

|                                   |            |                |                |                |                |                |                |               |               |               |               |
|-----------------------------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Individual Life - Sums Assured    | \$m        | 151,131        | 149,096        | 137,571        | 150,624        | 116,311        | 119,432        | 86,120        | 75,435        | 67,603        | 54,426        |
| Group Life - Sums Assured         | \$m        | 6,940          | 4,988          | 1,710          | 2,358          | 1,462          | 5,053          | 5,212         | 4,180         | 1,427         | 1,793         |
| <b>Total New Insurance Amount</b> | <b>\$m</b> | <b>158,071</b> | <b>154,084</b> | <b>139,281</b> | <b>152,982</b> | <b>117,773</b> | <b>124,485</b> | <b>91,332</b> | <b>79,615</b> | <b>69,030</b> | <b>56,219</b> |

#### NEW ANNUALISED PREMIUMS

|                                      |            |               |              |              |              |              |              |               |              |              |              |
|--------------------------------------|------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Individual Life                      | \$m        | 2,656         | 2,583        | 2,530        | 2,110        | 1,998        | 1,943        | 1,432         | 1,352        | 1,401        | 1,131        |
| Group Life and Health                | \$m        | 496           | 647          | 636          | 184          | 194          | 311          | 604           | 327          | 223          | 207          |
| Group Health Single Premiums         | \$m        | 49            |              |              | 56           | 356          | -            | 1,447         |              |              |              |
| Annuities                            | \$m        | 1,209         | 1,456        | 1,820        | 1,139        | 1,279        | 1,302        | 810           | 831          | 605          | 387          |
| Bulk Annuities Single Premiums       | \$m        | 2,212         | 4,820        | 428          | 2,153        | -            | 1,699        | 6,141         |              |              |              |
| Group Pensions                       | \$m        | 4,348         | 475          | 212          | -            | 111          | -            | -             | 418          | 7            | 2            |
| <b>Total New Annualised Premiums</b> | <b>\$m</b> | <b>10,970</b> | <b>9,981</b> | <b>5,626</b> | <b>5,642</b> | <b>3,938</b> | <b>5,255</b> | <b>10,434</b> | <b>2,928</b> | <b>2,236</b> | <b>1,727</b> |

### IN FORCE:

#### INSURANCE AMOUNT

|   |            |                  |                  |                  |                  |                  |                  |                  |                |                |                |
|---|------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| Individual Life - Sums Assured          | \$m        | 996,768          | 908,068          | 813,598          | 734,195          | 666,096          | 622,513          | 527,376          | 442,844        | 378,018        | 321,222        |
| Group Life - Sums Assured               | \$m        | 591,020          | 493,945          | 553,171          | 491,577          | 468,407          | 571,731          | 424,576          | 376,715        | 348,574        | 283,115        |
| Property and Casualty                   | \$m        | 40,135           | 34,481           | 29,058           | 22,957           | 19,584           | 134,787          | 118,864          | 100,081        | 73,413         | 62,388         |
| <b>Total Insurance Amounts in Force</b> | <b>\$m</b> | <b>1,627,923</b> | <b>1,436,494</b> | <b>1,395,827</b> | <b>1,248,729</b> | <b>1,154,087</b> | <b>1,329,031</b> | <b>1,070,816</b> | <b>919,640</b> | <b>800,005</b> | <b>666,725</b> |

|   |  |         |         |         |         |         |         |         |         |         |         |
|---|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Number of Individual Life policies in force |  | 421,937 | 407,927 | 393,411 | 376,872 | 361,548 | 352,345 | 335,931 | 322,884 | 307,365 | 294,178 |
| Number of New Individual Life policies      |  | 59,449  | 59,318  | 60,226  | 55,547  | 49,782  | 50,231  | 45,226  | 41,958  | 42,137  | 35,714  |

|   |            | 2014            | Revised<br>2013 | Revised<br>2012 | Revised<br>2011 | Revised<br>2010 | Revised<br>2009 | Revised<br>2008 | Revised<br>2007 | Revised<br>2006 | Revised<br>2005 |
|---|------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>FINANCIAL POSITION &amp; STRENGTH:</b>                       |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Total Assets <sup>1</sup>                                       | \$m        | 284,216         | 198,310         | 174,532         | 160,372         | 142,731         | 134,530         | 116,934         | 86,806          | 79,058          | 70,824          |
| Pension Funds under Management <sup>2</sup>                     | \$m        | 98,209          | 85,506          | 79,725          | 74,399          | 64,569          | 55,336          | 46,709          | 50,705          | 41,825          | 35,991          |
| Other Funds under Management                                    | \$m        | 78,865          | 45,692          | 40,683          | 22,304          | 20,081          | 19,610          | 19,418          | 25,001          | 20,531          | 20,330          |
| <b>Total Assets Under Management</b>                            | <b>\$m</b> | <b>461,290</b>  | <b>329,508</b>  | <b>294,940</b>  | <b>257,075</b>  | <b>227,381</b>  | <b>209,476</b>  | <b>183,061</b>  | <b>162,512</b>  | <b>141,414</b>  | <b>127,145</b>  |
| Invested Assets <sup>5</sup>                                    | \$m        | 232,678         | 180,330         | 155,730         | 144,942         | 127,941         | 114,745         | 97,042          | 73,408          | 65,854          | 56,698          |
| Policyholders' Funds<br>(including Segregated Funds)            | \$m        | 71,143          | 64,538          | 52,534          | 47,532          | 42,735          | 42,047          | 35,290          | 20,893          | 18,042          | 17,357          |
| Shareholders' Equity  | \$m        | 46,065          | 35,926          | 32,856          | 28,411          | 25,203          | 19,863          | 15,576          | 15,507          | 14,412          | 11,652          |
| Market Capitalisation   | \$m        | 40,033          | 39,867          | 37,986          | 37,610          | 25,650          | 25,575          | 21,001          | 29,985          | 32,863          | 36,649          |
| <b>OPERATING RESULTS:</b>                                       |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Total Revenue <sup>5</sup>                                      | \$m        | 45,630          | 42,356          | 35,507          | 33,108          | 29,436          | 31,418          | 29,860          | 19,022          | 16,716          | 13,159          |
| Total Policyholder Benefits and reserves <sup>3,5</sup>         | \$m        | 22,770          | 23,231          | 17,767          | 16,519          | 14,064          | 15,678          | 16,793          | 8,143           | 7,036           | 5,356           |
| Total Commissions, Expenses, and Taxes <sup>5</sup>             | \$m        | 17,515          | 12,660          | 11,668          | 10,835          | 10,501          | 10,854          | 8,524           | 7,458           | 6,627           | 4,921           |
| Net profit, attributable to Shareholders <sup>5</sup>           | \$m        | 8,513           | 6,298           | 5,865           | 5,523           | 4,671           | 4,390           | 3,928           | 2,957           | 2,572           | 2,460           |
| <b>FINANCIAL RATIOS:</b>  |            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Return on average assets  | %          | 4               | 3               | 4               | 4               | 3               | 3               | 4               | 4               | 3               | 7               |
| Return on average shareholders' equity                          | %          | 21              | 18              | 19              | 21              | 21              | 25              | 25              | 20              | 20              | 28              |
| Share price   | \$         | 10.25           | 10.60           | 10.10           | 10.00           | 6.82            | 6.80            | 5.60            | 8.00            | 8.81            | 9.86            |
| Earnings per share  | \$         | 2.21            | 1.67            | 1.56            | 1.47            | 1.24            | 1.17            | 1.05            | 0.79            | 0.69            | 0.71            |
| Price earnings ratio  |            | 4.64            | 6.35            | 6.47            | 6.80            | 5.49            | 5.81            | 5.33            | 10.13           | 10.76           | 13.89           |
| Dividends per share   | \$         | 0.63            | 0.40            | 0.56            | 0.65            | 0.43            | 0.57            | 0.44            | 0.30            | 0.27            | 0.20            |
| Administration Expenses and Depreciation<br>to Revenue          | %          | 29 <sup>4</sup> | 22 <sup>4</sup> | 19 <sup>4</sup> | 20 <sup>4</sup> | 22 <sup>4</sup> | 21 <sup>4</sup> | 21 <sup>4</sup> | 20              | 22              | 22              |
| Commissions and Related Sales Expenses<br>to net premium income | %          | 14 <sup>4</sup> | 15 <sup>4</sup> | 14 <sup>4</sup> | 15 <sup>4</sup> | 15 <sup>4</sup> | 14 <sup>4</sup> | 14 <sup>4</sup> | 16              | 16              | 15              |

## Footnotes:

1 - Includes Segregated Funds

2 - Includes Sagicor Pooled Funds and Self-Directed Funds

3 - Includes movement in Actuarial Liabilities

4 - These ratios reflect a 10% weighting for single premiums

5 - Prior period computations have been adjusted to include Segregated Funds



“  
**BUILDING A  
BETTER BANK**”

Richard O. Byles, President and CEO, Sagcor Group Jamaica Ltd. and Suresh Sookoo, CEO at RBC Financial (Caribbean) Ltd (r) shake hands following the signing of the agreement between Sagcor and RBC Royal Bank for Sagcor to acquire RBC Canada's operations in Jamaica,



## A STRONGER SAGICOR BANK

In January 2014, we announced our intention to acquire RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively “RBC Jamaica”) from Royal Bank of Canada.

In a published statement, Richard Byles, President and CEO of Sagicor Group Jamaica, said the move to acquire RBC’s Jamaican operations “provided the opportunity to expand Sagicor’s banking footprint, allowing us to serve our customers better.” He went on to elaborate: “The acquisition of RBC Jamaica is a critical step in fulfilling our vision to build out a bank that is based on customer satisfaction and convenience.”

In early June, the acquisition of RBC Jamaica was approved by the regulators. The deal positioned Sagicor Bank among the top three commercial banks in Jamaica.

Shortly after receiving regulatory approval, we made two key strategic management changes in the company’s Banking and Investments Divisions in order to represent the clear separation of the divisions under the Sagicor Group Jamaica umbrella. The Banking Division now falls under the leadership of Donovan H. Perkins, in the capacity of President & CEO – Sagicor Bank Jamaica Ltd., supported by Philip Armstrong as Deputy CEO. Sagicor Investments Jamaica Limited is led by Rohan Miller, Executive Vice President, at Sagicor Group Jamaica.

On Friday, June 27, we completed the acquisition of RBC Royal Bank (Jamaica) Ltd and all 13 branches and 42 ABMs of the former RBC Royal Bank Jamaica were rebranded Sagicor Bank branches. Sagicor Bank now has a presence across the island with **coverage** in every parish.



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE SECOND ANNUAL GENERAL MEETING of the Company will be held on Tuesday, the 16th day of June 2015 at 3:00 p.m. in the Auditorium, R. Danny Williams Building, 28-48 Barbados Avenue, Kingston 5, for the following purposes.

### ORDINARY BUSINESS

**1. To receive the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2014.**

To consider and if thought fit, to pass the following Resolution:

“THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2014 be and are hereby adopted.”

**2. To elect Directors.**

Article 98 provides that one third of the Directors shall retire from office at each Annual General Meeting. Directors Peter Clarke, Jacqueline Coke Lloyd and Paul Hanworth retire under this Article and being eligible, offer themselves for re-election.

Article 97(f) of the Company's Articles of Incorporation provides that:

The office of a Director shall be vacated if the Director attains the age of sixty-five years, provided that if a Director shall attain that age during his term of office, he shall be entitled to retain his position of Director until the next Annual General Meeting. Notwithstanding the foregoing, the Board at its absolute discretion may invite a former Director or any other person who has attained the age of sixty-five years to

be a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.

THAT Director, Dr. the Hon. R. D. Williams has been invited by the directors to continue in office for a term of three (3) years and shall retire in accordance with the Articles of Incorporation.

To consider, and if thought fit, to pass the following Resolutions

- (i) THAT Director, Peter Clarke who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.
- (ii) THAT Director, Jacqueline Coke Lloyd who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.
- (iii) THAT Director, Paul Hanworth who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company.
- (iv) THAT Director, Dr. the Hon. R. D. Williams who retires by rotation be and is hereby re-elected a Director of the Company.

Pursuant to Article 96 of the Articles of Incorporation, Peter Melhado was appointed as an additional director; Stephen McNamara was also appointed to fill a casual vacancy. Both directors retire and are now eligible for election.

To consider, and if thought fit, pass the following Resolutions

- (v) THAT Director Peter Melhado who retires at this annual general meeting and being eligible, be and is hereby elected a director of the Company.

(vi) THAT Director Stephen McNamara who retires at this annual general meeting and being eligible, be and is hereby elected a director of the Company.

**3. To fix the remuneration of the Directors.**

To consider and if thought fit, to pass the following Resolution:

THAT the amount of \$12,600,000.00 included in the Audited Accounts of the Company for the year ended December 31, 2014 as remuneration for their services as Directors be and is hereby approved.

**4. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.**

THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

**5. To ratify interim dividends and declare them final.**

To consider and if thought fit, to pass the following Resolution:

That the interim dividends of thirty-five (35) cents paid on 31st March, 2014 and twenty-eight (28) cents paid on 7th November, 2014 respectively be and are hereby ratified and declared as final for 2014.

DATED THIS 27th DAY OF February, 2015

BY ORDER OF THE BOARD



Janice A.M. Grant Taffe  
Corporate Secretary

REGISTERED OFFICE  
28-48 Barbados Avenue  
Kingston 5, Jamaica

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a member of the Company. Enclosed is a Proxy Form for your convenience which must be completed and lodged at the Company's Registered Office, at 28-48 Barbados Avenue, Kingston 5 not less than 48 hours prior to the time appointed for the meeting.



“ COMMITTED TO OVERSIGHT  
& ENTREPRENEURIAL  
LEADERSHIP ”

## DIRECTORS' REPORT

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2014. The Financial Statements reflect the consolidated results of the Sagicor Group Jamaica Limited (SGJ) and its subsidiaries.

|   | 2014<br>J\$000's | 2013<br>J\$000's |
|---|------------------|------------------|
| <b>Operating Results:</b>                                   |                  |                  |
| Group Profit before tax                                     | 8,861,626        | 7,014,463        |
| Taxation  | (298,508)        | (561,773)        |
| Net Profit after tax  | 8,563,118        | 6,452,690        |
| Attributable to:  |                  |                  |
| Stockholders of the Company                                 | 8,512,779        | 6,297,935        |
| Minority Interest   | 50,339           | 154,755          |
| <b>Stockholders' Equity:</b>                                |                  |                  |
| Stockholders' equity brought forward                        | 35,925,841       | 32,855,555       |
| Share capital, opening                                      | 7,854,938        | 7,854,938        |
| Shares issued   | 1,306,127        | -                |
| Share capital, ending                                       | 9,161,065        | 7,854,938        |
| Reserves, opening   | 5,343,433        | 5,734,286        |
| Net gains/(losses) recognised in equity                     | 1,204,672        | (471,965)        |
| Stock options and grants schemes value of services rendered | 23,677           | 34,529           |
| Stock options and grants exercised/expired                  | (6,693)          | (6,196)          |
| Transfers (to)/from reserves                                | (151,553)        | 52,779           |
| Reserves, ending  | 6,413,536        | 5,343,433        |
| Retained earnings, opening                                  | 22,727,470       | 19,266,331       |
| Total comprehensive income                                  | 9,517,127        | 5,018,314        |
| Transfers (to)/from reserves                                | 151,553          | (52,779)         |
| Purchase of minority interests                              | 504,532          |                  |
| SLJ dividends paid  | (2,409,925)      | (1,504,396)      |
| Retained earnings, ending                                   | 30,490,757       | 22,727,470       |
| Stockholders' equity carried forward                        | 46,065,358       | 35,925,841       |

### Directors

Article 98 provides that one third of the Directors shall retire from office at each Annual General Meeting. Directors Peter Clarke, Jacqueline Coke-Lloyd and Paul Hanworth retire under this Article and, being eligible, offer themselves for re-election.

Article 97(f) of the Company's Articles of Incorporation provides that the office of a Director shall be vacated if the Director attains the age of sixty-five years, provided that if a Director shall attain that age during his term of office, he shall be entitled to retain his position of Director until the next Annual General Meeting. Notwithstanding the foregoing, the Board at its absolute discretion may invite a former Director or any other person who has attained the age of sixty-five years to be a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation. Directors Peter Clarke, Jacqueline Coke Lloyd, Paul Hanworth and Dr. the Hon. R. D. Williams retire under this Article and, being eligible, offer themselves for re-election.

Pursuant to Article 96 of the Articles of Incorporation, Mr. Peter Melhado and Mr. Stephen McNamara were appointed as an additional Director and to fill a casual vacancy respectively. Mr. Peter Melhado and Mr. Stephen McNamara retire at this annual general meeting and are eligible for re-election.

### Auditors

The retiring Auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office, will do so in accordance with the provisions of Section 154 of the Companies Act. A resolution authorising the Directors to fix remuneration of the Auditors will be presented at the Annual General Meeting.

### Dividends

Interim dividends of 35 cents per share were paid on March 31, 2014 and 28 cents per share on November 7, 2014.



Chairman

27 February, 2015

## BOARD OF DIRECTORS



**DR. THE HON. R.D. WILLIAMS**, OJ, CD, JP,  
Hon. LL.D(UTech), Hon. LL.D(UWI)

**Chairman**

**Appointed 1969**

Citizen of Jamaica

Dr. the Hon. R. Danvers (Danny) Williams is the founder of Life of Jamaica Limited, now Sagicor Life Jamaica, serving as President & CEO on two separate occasions. He also serves on the boards of a number of Sagicor Group Jamaica member companies.

In 1972 Dr. Williams was awarded the National Honour of Commander of the Order of Distinction (CD) and in 1993 was conferred with the Order of Jamaica (OJ) for voluntary service to his community. He served the Government of Jamaica for three years (from 1977 to 1980) as a Senator, Minister of State and Minister of Industry and Commerce, respectively. He was conferred twice with the degree of Doctor of Laws (Hon) by the University of Technology in 2005 and by the University of the West Indies (Mona) in 2013. Dr. Williams currently serves on the boards of several major Jamaican companies, organisations and foundations. He is Director Emeritus of Jamaica Broilers Group Limited and Chairman of the Jamaica College Foundation.



**RICHARD O. BYLES** B.Sc., M.Sc.

**President & CEO**

**Appointed 2004**

Citizen of Jamaica

Mr. Richard Byles is President and CEO of Sagicor Group Jamaica Limited. Mr. Byles holds a Bachelor's degree in Economics from the University of the West Indies and a Master's in National Development from the University of Bradford, England.

He is the Board Chairman of Sagicor Bank Jamaica Limited, Sagicor Life of the Cayman Islands Limited, Sagicor Real Estate X Fund and Desnoes & Geddes Ltd. (brewers of Red Stripe). He is also a director of Sagicor Investments Jamaica Limited and Pan-Jamaican Investment Trust Limited where he was Chief Executive Officer for 13 years. He is a former Vice President of the Private Sector Organisation of Jamaica (PSOJ) and Co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the implementation of the IMF programme in Jamaica.



**PETER E. CLARKE** B.A.

**Appointed 2012**

Citizen of Trinidad & Tobago

Mr. Clarke is a financial consultant. He is a director of Sagicor Financial Corporation and several other companies in the Group, including Sagicor Life Inc. and Sagicor Asset Management Trinidad and Tobago Ltd., He is the holder of a Bachelor of Arts degree in History from Yale University and a law degree from Downing College, Cambridge University.

He is the Chairman of the Trinidad and Tobago Stock Exchange and a former Director of the Trinidad and Tobago Chamber of Industry and Commerce.



**JEFFREY COBHAM** B.A., Dip. Mgmt.

Appointed 2003

Citizen of Barbados and Jamaica

Mr. Jeffrey Cobham sits on the boards of Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Property Services Limited and Sagicor Life of the Cayman Islands.

Mr. Cobham sits on the boards of Salada Foods Jamaica Limited, Peak Bottling Company Limited and Pulse Investments Limited. He is the Chancellor's representative to the University of the West Indies Mona Campus Council, and sits on its Finance and General Purposes Committee and its Audit Committee.



**JACQUELINE COKE-LLOYD**

Appointed 2010

Citizen of Jamaica

Jacqueline Coke-Lloyd is currently the Principal Director of Make Your Mark Consultants with over 25 years of expertise in General Management, Human Resource Management and Industrial Relations. She is a graduate of the University of Technology Jamaica and the International Training Centre of the International Labour Organisation (ILO), Turin, Italy. Mrs Coke-Lloyd is currently pursuing her Doctorate in Transformational Leadership. She has served on several local boards including the National Housing Trust (NHT), Jamaica Productivity Centre, University of Technology Jamaica (UTech), Young Entrepreneurs Association of Jamaica (YEA), Jamaica Employers' Federation (JEF), National Council on Technical and Vocational Education and Training (NCTVET) and the Jamaica Business Council on HIV/AIDS.

Mrs. Coke-Lloyd is the former CEO of Jamaica Employers' Federation (JEF) where she served for ten (10) years. She is a member of the Women Business Owners of Jamaica (WBO), Women's Leadership Initiative (WLI), PSOJ, the Human Resource Management Association of Jamaica (HRMAJ) and Charter President of the Optimist Club of Barbican Pines and serve as advisor to the MSc in Workforce Education and Training at UTech.



**RICHARD DOWNER** CD, FCA

Appointed 2008

Citizen of Jamaica

Mr. Richard Downer currently serves on the Board of Sagicor Group Jamaica and is chairman of the Audit Committee and a member of the Risk Management Committee. He is a director of Sagicor Life of Jamaica Limited and chairman of its Audit Committee.

Mr. Downer is also a member of the Rating Committee of CariCRIS Limited and a director of Dolphin Cove Limited. Mr. Downer has served on other private sector boards, including Sagicor Investments Limited, Sagicor Bank Limited, Victoria Mutual Building Society, Lascelles deMercado and Co. Ltd, and ICD Group Limited. In the public sector, he has served as executive director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and a director of the Bank of Jamaica and was chairman of the Coffee Industry Board. He has also served on the boards and audit committees of the National Education Trust, the Overseas Examination Commission and the Tourism Enhancement Fund. He has advised the governments of sixteen countries on privatisation. He is a former senior partner of PricewaterhouseCoopers in Jamaica.

## BOARD OF DIRECTORS



### **PAUL FACEY** B.Sc., MBA

Appointed 2005  
Citizen of Jamaica

Mr. Paul Facey holds a B.Sc in Marketing and Management from the University of South Florida and an MBA in Finance from Florida International University Business School. He has a wide range of experience in banking, investment, manufacturing, retail and distribution.

Mr. Facey is the Vice President - Investments at Pan-Jamaican Investment Trust Limited.

### **STEPHEN B. FACEY** B.A., M.Arch

Appointed 2004  
Citizen of Jamaica

Mr. Facey holds a B.A. in Architecture from the Rice University and a Master's in Architecture from the University of Pennsylvania. Mr. Stephen B. Facey is the Chairman and CEO of Pan-Jamaican Investment Trust Limited, Chairman of the Pan-Jam subsidiary, Jamaica Property Company Limited.

He is a Director of Panacea Insurance Company Limited, the National Gallery of Jamaica, Institute of Jamaica, Chukka Caribbean Adventurers and Kingston Restoration Company Limited. He is the Chairman of the Mavis Bank Coffee Factory Limited, Associated Manufacturers Limited, New Kingston Civic Association, Cecil Boswell Facey Foundation, and the Boys' Town Infant & Primary School.

### **MARJORIE FYFFE CAMPBELL** B.Sc., M.Sc.

Appointed 2003  
Citizen of Jamaica

Mrs. Marjorie Fyffe Campbell is a management executive with over twenty-five years' experience in Finance and Accounting at the Executive Management level. She is a graduate of the University of the West Indies with a B.Sc. and an M.Sc. in Accounting, and is a member of the Institute of Chartered Accountants of Jamaica.

She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica. Mrs. Fyffe-Campbell is an adjunct lecturer in Financial and Management Accounting and Enterprise Risk Management Governance at the Mona School of Business at the University of the West Indies, where she is pursuing a Doctorate in Business Administration with an emphasis on corporate governance. She is also a member of the Board of Directors of Sagicor Financial Corporation (SFC), Sagicor Life Cayman and Sagicor Property Services Limited.

### **PAUL HANWORTH** M.A., M.Sc., A.C.A., C.P.A

Appointed 2008  
Citizen of Jamaica

Mr. Hanworth is the Chief Operating Officer of Pan-Jamaican Investment Trust Limited and an entrepreneur with over 30 years of international experience in financial and strategic leadership. He is both a Certified Public Accountant (USA) and a Chartered Accountant (England & Wales), and holds an M.Sc. in Management from the Hartford Graduate Centre and an M.A. (Hons) in Classics from Cambridge University.

Prior to joining Pan-Jam, he worked with KPMG in the USA and England for 14 years, with Diageo in the USA and South Africa for 9 years, and with the Mechala Group (now ICD Group) in Jamaica for 6 years. He is also a director of Hardware & Lumber Limited and British Caribbean Insurance Company Limited, as well as a number of other Jamaican privately held companies. He also founded Jamaica's first specialty fine wine business in 2004, which he sold in 2012.



### STEPHEN MCNAMARA

Appointed 2014

Citizen of St. Lucia and Ireland

Stephen McNamara was called to the Bar at Lincoln's Inn, and in St Lucia in 1972. He is the senior partner of McNamara & Company, Attorneys-at-Law of St. Lucia. The barrister/solicitor specialises in the representation of foreign investors in St Lucia in the Tourism, Manufacturing and Banking sectors. He served as Chairman of the St Lucia Tourist Board for nine years. He was appointed Non-Executive Chairman of Sagicor Financial Corporation, the Group's Holding Company, on 1 January 2010, having formally served as Vice Chairman since June 2007, and is the Chairman of the Group's main operating subsidiary Sagicor Life Inc. and also of Sagicor USA and a number of other subsidiaries within the Group.

Mr. McNamara's St Lucia-based service includes the Board of St Lucia Electricity Services Ltd, and as President of the St Lucia Tennis Association.



### PETER K. MELHADO BSc, MBA

Appointed 2014

Citizen of Jamaica

Mr. Melhado is President & CEO of ICD Group Limited. He joined Manufacturers Group in 1993 and became its CEO in 1995 until its merger with PanCaribbean in 2004. In that time, he was responsible for the growth and development of Manufacturers leading to the merger with Sigma to create Manufacturers Sigma Merchant Bank, then one of the leading financial and asset management companies in Jamaica.

Peter currently serves as Chairman of Sagicor Bank Jamaica Limited, and is current chairman of CGM Gallagher Group, West Indies Home Contractors, American International School of Kingston, Kingston Container Terminal and Industrial Chemical Company. His current directorships include British Caribbean Insurance Company, Couples Resorts, Port Authority of Jamaica and Red Stripe. He is a former Vice President of the Private Sector Organisation of Jamaica.



### DR. DODRIDGE MILLER FCCA M.B.A., LL.M, Hon. LL.D

Appointed 2001

Citizen of Barbados

Dr. Dodridge Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation in July 2002. Mr. Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School. He holds an LL.M in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an honorary Doctor of Laws degree by the University of the West Indies. He has more than 25 years' experience in the banking, insurance and financial services industries. Prior to his appointment as Group President and CEO, he held the positions of Treasurer and Vice President – Finance and Investment, deputy Chief Executive Officer and Chief Operating Officer. Mr. Miller joined the Group in 1989.

He is also a director of Sagicor Life Inc, Sagicor USA, Sagicor Life Jamaica, Sagicor Investments Jamaica and a number of other subsidiaries within the Group.



## LEADERSHIP TEAM

**Richard O. Byles** B.Sc. M.Sc.

**President and Chief Executive Officer**

Richard joined the company in 2004 as President & CEO. His experience and expertise span across the financial industry to include Life, Health and General Insurance, Asset & Investment Management, Banking, Pension Administration and Re-Insurance Management. He is a member of the Executive Committee of Sagicor Financial Corporation, the parent company of SGJ.

Richard is Chairman of Sagicor Life of the Cayman Islands Limited, Sagicor Bank Jamaica Limited, Desnoes & Geddes Limited and Sagicor X Fund Limited. He is also a Director of Sagicor Investments Jamaica Limited and Pan-Jamaican Investment Trust Limited.



**Ivan B. O'B. Carter** MBA, M.Sc., FLMI

**Executive Vice President,  
Finance & Information Technology and CFO**

Ivan is the Executive Vice President, Finance and Information Technology & CFO for Sagicor Group Jamaica. He is responsible to the President and the Board of Directors for directing the Accounting, Financial Reporting, Financial Management, Taxation and Regulatory Reporting functions of the Group in accordance with International Financial Reporting Standards (IFRS), local laws and regulations and Sagicor Group policies; Strategic Financial Management of the organisation; Leadership of the use of Information Technology and leadership of the Group's General Insurance and Captive Management interests.

He sits on the Board of Directors of a number of Sagicor Group Jamaica member companies.



**Mark Chisholm** MBA (Hons.), J.P.

**Executive Vice President,  
Individual Insurance Division**

Mark's experience in the insurance industry spans over 25 years. Over this period he has moved up the corporate ladder to his current position of Executive Vice President with direct responsibility for the Individual Line Division which encompasses sales in Jamaica and Sagicor Life of the Cayman Islands. Mark is also responsible for spearheading the Sagicor Group Jamaica's group sales efforts. He is a Director on The Port Security Corps Board (PSC), and also has responsibility for Group Customer Experience and Business Intelligence.



**Rohan D. Miller** B.Sc. (Hons.), M.B.A.

**President and CEO**

**Sagicor Investments Jamaica Limited and Sagicor Real Estate X Fund**

**Executive Vice President,  
Treasury and Asset Management**

Rohan has been the Chief Investment Officer and Executive Vice President for the Investments Division of Sagicor Life since March 1, 2011 after joining the company in 1993. His responsibilities include overseeing the Treasury Management, Investment Management, Investment Services, Property Management, Real Estate Development, and, most recently, the Sagicor Sigma Funds. He is instrumental in the development of new investment products for retail and institutional investors. Rohan is also CEO of Sagicor Real Estate X Fund, a JSE-listed company.



**Janice Grant Taffe** LL.B.(Hons.), CLE

**Vice President, General Counsel & Corporate Secretary**

Janice is an attorney-at-law with over 20 years' experience in the local financial sector and has held a senior management position in the company since 1997. She sits as corporate secretary to the board and its local non-banking subsidiaries. Janice has oversight responsibility for the Group's legal regulatory and corporate services and manages the overall corporate governance framework. Under her leadership of the Legal resources, the company undertook major corporate initiatives, including the new business development process and investment strategies. She is a member of the Jamaica Bar Association and sits on its Continuing Legal Education Committee. She is also member of the Corporate Counsel Association (Caribbean).

“ DELIVERING CLEAR AND MEASURABLE GROWTH IN SHAREHOLDER RETURNS ”



## LEADERSHIP TEAM cont'd

**Donovan H. Perkins** B.A. (Hons.), MBA

**President & CEO**  
**Sagicor Bank Jamaica Limited**

In 2014, Donovan was appointed as CEO of the new Sagicor Bank, which comprises our combined commercial banking operations that now includes the acquired RBC Royal Bank (Jamaica). He sits on the Boards of Pan Jamaican Investment Trust Limited and Jamaica Producers Group, and is Chairman of the Tourism Linkages Council.

**Philip Armstrong** B.Sc.

**Deputy CEO**  
**Sagicor Bank Jamaica Limited**

Philip has over 21 years of experience in financial services, spanning securities, derivatives, commercial banking and financial management. He was previously Deputy Chief Executive Officer of Sagicor Investments Jamaica Limited.

In his role as Deputy CEO, Mr. Armstrong has direct responsibility for Bank Operations, Retail Banking and Treasury. His oversight includes the sales and operational efforts for the retail segment of Sagicor Bank to ensure profitability, sustainability and to generate shareholder returns. He is an Invitee of Sagicor Life Jamaica's Investment and Risk Committee. He is an ex-officio member of Sagicor Life Jamaica's Investment Committee, Treasurer of the Jamaica Bankers Association and Director of British Caribbean Insurance Company Limited.

“ OUR PERFORMANCE REFLECTS THE  
PROGRESS IN IMPLEMENTING OUR  
GROUP STRATEGY ”



**Willard Brown** FSA, B.Sc. (Hons.)

**Executive Vice President - Employee Benefits and Actuary**

Willard has served the Group in various capacities in Information Technology, Employee Benefits Division and Employee Benefits Administrator Ltd. He is currently the Executive Vice President with direct responsibility for the Employee Benefits Division which provides products and services to groups of employees or members through their employers, associations or other institutions to manage their respective benefits programmes. He also has oversight of all actuarial resources within Sagicor Life Jamaica and is also a director of Employee Benefits Administrator Ltd.



**Ingrid Card** B.Sc., MBA (pending)

**Vice President, Group Marketing (Appointed January 1, 2015)**

Ingrid is responsible for the development and implementation of the Sagicor Group Jamaica's Marketing and Public Relations activities in order to maximise market share, build brand equity and cultivate brand loyalty. She provides leadership in the Group's strategic marketing, corporate social responsibility and public relations initiatives to ensure strong positioning of Sagicor's image, brands and products. Ingrid has over 15 years of experience in Marketing and Public Relations. She joined Sagicor Life Jamaica Limited in August 2009 as the Marketing & Communications Manager, having served in a similar capacity at the Jamaica Observer, along with several positions in Marketing and Sales with CVM Television and Couples Sans Souci Resort & Spa. Ingrid is currently writing her thesis to complete her MBA.



**Karl Williams** HRMP, B.Sc., Executive MBA

**Vice President, Group Human Resources**

Karl is the VP, Group Human Resources at Sagicor Life Jamaica Limited. He is a qualified Human Resource Management Professional (HRMP) from the Society of Human Resources Management (SHRM). His leadership spans disciplines of Marketing & Sales, Learning & Development and Human Resources. A highly creative individual with excellent problem-solving skills who works well with and gets the best from multifaceted individuals. He promotes a strong team ethos propelled by outstanding strategic focus and execution.

**FOR YOUR EVERY STEP,  
WE'LL BE THERE...**



**...with personal and business solutions to meet your every need. Our Relationship Managers are happy to work with you to achieve your financial goals.**

  
**Sagikor Bank**

# OUR BRAND ESSENCE

## Our Brand Personality

A trusted life partner who is loyal to family and friends.

A coach and a mentor who is happy to offer advice and always keeps promises.

Well-loved and respected in the community.



A photograph of two young boys of African descent sitting at a desk, focused on their schoolwork. The boy on the left, wearing a light green polo shirt, is looking down at an open book. The boy on the right, wearing a blue and white plaid shirt, is smiling and pointing at the book with a blue pen. The background is a soft-focus classroom setting. The text 'MANAGEMENT'S DISCUSSION & ANALYSIS' is overlaid in white, bold, sans-serif font on the left side of the image.

MANAGEMENT'S  
DISCUSSION &  
ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OUR PERFORMANCE

Sagicor Group Jamaica Limited (SG, Sagicor or the Group) is a leading financial services group in Jamaica, commanding the largest market share in many of the lines of business it operates.

During 2014, the Jamaican economy showed significant improvements over the previous year, achieving a number of plan targets. This was coupled with important legislation being enacted. The economies of the Cayman Islands and Costa Rica also showed growth.

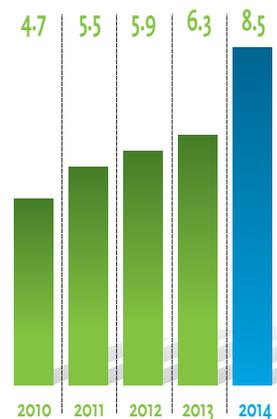
It was also an important year for Sagicor as we significantly expanded the Group through a series of major transactions. In May, we purchased the minority shareholdings in Sagicor Investments

Jamaica Limited (SIJL) through a share swap for Group shares, pursuant to a court-approved Scheme of Arrangement. In June, we concluded the acquisition of RBC Jamaica and rebranded that business to Sagicor Bank. The 2014 financial statements therefore reflect post-acquisition activities of the acquired businesses and negative goodwill attributable to the RBC acquisition on fair valuing the acquired assets and liabilities.

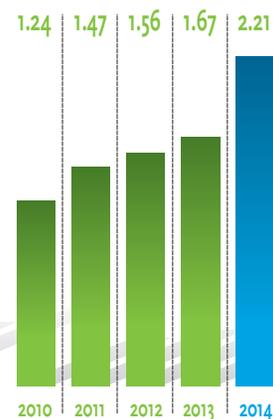
The Group generated consolidated net profit, attributable to stockholders, of \$8.51 billion for the year, a 35% improvement over 2013. With the negative goodwill, and non-recurring charges excluded, normalised profits showed a 7% increase over prior year. Earnings per stock unit were \$2.21 compared to \$1.67 in 2013 and the annualised return

*The Group generated consolidated net profit, attributable to stockholders, of \$8.51 billion for the year, a 35% improvement over 2013.*

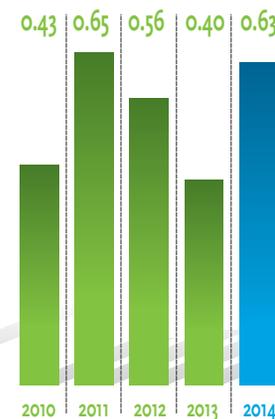
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS (in billions)



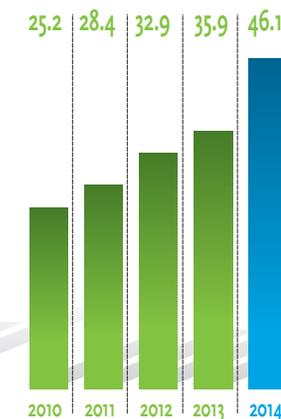
EARNINGS PER SHARE (in dollars)



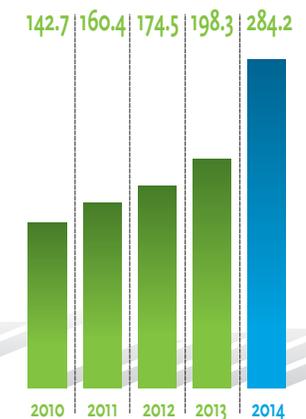
DIVIDENDS PER SHARE (in dollars)



STOCKHOLDERS' EQUITY (in billions)



TOTAL ASSETS (in billions)



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

*Stockholders' Equity at the year-end stood at \$46.07 billion, a 28% increase over the \$35.93 billion at 2013.*

*Total assets of the Group grew by 43% to reach \$284.22 billion (2013: \$198.31 billion).*

on average Stockholders' Equity was 21% (2013: 18%), when normalised for one-time items, the ROE was 16%. Stockholders' Equity at the year-end stood at \$46.07 billion, a 28% increase over the \$35.93 billion at 2013. Total assets of the Group grew by 43% to reach \$284.22 billion (2013: \$198.31 billion). The acquisition of RBC contributed \$62.62 billion or 73% of the increase. The 2014 financial results were buoyed by continued strong new business; realised capital gains; actuarial reserves gains from expense efficiencies, mortality experience and interest rates; the impact of the RBC acquisition.

## Financial performance highlights for 2014:

- Total revenue of \$45.63 billion; 8% better than the prior year.
- Net profit attributable to Stockholders of \$8.51 billion; 35% better than prior year.
- Earnings per share (EPS) of \$2.21; up 32% on prior year.
- A Group efficiency ratio of 29% compared to 22% in 2013 (normalised & before segregated funds).
- Assets of the Group of \$284.22 billion; 43% more than prior year.
- Total assets under management of \$461.29 billion; 40% more than the \$329.51 billion at 2013.
- Stockholders' Equity of \$46.07 billion; up 28% over the 2013 amount.
- Return on Stockholders' Equity (ROE) of 21%; 17% above the 18% for 2013.
- Paid dividends to stockholders of \$2.41 billion (\$0.63 per share); 58% more than the amount of \$1.5 billion paid in 2013 (\$0.40 per share).
- SCJ share price of \$10.25 at December 2014 was 3% less than prior year share price of \$10.60.
- SCJ market capitalisation at December 2014 was \$40.03 billion compared to \$38.24 billion at December 2013.

## Key 2014 performance drivers:

- Strong insurance and annuities, new business and improved conservation of business in-force.
- Strong revenues, especially from earned insurance premiums, investment income and gains realised from the sale of securities.
- Net gains from the RBC acquisition (negative goodwill less restructuring, rebranding and other costs).
- Actuarial reserves gains from expense efficiencies, mortality experience and interest rates.
- Unrealised impairment charge of \$738 million on equities.



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## ECONOMIC REVIEW

**Sagicor Group Jamaica operates in the economies of Jamaica, the Cayman Islands and Costa Rica.**

## JAMAICA

Early in 2013, the Government of Jamaica signed a 4-year Extended Fund Facility (EFF) agreement with the IMF, which was supported by other lending agencies. Throughout 2014, the Economic Programme Oversight Committee (EPOC) monitored monthly performance and the IMF performed quarterly tests. During the year policy implementation and structural reforms progressed well and key quantitative economic indicators either met or surpassed the budget. This resulted in Jamaica passing each of the quarterly IMF reviews under the EFF, which allowed for the release of funding to the country. By December 2014 most key economic indicators either met or surpassed the target.

The cumulative primary surplus of \$66.6 billion for April to December 2014 exceeded the target of \$66.0 billion by \$0.6 billion. At end-December the NIR stood at US\$2,016 million, which is US\$754 million more than the December IMF target of US\$1,262 million. The fiscal balance of central government was a deficit of \$28.9 billion compared to a budget of \$33.9 billion. However, tax revenues for the fiscal year to December 2014 were below target by \$9.7 billion.

Unemployment improved during 2014, from 15.3% as at December 2013 to 13.7% as at December 2014. The largest increases in the number of employed persons occurred in the agriculture, retail/wholesale, hotel and restaurant services sectors.

Calendar year-to-date inflation was 6.4% to December 2014, down from 9.7% to December 2013, driven mainly by the effect of a dramatic fall in oil prices in the last quarter across many sectors including food, water, electricity and transport. In the third quarter of 2014 inflation had climbed as a result of severe drought conditions. This lower inflation for the year combined with a much-improved Current Account Deficit (CAD) created conditions for a slowing of the rate of depreciation of the Jamaican dollar. The devaluation rate for 2013 was 14% as compared with 8% in 2014.

There was a 5.9% increase in stop-over arrivals for the month of December. Compared to the same January - December period last year, stopover arrivals and cruise ship passenger numbers increased by 3.6% and 12.5% respectively.

Remittance data for January to October 2014, showed an increase of 6.0% or US\$90.4 million in net remittances compared to the same period in 2013. Total net remittances for the period were US\$1,591.5 million, the highest net number recorded since 2011.

The results of the survey of Business and Consumer Confidence for the October –

December 2014 quarter showed the business index rose to 122.9, up from 112.1 for the previous quarter, and is the highest since the beginning of 2012. The consumer index rose strongly, from 97.8 to 110.0, the highest since the 4th quarter of 2012.

Based on a survey as at June 2014, the World Bank “2015 Doing Business Report” improved Jamaica’s ranking 27 places from 85th to 58th in the world. Jamaica is the best rated country in the Caribbean and one of the most improved in the world.

In September 2014, Standard & Poor’s (S&P) Rating Services reaffirmed the B- rating of Jamaica but upgraded the outlook from “stable” to “positive”. The report, based on a review in August 2014, noted the strong fiscal performance, the substantial improvement in the NIR and the achievement of growth over the last four quarters. The report indicated a possible further upgrade in the next 6-18 months if the economy continues to perform positively. This is an important endorsement of the direction of the economy by a key international agency whose rating is keenly watched by all investors.

The macro-economy, therefore, showed good improvement during 2014. The under-performance of tax revenues remains a great concern. The achievements to-date are very encouraging but there is still much more work ahead to achieve the goals of sustained growth, further reduction in unemployment and improved living standards.

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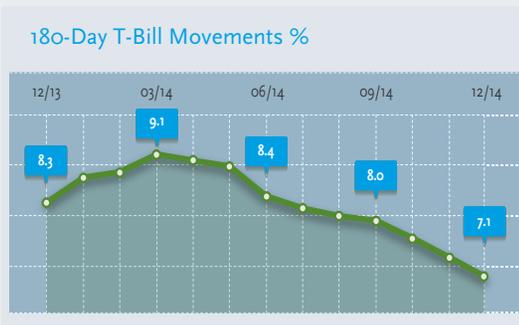
MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

Key Economic Statistics:

- Growth in Real Gross Domestic Product (GDP) was 0.5% for the 12-month period to December 2014 compared to 1.0% in 2013.
- Average savings rates (domestic currency) increased by 21 bps to reach 1.44% at December 2014. The rate at December 2013 was 1.23%.
- The 6-month Treasury Bill rate decreased by 111 bps to 7.14%. The rate at December 2013 was 8.25%.

- The average lending rate increased by 0.43% to 14.99% by December 2014. The rate at December 2013 was 14.56%.
- Inflation ended the 12-month period to December 2014 at 6.4%, down from 9.7% last year.
- The Jamaica Stock Exchange main index declined by 5.3% to \$76,353.39. There was a 12.45% decline in 2013.
- The Jamaican dollar depreciated by 8% against the US\$, during the 2014 calendar

- year, versus 14% in 2013 with the weighted average daily selling price of \$114.6607 as at December 31, 2014.
- Unemployment decreased to 13.7% at December 2014 from about 15.3% at December 2013.
- The primary surplus for FY2013/14 met the target of 7.5% with an actual outcome of 7.6%.
- The ratio of debt to GDP at December 2014 remained high at about 132.8% (135.5% in 2013).
- The BOJ's gross reserves amounted to US\$2.473 billion and the NIR US\$2.016 billion as at December 2014, representing 18.4 weeks of projected imports and well above the international benchmark of 12 weeks of goods and services imports.
- Business confidence index improved to 122.9% compared to 98.2% last year.



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## THE CAYMAN ISLANDS

In the Cayman Islands, the macro-economic performance showed continued improvement during 2014. Real GDP grew at an estimated annualised rate of 2.2% compared to 0.9% in the previous year. Inflation was about 1.5% compared to 2% last year. The unemployment rate is forecast to remain at 6.1% - the same as 2013. The weighted average lending rate rose by 21 bps to 6.47%, while the prime lending rate remained stable at 3.25% and the weighted average savings rate declined from 0.12% to 0.11%. Air arrivals grew by 9.5% and cruise passenger visitors grew by 8.6%. The central government's overall fiscal surplus was CI\$97.9 million compared to a surplus of CI\$80.7 million in 2013. The total outstanding debt of the central government declined to CI\$546.8 million from CI\$569.4 million last year.

## COSTA RICA

In Costa Rica, the macroeconomic performance showed another year of growth. Real GDP grew at an estimated 4.1% in 2014, which represents an increase of 0.6% from 2013. Inflation rate increased a little from 4.5% in 2013 to an average of 5.1% in 2014. Unemployment was reduced from 9.0% to 6.7% during 2014, mainly because there was a reduction of the available workforce. The fiscal deficit of the country remains a concern.

## OUR OPERATING RESULTS

The economies in which we operate showed continued improvements in 2014 but remained constrained. At the same time competitive challenges in the financial services arena intensified. Against this background the Group generated solid results with consolidated Net Profit attributed to stockholders of \$8.51 billion, 35% more than the amount in 2013 of \$6.30 billion. When normalised (excluding negative goodwill and non-recurring charges) profits showed a 7% increase over prior year. The profit result was earned from Revenues of

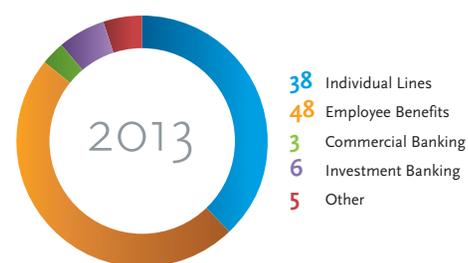
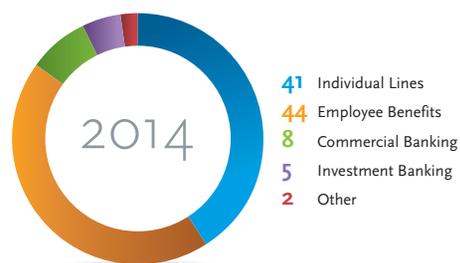
\$45.63 billion, up on the prior year amount of \$42.36 billion by 8%.

## Revenue and Expenses –

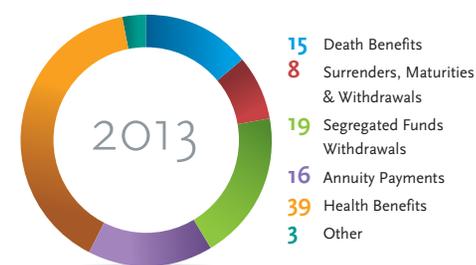
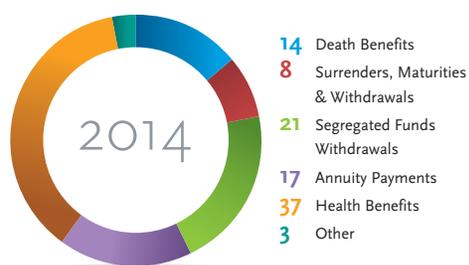
The growth in revenues was driven primarily by the RBC acquisition and very good new business across all lines. Net Premium Income, in aggregate, of \$29.17 billion was about the same as 2013, which included a very large single premium annuity. With respect to the Individual lines of business, including Universal Life Segregated Funds, earned premiums

*The Group generated solid results with consolidated Net Profit attributed to stockholders of \$8.51 billion, 35% more than the amount in 2013 of \$6.30 billion.*

## Revenue By Business Segment (%)



## Benefits By Expense Type (%)



## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

*Policy benefits paid to policyholders or their beneficiaries, including death claims, health claims, annuity payments, surrenders and fund withdrawals totalled \$17.25 billion, net of reinsurance recoveries. This was 9% higher than the amount for last year.*

were up by 10% while Group Insurance and Annuity premiums were 9% lower than prior year. Investment income, before interest expense and capital gains, was 25% higher than in 2013. Realised capital gains, from security trades, were substantially more than in 2013. An unrealised impairment charge of \$738 million on certain equities was posted in 2014, whereas the prior year revenue included capital losses of approximately \$1 billion from the NDX and PDX programmes. Fees and Other Revenues were lower than prior year, mainly influenced by lower unrealised foreign exchange gains as a result of devaluation of the J\$ versus the US\$ (8% versus 14%).

Policy benefits paid to policyholders or their beneficiaries, including death claims, health claims, annuity payments, surrenders and fund withdrawals totalled \$17.25 billion, net of reinsurance recoveries. This was 9% higher than the amount for last year of \$15.75 billion. The net expense for death claims was \$2.34 billion, 4.5% more than the 2013 amount. The expense for Individual Life insurance policies surrendered of \$4.98 billion, including withdrawals from segregated funds, was 16% more than the prior year amount. The cost of annuities paid of \$2.93 billion, being 16% more than in 2013, grew with the larger portfolio. Health claims expense from Group insurance policies (net of reinsurance recoveries) of \$6.39 billion was 4% more than in 2013 and also reflected portfolio growth with the ratio of claims to premiums being about two per

cent lower than prior year. Living benefits were \$521.86 million and about 9% higher than last year. The overall increases in benefits costs flowed mainly from robust business growth.

Net movement in Actuarial Liabilities was an increase of \$5.52 billion compared to \$7.48 billion in 2013. The 2013 amount reflected provisioning for large annuity obligations while the 2014 amount reflect higher gains from expense efficiencies, mortality and interest rates.

Group administrative expenses of \$12.04 billion were 58% more than in 2013. The significant increase resulted mainly from post-acquisition expenses for the RBC portfolio, which included one-time costs for rebranding and rationalisation of the operations. Higher provisions for credit losses also contributed to the increase along with operating costs associated with Sagicor Bank's new Hope Road branch which was opened in December 2013. The normalised Group efficiency ratio of administrative expenses to total revenue was 29% (2013 – 22%). The 2014 ratio is negatively impacted by the acquired RBC business but we are already reaping improvements in efficiency as operations are streamlined.

Under IAS 36, Impairment of Assets, the fair value test for Sagicor Investments Jamaica Limited resulted in an impairment charge of \$427.68 million on the unamortised carrying value of purchased intangibles.

### Comprehensive Income –

Total comprehensive income (TCI) includes net profit and other comprehensive income (OCI). Total comprehensive income for 2014 was \$10.84 billion compared to \$4.61 billion for 2013. OCI reflects improved unrealised fair value gains on available-for-sale securities, especially USA corporate bonds. Re-translation of foreign operations generated unrealised foreign exchange gains and increased OCI by \$570.12 million (2013: \$1.35 billion). Re-measurement of retirement benefits obligations generated income of \$1 billion, there was a charge to OCI of \$1.29 billion in 2013. The 2014 income from retirement benefits obligations arose from a higher net discount rate of 9.5% (2013: 8.5%) along with the effect of staff terminations during the year.

### Cash Flows –

Cash generated from operations during the year was \$12.18 billion as against \$3.49 billion at the end of 2013. This category includes activities for working capital and investment purchases and sales. Cash generated from investment activities were \$5.37 billion compared to \$249.76 million used in 2013. This increase reflects the purchase of RBC net of cash acquired. For financing activities, dividends distributed to SGJ stockholders of \$2.41 billion were higher than the prior year of \$1.50 billion. In aggregate, Liquidity of the Group remained strong despite the outlay for the RBC acquisition and the dividend distribution to stockholders.

## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

Cash and cash equivalents of \$22.55 billion as at December 2014 compared to \$5.44 billion at end of 2013, resulted primarily from the expansion of our Commercial Banking operations.

## OUR FINANCIAL CONDITION AND MANAGED FUNDS

Total assets of the Group grew to \$284.22 billion, reflecting a 43% climb from \$198.31 billion as at December 2013. These assets include the Segregated Funds portfolio which grew by 20% from \$16.28 billion at the end of 2013 to \$19.52 billion at 2014. The acquisition of RBC contributed \$62.62 billion or 73% of the growth in total assets.

Invested assets make up about 82% (2013: 90%) of the Group's asset base. Total assets under management as at December 2014, including pension fund assets managed on behalf of clients and unit trusts, amounted to \$461.29 billion, a 40% growth over the prior year amount of \$329.51 billion.

SGJ Stockholders' Equity as at December 2014 stood at \$46.07 billion, compared to \$35.93 billion at December 2013. This 28% increase was driven by strong earnings, unrealised fair value gains on US corporate bonds, re-measurement of retirement benefits obligations and the purchase of SIJL minority

shares. During 2014, the SGJ Board of Directors declared dividends of \$2.41 billion to stockholders or a dividend per share of \$0.63. In 2013, dividends of \$1.50 billion or \$0.40 per share were distributed. The amount distributed during 2014 to stockholders represents a dividend pay-out ratio of 28%, using the 2014 consolidated net profit allocated to stockholders (2013: 24%).

SGJ's market capitalisation at the year-end was \$40.03 billion, up 0.4% on the \$39.87 billion at December 2013.

## CAPITAL ADEQUACY

The Jamaica Insurance Act and Regulations require life insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio of at least 150%.

The MCCSR measures the ratio of available capital to required capital for insurance companies. Sagicor Life Jamaica Limited (SLJ) carried a ratio of 182.2% at December 31, 2014, compared to the ratio for last year, which was 179.6%.

The Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations stipulate that the minimum capital requirement for a local Class A insurer shall be the greater of US\$300,000 or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. The prescribed capital must be at least 125% of the minimum capital requirement. As at the balance sheet date the prescribed capital requirement for Sagicor Life of the Cayman Islands Ltd (SLC) was US\$18,262,000 (2013: US\$25,335,000) and available capital when expressed as a

*Total assets of the Group grew to \$284.22 billion, reflecting a 43% climb from \$198.31 billion as at December 2013.*

| LIFE COMPANIES MCCSR |             |             |             |             |
|----------------------|-------------|-------------|-------------|-------------|
|                      | SLJ<br>2014 | SLJ<br>2013 | SLC<br>2014 | SLC<br>2013 |
| Regulated Ratio      | 150%        | 150%        |             |             |
| Actual Ratio         | 182.2%      | 179.6%      | 258.3%      | 384.5%      |

| BANKING COMPANIES RISK CAPITAL                |                    |              |                    |              |
|---|--------------------|--------------|--------------------|--------------|
|   | COMMERCIAL BANKING |              | INVESTMENT BANKING |              |
|   | SBJL<br>2014       | SBJL<br>2013 | SIJL<br>2014       | SIJL<br>2013 |
| Actual capital base to risk weighted assets   | 15%                | 17%          | 13%                | 15%          |
| Required capital base to risk weighted assets | 10%                | 10%          | 10%                | 10%          |

## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

percentage of prescribed capital was 294.1% (2013: 359.7%). At the same time, the MCCR ratio for Sagicor Life Cayman (SLC), based on Canadian Regulatory Standards, was 258.3% (2013: 384.5%). During 2014 US\$50 million was repatriated from SLC to SGJ, this led to the decline in available capital in SLC.

Capital adequacy of Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited is managed in accordance with techniques based on guidelines developed by the Financial Services Commission (FSC), The Bank of Jamaica (BOJ), Basel 11 and the Group's Risk Management and Compliance department. The regulated required capital base to risk weighted assets is 10%. At the year-end Sagicor Investments Jamaica Limited (SIJL) had a ratio of 13% (2013:15%) and Sagicor Bank Jamaica Limited (SBJ) 15% (2013: 17%).

## INDUSTRY RATINGS

Sagicor Life Jamaica Limited retained a rating of jmAAA on the Jamaica national scale, from Caribbean Information and Credit Rating Services Limited (CariCRIS), following a review in March 2015. This rating for Sagicor Life Jamaica Limited (SLJ) reflects the company's dominant market position in Jamaica, healthy profitability and good capitalisation levels.

In September 2014, A. M. Best rating agency reaffirmed the Financial Strength Rating (FSR) rating for SLJ of B+ (Good) and the Issuer Credit Rating (ICR) of "bbb-" with a stable outlook.

During March 2015, CariCRIS reaffirmed the ratings of Sagicor Investments Jamaica Ltd. These are: CariBBB- (Foreign Currency Rating) and CariBBB (Local Currency Rating) on the regional rating scale, and jmA+ on the Jamaica national scale. The rating reflects the company's strong position and eminent brand within the Jamaica securities market; its leadership of the Jamaican unit trust asset management niche; its continued profitability and good financial asset quality on the Jamaican national scale.

## SEGMENT PERFORMANCE

All primary segments produced profits for 2014 which were better than in 2013, except for the impact of the RBC acquisition. Results of the Employee Benefits division were particularly strong, driven by new business, actuarial reserves efficiencies and realised capital gains. When integration and other one-time costs relating to the former RBC portfolio are removed from the Commercial Banking segment, we see positive revenue growth and profits emerging. This turnaround is expected to continue as we go into 2015.

### DIVISIONAL AND SUBSIDIARY PERFORMANCE

| Business Segment   | 2014<br>J\$M | 2013<br>J\$M |
|--|--------------|--------------|
| Individual Insurance   | 2,448        | 2,417        |
| Employee Benefits  | 3,941        | 2,384        |
| Investment Banking   | 912          | 843          |
| Commercial Banking *   | (470)        | 320          |
| Other **   | 2,288        | 588          |
| Amortisation & Impairment of purchased intangibles - Banking | (555)        | (99)         |
| Net Profit (before Minority Interest)                        | 8,563        | 6,453        |

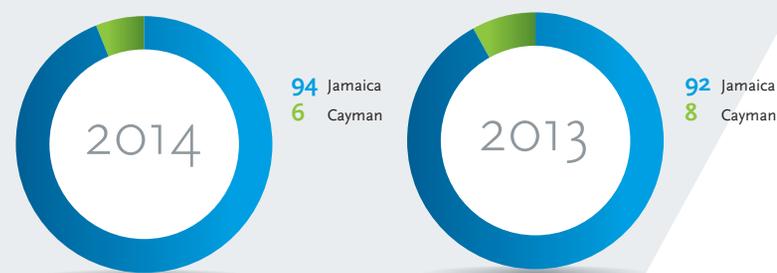
\*Commercial banking includes rebranding and restructuring costs in 2014

\*\*Other includes unallocated items, negative goodwill and activities relating to shareholders' funds

### NET PROFIT BY GEOGRAPHIC SEGMENT

|         | 2014<br>J\$M | 2013<br>J\$M | 2012<br>J\$M | 2011<br>J\$M | 2010<br>J\$M |
|---------|--------------|--------------|--------------|--------------|--------------|
| Jamaica | 7,468        | 5,338        | 4,968        | 4,237        | 4,107        |
| Cayman  | 1,095        | 1,115        | 1,094        | 1,517        | 764          |
| Total   | 8,563        | 6,453        | 6,062        | 5,754        | 4,871        |

### Revenue By Geographic Segment (%)



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## INDIVIDUAL INSURANCE DIVISION

The Individual Insurance Division provides individual clients with Life & Health insurance policies, individual annuities, investment products, living benefits and other insurance-related solutions through our wide range of products, and a large distribution network comprising 390 financial advisors in the Branch Distribution System and 23 Broker/Agency Channels in Jamaica (Sagicor Life Jamaica or SLJ) and the Cayman Islands (Sagicor Life of the Cayman Islands Ltd or SLC).

A very important measure of any life insurance company's business growth is its growth of the overall block of in-force policies. In 2014 the Division's block of in-force policies (combined SLJ & SLC) grew by 4.2% versus a target of 4%; this represents actual policy count of 446,918.

The Division earns its revenues principally from insurance premiums; mortality, expenses and other fees; contributions to segregated funds and investment income on assets assigned to cover the liabilities and surplus requirements of the portfolios.

The Division contributed \$2.45 billion in profits; the 2014 results were generated from strong revenues of \$18.77 billion which were 15% higher than in the prior year. The results were driven by excellent new business sales, improved conservation, increased benefit payments,

actuarial reserves efficiencies and continued tight control of operating costs. There was an attractive return on the capital allocated to the Division.

For the year 2014, earned premium income, including Segregated Funds contributions, was \$15.62 billion as against \$14.19 billion last year, an increase of 10%. In 2014 premium income represents about 83.50% (2013: 87.4%) of total revenue. Investment income net of interest expense was 26% more than last year and realised capital gains were also much higher. The Division recorded a realised capital loss of \$466.53 million from the NDX programme in 2013.

Net benefits expense, including Segregated Funds, was \$7.46 billion, an increase of 16.5% over the 2013 amount. Net death claims of \$1.50 billion were 21.6% more than in 2013. Surrenders

*The Division contributed \$2.45 billion in profits; the 2014 results were generated from strong revenues of \$18.765 billion which were 15% higher than in the prior year.*

*For the year 2014, earned premium income, including Segregated Funds contributions, was \$15.62 billion as against \$14.19 billion last year, an increase of 10%.*

### INDIVIDUAL INSURANCE DIVISION

#### High level P&L for 2014 and 2013

|                                     | 2014<br>J\$M | 2013<br>J\$M | %<br>Variance |
|-------------------------------------|--------------|--------------|---------------|
| Revenue                             | 18,765       | 16,234       | 15.2%         |
| Benefits                            | (7,464)      | (6,406)      | -16.5%        |
| Movement in Actuarial liabilities   | (2,462)      | (1,739)      | -45.1%        |
| Commissions                         | (3,163)      | (2,948)      | -7.3%         |
| Expenses                            | (2,632)      | (2,272)      | -10.6%        |
| Taxes (Premium, Investment & Other) | (596)        | (452)        | -31.9%        |
| Net Profit                          | 2,448        | 2,417        | 1.3%          |

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

*Surrenders expense and Segregated Funds encashments of \$4.82 billion showed an 18% increase over the 2013 level. Individual health claims were \$357.02 million with a ratio to premiums of 93%.*

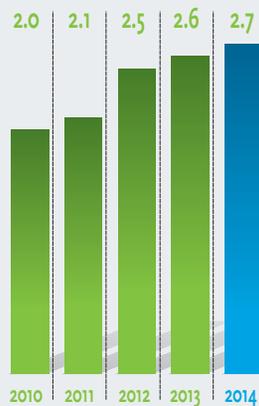
*In Jamaica, the Division achieved an industry record for new Annualised Premium Income, writing \$2.41 billion (3% more than in 2013). These amounts also include Individual health) and holding a market share of 56%.*

expense and Segregated Funds encashments of \$4.82 billion showed an 18% increase over the 2013 level. Individual health claims were \$357.02 million with a ratio to premiums of 93%. Other benefits, including living benefits, were \$548.27 million, reflecting a 6.6% increase over the prior year. The change in actuarial liabilities was an increase of \$2.52 billion compared to \$1.74 billion in 2013. The change in reserves reflects releases for expense efficiencies and mortality gains. Commission, expenses and taxes totalled \$6.27 billion and were 10.6% more than last year.

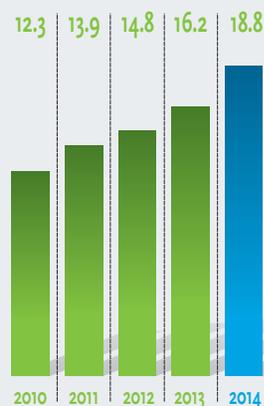
In Jamaica, the Division achieved an industry record for new Annualised Premium Income, writing \$2.41 billion (3% more than in 2013). These amounts also include Individual health) and holding a market share of 56%. New individual life policies sold were 57,394, showing a 0.3% increase when compared to 2013; this however was accompanied by a target product mix and larger average case size. The amount of new cases sold represented 58% (2013: 56%) of total cases sold by the entire industry.

Sagicor Life of the Cayman Islands generated satisfactory New Individual Life and Annuities business during the year and also made an important contribution to profits. New Annualised Premium Income of US\$2.24 million was produced in 2014, compared to the US\$2.55 million written in 2013. In Cayman 2,055 (2013: 2,103) new policies were sold during the year.

Individual Life  
Consolidated New API  
(in billions)



Individual Life  
Consolidated Revenue  
(in billions)



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

EMPLOYEE  
BENEFITS  
DIVISION

The Employee Benefits Division provides group health, group life, creditor life and personal accident insurance to institutional clients. The Division also provides pension funds administration services and annuity products to corporate clients. The Division focuses on building financial security programmes that balance the needs of both employer and employees. Sagicor Life Jamaica is the largest provider of these services in Jamaica. The Employee Benefits business operates in a highly competitive environment where most contracts are renewed annually and competition is mainly driven by price and service.

On revenues of \$19.89 billion, a profit contribution of \$3.94 billion was generated during 2014. The Employee Benefits Division earns its revenues from insurance premiums; annuity contributions; fees from the administration of pension funds under management, fees from administrative service only contracts and investment income earned on assets which support liabilities of the portfolios and required surplus.

Revenue was down 2.4% on prior year, influenced by a large single premium annuity contract received in 2013. Earned premiums for Group Life grew by 2% while Group Health premiums grew 15%. Normal annuity contributions were also strong during the year. The Division wrote \$4.0 billion of new business during the year compared to \$7.4 billion in 2013 which included the large single premium annuity. The Division earned investment income commensurate with the portfolio growth. There were realised capital gains from sale of securities of \$623.95 million compared to \$342.81 million in 2013. The prior year also included a realised loss from the NDX programme of \$373.80 million. An unrealised foreign exchange gain of \$323.28 million was recorded on net assets denominated in US\$ compared to \$608.93 in 2013.

Net benefits expense was \$9.78 billion, an increase of 5% over the 2013 amount. Net death claims of \$878.75 million were 15% less than in 2013. Annuity payments of \$2.84 billion were 16% higher than prior year due to portfolio growth. Health claims of \$6.04 billion were higher than in 2013 by 3% and the incurred claims ratio was 2% better than prior year. The change in actuarial liabilities was significantly lower (47%) in 2014 than in 2013 due to a large, single premium annuity in 2013 and a release in 2014 emanating from interest rates. Commission, expenses and taxes totalled \$3.18 billion and showed a 10% increase over the 2013 amount. The division also continued to produce an attractive return on the allocated capital.

*On revenues of \$19.89 billion, a profit contribution of \$3.94 billion was generated during 2014.*

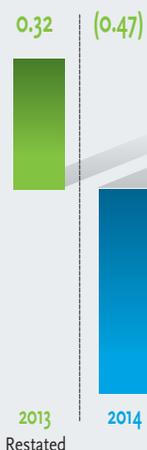
*Earned premiums for Group Life grew by 2% while Group Health premiums grew 15%. Normal annuity contributions were also strong during the year.*

## EMPLOYEE BENEFITS DIVISION

## High level P&amp;L for 2014 and 2013

|   | 2014<br>J\$M | 2013<br>J\$M | %<br>Variance |
|---|--------------|--------------|---------------|
| Revenue   | 19,899       | 20,377       | -2.4%         |
| Benefits  | (9,783)      | (9,349)      | -4.6%         |
| Movement in Actuarial liabilities                         | (3,000)      | (5,738)      | 47.7%         |
| Commissions   | (756)        | (699)        | -7.4%         |
| Expenses  | (2,064)      | (1,891)      | -9.1%         |
| Taxes (Premium, Investment & Other)                       | (361)        | (306)        | -18.0%        |
| Share of profit/(loss) from joint venture                 | 6            | (10)         | 160.0%        |
| Net Profit (before amortisation of purchased intangibles) | 3,941        | 2,384        | 65.3%         |

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

Sagicor Bank  
Net Profit/(Loss)  
(in billions)

## SAGICOR BANK JAMAICA LIMITED

2014 was a year of significant change for Sagicor Bank. In May, Sagicor Group acquired the minority interest in the bank via a share swap for Group shares, resulting in the bank becoming a wholly-owned subsidiary of Sagicor Group.

In the second quarter, Sagicor Group acquired RBC Royal Bank (Jamaica) Ltd, ("RBC"), and with the consent of the Minister of Finance and the Bank of Jamaica, legally amalgamated the two commercial banking operations under the name Sagicor Bank. As a result of this transaction, Sagicor Bank saw its Balance Sheet expand from \$21.74 billion to \$86.06 billion, positioning the new entity as the 3rd largest bank in Jamaica by assets.

The RBC purchase saw a swift rebranding exercise for our branch and ABM networks. Upon the acquisition there were a combined

19 branches. Two have since closed. Sagicor also added an important new business line to its product portfolio – credit cards. The acquisition gave Sagicor Bank a much broader footprint with a physical presence across most major consumer markets in Jamaica.

The second half of 2014, was spent on a number of key initiatives – introducing our teams and building our team spirit; communicating the direction and the To Be Operating Model of the new Sagicor Bank to the combined team and to our customers. The message has been well received and there is a real enthusiasm for our Sagicor Brand. We also disclosed that in 3rd quarter 2015, we will complete a series of major technology investments which will provide our customers with the opportunity to enjoy a significantly improved customer experience while enhancing internal efficiencies. These upgrades will see major platform enhancements to our commercial and retail banking, internet banking and credit card operations. Our channel improvements will bring innovation to the market. The Bank will continue to operate on two separate

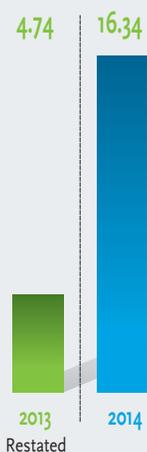
technology platforms until the 2015 upgrades are completed.

The financial highlights of Sagicor Bank at the end of 2013 and 2014 are detailed below and reflect the significant positive impact of the RBC acquisition on the Bank's balance sheet.

| J\$ Billions      | 2013   | 2014     |
|-------------------|--------|----------|
| Loans             | \$8.8  | \$37.8   |
| Deposits          | \$12.5 | \$56.0   |
| Equity            | \$4.7  | \$16.3   |
| Balance Sheet     | \$21.7 | \$86.1   |
| Net Income/(Loss) | \$0.32 | (\$0.47) |

SBJ holdings of Jamaica Government securities (including government guaranteed bonds) represented 15.4% of total assets and 1.1 times its shareholders' equity. Government security holdings in the repo market represented 3.8% of total liabilities at December 2014.

For 2014, Sagicor Bank posted a loss of \$470 million, before amortisation of purchased intangibles. However, these results were negatively impacted by a number of exceptional expense items including redundancy charges, retirement benefits equalisation costs, rebranding cost and occupancy-related costs. Significant improvement in operations is expected from 2015 based on our reduced cost profile, operating efficiencies to be gained from the implementation of cutting-edge technology, revenue strategies and synergies with the wider Sagicor Group.

Sagicor Bank  
Stockholders' Equity  
(in billions)

### COMMERCIAL BANKING DIVISION

#### High level P&L for 2014 and 2013

|   | 2014<br>J\$M | 2013<br>J\$M | %<br>Variance |
|---|--------------|--------------|---------------|
| Revenue   | 3,821        | 1,438        | 165.7%        |
| Expenses  | (4,413)      | (1,007)      | (338.20%)     |
| Taxes (Corporation & Other)                               | 122          | (111)        | 209.9%        |
| Net Profit (before amortisation of purchased intangibles) | (470)        | 320          | (246.9%)      |

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## SAGICOR INVESTMENTS JAMAICA LIMITED

Sagicor Investments Jamaica Limited (SIJL) transferred its commercial banking subsidiary to SGJ in May 2014, as part of Sagicor Group Jamaica reorganisation. From that point SIJL operated as a stand-alone investment bank.

SIJL delivered after-tax profits of \$912 million for 2014, as against \$842.9 million in 2013 (before amortisation of purchased intangibles). These earnings are derived from revenues of \$2.4 billion, which were up 10% on prior year. Contributing significantly to this was net interest income of \$1.73 billion

and realised trading gains of \$359.13 million. Net investment income did not keep pace with the growth in income-earning assets due to lower yields in the first half of the year caused by unfavourable market conditions.

In the second half of 2014, local financial markets seemingly returned to some stability. The year began with tight liquidity conditions in the money market but conditions steadily improved. The result was the Weighted Average (Six-month) Treasury Bill Yield (WATBY) fell from 8.25% at the beginning of the year to close the year at 7.14%. SIJL embarked on a strategy to diversify both the investment portfolio and the liability base.

The Fixed Income trading line of business benefited from the improved outlook both locally and internationally for Government of Jamaica (GOJ) Risk. On September 19, 2014 Standard and Poor's (S&P) changed Jamaica's rating outlook to Positive and affirmed the B-/B Sovereign rating.

Operating expenses for the year were \$1.26 billion compared to \$1.03 billion in 2013. The 22% increase reflects a number of non-recurring costs, including redundancy, higher loan loss provisions and relocation and other occupancy costs. The operating efficiency Ratio (Operating Expense / Operating Income) was 52% compared to 47% in 2013.

Our interest earning assets, consisting of investment securities and loan portfolio and cash totalled \$87.0 billion, growing by 22.3% over 2013. SIJL investment portfolio continues to be of good quality holdings of Jamaica Government securities (including government-guaranteed bonds) and represented 57.2% of total assets.

Ordinary dividends declared to stockholders increased from \$834 million in 2013 to \$1.26 billion in 2014. The higher dividend amount was part of the Group reorganisation programme. Shareholders' Equity at December 2014 remained healthy at

*SIJL delivered after-tax profits of \$912 million for 2014, as against \$842.9 million in 2013 (before amortisation of purchased intangibles).*

*Our interest earning assets consisting of investment securities and loan portfolio and cash totalled \$87.0 billion, growing by 22.3% over 2013*

### INVESTMENT BANKING DIVISION

#### High level P&L for 2014 and 2013

|   | 2014<br>J\$M | 2013<br>J\$M | %<br>Variance |
|---|--------------|--------------|---------------|
| Revenue   | 2,405        | 2,184        | 10.1%         |
| Expenses  | (1,259)      | (1,029)      | -22.4%        |
| Taxes (Corporation & Other)                               | (234)        | (312)        | 25.0%         |
| Net Profit (before amortisation of purchased intangibles) | 912          | 843          | 8.2%          |

*SIJL is the third-largest securities company in Jamaica with an estimated 14% share of industry.*

*SIJL remains among the top stockbrokers trading on the Jamaica Stock Exchange, garnering 11.61% of the overall market in 2014.*

## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

\$8.3 billion. Return on Equity was 11.2%, reflecting a decline from 12.2% in the previous year while Return on Assets was 1.04%, compared to 1.4% in 2013.

SIJL is the third-largest securities company in Jamaica with an estimated 14% share of industry. The company has been the leader in the unit trust asset management market since 2012 and continues to expand its market share from 44% to 55.1%, double the share of the second-placed institution.

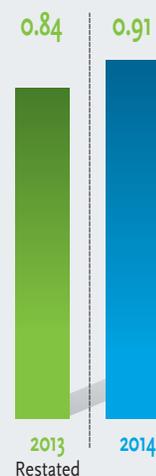
SIJL remains among the top stockbrokers trading on the Jamaica Stock Exchange, garnering 11.61% of the overall market in 2014.

In 2014 SIJL focused on a strategy to provide diversification for its clients. The Research team developed a High Yield Corporate Bond Portfolio, allowing clients access to a wide range of bonds depending on their risk profile. The Capital Markets teams successfully brokered, on behalf of our corporate clients, deals totalling US\$69 million, including the Sagicor Real Estate X-Fund Corporate Note issue of US\$42 million. Our Wealth Management and Investment Services clients benefited from structured investment products, a total of US\$12 million in varying cross-jurisdictional structured solutions were issued during the year. These provided an opportunity to spread credit risk exposure across several markets.

Our 2015 initiatives will continue to create opportunities for our clients to diversify their portfolios while working with the corporate community to provide brokerage and advisory services.

| SAGICOR INVESTMENTS JAMAICA MARKET PERFORMANCE |        |      |      |      |
|--|--------|------|------|------|
|  | 2014   | 2013 | 2012 | 2011 |
| Market Share Stockbrokerage (value traded)     | 11.61% | 9%   | 27%  | 24%  |
| Market Position: Stockbrokerage                | #3     | #5   | #1   | #2   |

Sagicor Investments  
Net Profit  
(in billions)



Sagicor Investments  
Stockholders' Equity  
(in billions)



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## PERFORMANCE OF THE SAGICOR LIFE INVESTMENT PORTFOLIOS

The Sagicor Life Jamaica Treasury & Asset Management Division manages the investment portfolios for all Group companies, except for Sagicor Bank. At the end of 2014, the Division managed assets totalling \$348.50 billion on behalf of individual policyholders, group insurance clients, pension clients, annuitants, Sigma Funds, Sagicor Investments clients and stockholders. These portfolios are managed using disciplined Asset/Liability Management (ALM) principles, while applying prudent risk management through diversification across all asset classes.

### Sagicor Life General Fund

The total invested assets of Sagicor Life Jamaica increased by 16% to \$96.75 billion at the end of 2014, compared to \$83.51 billion at the end of 2013. This portfolio generated income of \$5.9 billion, representing a yield of 6.6%. This income amount is before capital gains and interest expense.

Sagicor Life Jamaica's General Fund is invested primarily in Government of Jamaica JAD and USD bonds, as well as other sovereign and corporate bonds and notes, mortgage loans and leases, equities and real estate.

The invested assets of Sagicor Life of the Cayman Islands' General Fund totalled \$23.9 billion, compared to \$27.55 billion in 2013. The assets of this portfolio are heavily weighted towards international corporate bonds, with significantly less exposure to the domestic market through GOJ global bonds, equities, real estate and mortgage loans. The portfolio produced income of \$1.17 billion, before capital gains and interest expense charges, with a yield of 4.6%.

### Segregated Policy Investment Funds

Sagicor manages segregated funds on behalf of the policy holders of Sagicor Life Jamaica Limited (SLJ) as well as for Sagicor Life of the Cayman Islands (SLC). Policyholders share all rewards and risks of the performance of these funds.

#### SAGICOR LIFE CAYMAN SEGREGATED FUNDS

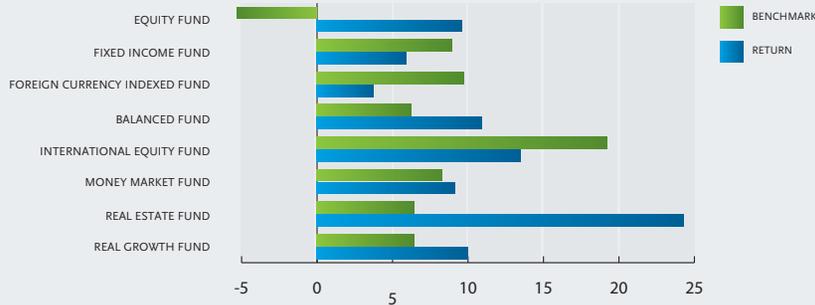
|                                  | Annual Return | Annual Benchmark Return | Benchmark     |
|----------------------------------|---------------|-------------------------|---------------|
| Cayman International Equity Fund | 13.4%         | 11.4%                   | S&P 500 Index |
| Cayman Investment Fund           | 6.4%          | 0.7%                    | US CPI        |
| Cayman Fixed Income Fund         | -3.5%         | 0.7%                    | US CPI        |

#### SAGICOR LIFE JAMAICA SEGREGATED FUNDS

|                               | Annual Return | Annual Benchmark Return | Benchmark                                    |
|-------------------------------|---------------|-------------------------|--|
| Equity Fund                   | 9.6%          | -5.3%                   | JSE Main Index                               |
| Fixed Income Fund             | 5.9%          | 8.9%                    | Weighted Avg 5-10 year GOJ Yield & Inflation |
| Foreign Currency Indexed Fund | 3.7%          | 9.7%                    | JSE Global Bond Index & Devaluation          |
| Balanced Fund                 | 10.9%         | 6.2%                    | Avg Asset Yields & Inflation                 |
| International Equity Fund     | 13.5%         | 19.2%                   | S&P 500 Index & Devaluation                  |
| Money Market Fund             | 9.1%          | 8.3%                    | Avg GOJ 180-Day Treasury Bill                |
| Real Estate Fund              | 24.3%         | 6.4%                    | Inflation                                    |
| Real Growth Fund              | 10.0%         | 6.4%                    | Inflation                                    |

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## Sagikor Life Jamaica Segregated Funds (%)



SLJ's segregated funds under management totalled \$14.8 billion, representing a 15.6% increase over \$12.8 billion at the end of 2013. These funds are unitised and allow for diversification across the main asset classes of stocks and bonds and real estate. Policyholders are able to participate in local as well as global securities which provide a protection against adverse movements in the value of the Jamaican dollar. For the year under review, the top performer was the Real Estate Fund which generated returns of 24.3%. The International Equity Fund and Balanced Fund also yielded strong returns of 13.5% and 11% respectively. These funds have provided solid long-term returns for our policyholders for more than 30 years.

SLC's segregated funds under management grew by 34.3% from \$3.5 billion in 2013 to \$4.7 billion at the end of 2014. These funds are invested in global

equities and global fixed income securities. The International Equity Fund gave the best returns at 13.4%.

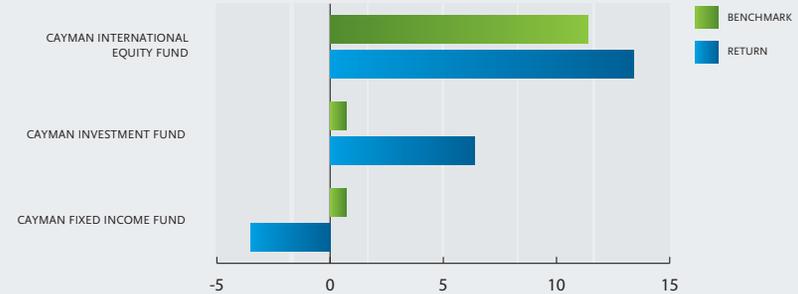
### Pension Funds

**Total pension funds under management increased by 14%, from \$88.66 billion in 2013 to \$101.34 billion at the end of December 2014.**

Sagikor Life Jamaica, as a licensed investment manager, operates three pension investment structures, and these are:

- Pooled Funds
- Self-directed Funds
- Deposit Administration Funds

## Sagikor Life Cayman Segregated Funds (%)



Through these three structures, we offer our clients the most flexible and diverse range of investment options of local and global stocks and bonds, as well as a real estate portfolio that spans commercial and tourism properties located across Jamaica. These allow pension fund trustees to engage in a strategy of diversification, thereby reducing the level of investment risk for their respective pension plans. They are better able to match the liabilities of the pension plan with assets of a suitable tenure.

The Pooled Funds comprise nine unitised funds, the assets of which are segregated from the assets of SLJ, and held in a wholly owned subsidiary trust company, Sagikor PIF Limited. Sagikor manages pension funds on behalf of corporate clients as approved superannuation funds, as well as for individuals through an approved retirement scheme known as 'Sagikor Lifestyle'.

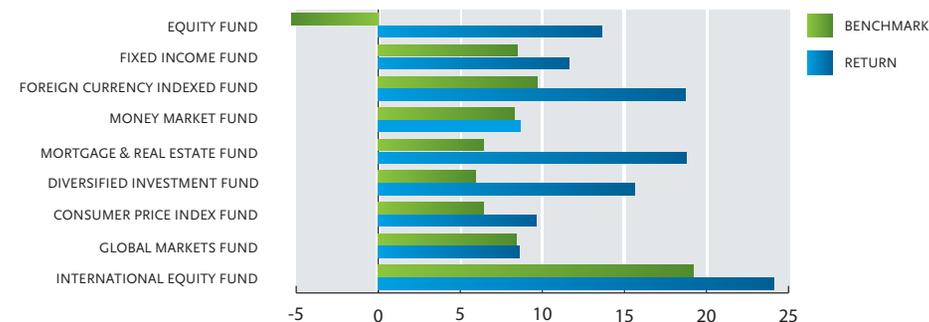
## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

| SAGICOR LIFE JAMAICA POOLED PENSION FUNDS |   |                       |               |                         |  |
|---|---|-----------------------|---------------|-------------------------|--|
|   | Invests mainly in                                     | Net Asset Value (\$B) | Annual Return | Annual Benchmark Return | Benchmark  |
| Equity Fund                               | Listed Stocks   | 10.57                 | 13.6%         | -5.3%                   | JSE Main Index                                     |
| Fixed Income Fund                         | GOJ Securities (average tenure 10-15 years)           | 10.89                 | 11.6%         | 8.5%                    | Weighted Avg 10-15 year GOJ Bond Yield & Inflation |
| Foreign Currency Indexed Fund             | GOJ, US and Euro Denominated Fixed Bonds              | 9.89                  | 18.7%         | 9.7%                    | JSE Jamaica Global Bond Index & Devaluation        |
| Money Market Fund                         | GOJ Securities (average tenure not exceeding 5 years) | 5.76                  | 8.7%          | 8.3%                    | Avg 180-Day Treasury Bill Yield                    |
| Mortgage & Retail Estate Fund             | Hotels, Commercial and Warehouse Properties           | 11.76                 | 18.8%         | 6.4%                    | Jamaica Inflation                                  |
| Diversified Investment Fund               | Bonds, Equities & Real Estate                         | 15.93                 | 15.6%         | 5.9%                    | Avg Asset Yields & Inflation                       |
| Consumer Price Index Fund                 | GOJ Inflation Indexed Bonds                           | 9.37                  | 9.6%          | 6.4%                    | Jamaica Inflation                                  |
| Global Markets Fund                       | US\$ Equity & Fixed Income Securities                 | 2.68                  | 8.6%          | 8.4%                    | US Inflation & Devaluation                         |
| International Equity Fund                 | Listed Securities on International exchanges          | 2.67                  | 24.1%         | 19.2%                   | S&P 500 Index & Devaluation                        |

Despite a challenging economic climate, the average yield of the Pooled Funds portfolio was 14.5%, with each of the nine Pooled Funds outperforming their respective benchmarks as well as inflation for the period under review. The top performing Pooled Fund was the Pooled International Equity fund which generated 12 month returns of 24%, followed by the Pooled Mortgage & Real Estate Fund and the Pooled Foreign Currency Fund both at 19%. Despite the overall negative performance of the Jamaica Stock Exchange, the Pooled Equity Fund returned 14% as a result of strong performance of stocks carrying a heavier weight in the portfolio as well as from high dividend yielding stocks.

Our main objective is to generate real long-term investment growth for our clients based on a prudent long-term asset allocation strategy which incorporates diversification. With a track record spanning more than forty years of pension funds management, we continue to deliver strong performance to our clients.

## Pooled Pension Funds Return vs Benchmark (%)



## Pension Funds Under Management %



- 13 Equity Fund
- 14 Fixed Income Fund
- 13 Foreign Currency Indexed Fund
- 7 Money Market Fund
- 15 Mortgage & Real Estate Fund
- 20 Diversified Investment Fund
- 12 Consumer Price Index Fund
- 3 Global Markets Fund
- 3 International Equity Fund

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

At the end of 2014, total Sigma funds under management stood at \$62.06 billion, representing a 117% increase over the funds managed at the end of 2013 of \$28.6 billion.

| SAGICOR SIGMA FUNDS  |               |                         |   |
|----------------------|---------------|-------------------------|---|
|                      | Annual Return | Annual Benchmark Return | Benchmark                                     |
| Optima               | 10.8%         | -5.3%                   | JSE Main Index                                |
| Solution             | 7.6%          | 8.5%                    | Weighted Avg 10-15 year GOJ Yield & Inflation |
| Liberty              | 12.2%         | 9.7%                    | JSE Global Bond Index & Devaluation           |
| Corporate            | 8.6%          | 12.6%                   | UST 10 year & 175 BPS & Devaluation           |
| Real Estate          | 19.8%         | 7.4%                    | Jamaica Inflation & 100 BPS                   |
| Venture              | 8.6%          | -3.8%                   | JSE Main Index & 150 BPS                      |
| Money Market         | 6.6%          | 5.8%                    | BOJ/GOJ 30 Day Rate                           |
| Diversified Investor | 5.2%          | 6.4%                    | Jamaica Inflation                             |
| Global Equity        | 16.8%         | 19.2%                   | S&P 500 Index & Devaluation                   |
| Real Growth          | 9.8%          | 6.4%                    | Jamaica Inflation                             |

## SAGICOR SIGMA FUNDS

Throughout 2014, the Sagicor Sigma Funds maintained its number one position in the unit trust market, both in terms of performance and funds under management. At the end of 2014, total funds under management stood at \$62.06 billion, representing a 117% increase over the funds managed at the end of 2013 of \$28.6 billion.

The Sigma funds comprise ten unit trust funds, making our product the most diverse and affordable in the market. These portfolios cover the full range of asset classes, allowing us to meet all the investment needs of our clients.

The top performing fund for 2014 was the Sigma Real Estate portfolio at 20%. The returns for this fund are enhanced by the mix of commercial and resort properties held in the portfolio, where returns are generated from the resort properties in US dollars. Additionally, the commercial properties continue to maintain high occupancy earning competitive rental income.

The Global Equity and Liberty portfolios also yielded double digit returns at 17% and 12% respectively.

## SAGICOR X FUND LIMITED

Sagicor Real Estate X Fund Limited (X Fund) is a property investment and development company listed on the Jamaica Stock Exchange and is exposed to the Jamaican real estate and tourism sectors through its investment in the Sigma Real Estate Portfolio (Portfolio). Sigma Real Estate Portfolio has property investments in the tourism sector with ownership of three Jewel Resorts-branded hotels; and the real estate sector by owning four office/retail shopping buildings, four industrial/warehousing properties and two prime land holdings slated for development. In 2014, the Sigma Real Estate Portfolio generated revenue of \$7.081 billion and net income of \$2.487 billion. The Portfolio earnings before interest, tax and amortisation (EBITA), excluding any unrealised revaluation property gains, was \$936 million. These earnings, combined with revaluation gains of \$1.906 billion, formed the basis for appreciation of the Sigma Real Estate Portfolio unit values and consequently gains of \$985 million recognised by X Fund to December 31, 2014. All property valuations are conducted by independent certified valuers and are done at least once per year.

In December 2014, X Fund formed a wholly owned subsidiary, X Fund Properties Limited, whose main activity will be the ownership and operation of the Hilton Rose Hall Hotel. The acquisition of the Hilton Rose Hall Hotel was

## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

finalised in January 2015 and will add another 489 rooms to the revenue stream.

The Sagicor Real Estate X Fund Limited Group (X Fund Group) earned revenue of \$962.8 million for the year, an improvement of 2.2% over 2013. With expenses for the year of \$22.4 million and taxation of \$18.9 million, the X Fund Group generated net profit attributable to stockholders of \$921.5 million for the period. This was another strong performance by the Group. Earnings per stock unit were \$0.62.

## SAGICOR PROPERTY SERVICES LIMITED

Sagicor Property Services Limited (SPS), our property management subsidiary, provides property management and real estate sales and leasing services to Sagicor Group owned and managed properties, as well as to third party managed properties. Its primary revenue sources are fee-based income from the sale and management of real estate properties and project management.

For 2014, property management fees earned by SPS increased by 23% to \$103m, from \$84m earned in 2013.

At the end of 2014, SPS managed approximately two million square feet of prime commercial and residential real estate across the island, making us the largest private property manager in Jamaica.

SPS' medium to long-term goal is to significantly increase its volume of third party managed properties and sales. With the recognition that economic factors have spurred improvement in the performance of the real estate market, SPS continues to intensify efforts to take advantage of opportunities as they arise.

## SAGICOR INSURANCE MANAGERS LTD

Sagicor Insurance Managers Ltd. (SIM), our Cayman Islands subsidiary which manages Captive Insurance Companies, continues to make a positive contribution to Group results. Among its client base are private sector companies and the prestigious Caribbean Catastrophe Risk Insurance Facility, Segregated Portfolio Company (CCRIF SPC), the first multi-country risk pool in the world, which provides Parametric Insurance products to 16 Caricom member countries. SIM has provided insurance management services to CCRIF SPC since its inception in 2007.

SIM has been at the forefront of new initiatives for CCRIF as it expands its service offerings to regional governments. One such initiative is the Excess Rainfall Product being offered by CCRIF SPC to participating countries as an enhancement to the existing Hurricane and Earthquake policies. The University of the West Indies is also a CCRIF SPC beneficiary through its UWI Scholarship Programme. This is aimed at enhancing the development of expertise and

capacities in the region in the area of Disaster Risk Management.

SIM continues to provide value-added services through partnerships with risk intermediaries, insurance and reinsurance companies in the region and elsewhere.

## SAGICOR COSTA RICA

Sagicor obtained the licence A12 to operate as a mixed insurance company in 2013, which enables us to operate in the Costa Rican Life and P&C insurance business. After achieving breakeven from a cash flow perspective during 2013 in 2014 the company built the team and product base that will allow it to grow further into the future and was able to account for its first profitable year.

The main initiatives set for 2015 are: the selling of mass insurance through financial and non-financial institutions; increasing the sales activity of the current product base; and improving the relationships and service level to brokerage firms.

*The Sagicor Real Estate X Fund Limited Group (X Fund Group) earned revenue of \$962.8 million for the year, an improvement of 2.2% over 2013.*

*For 2014, property management fees earned by SPS increased by 23% to \$103m, from \$84m earned in 2013.*

## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## OPERATIONAL CAPABILITIES AND TECHNOLOGY

*We continuously seek to improve operations by streamlining workflows, automating processes and leveraging the best available technologies.*

*The Group utilises an Enterprise Risk Management framework with clear terms of reference and which includes policies and procedures designed to identify, analyse, measure and control risks from all sources.*

Sagicor Group Jamaica's operational capabilities include the mix of team members, financial advisors, brokers, health-care providers, suppliers and all other entities along the supply and value chains. We carefully manage and synchronise the roles of the entities that contribute to the delivery of our offerings. For those internal, there are a number of ongoing programmes, including envisioning and training. Strong relationships are built with external partners to ensure the best value and convenience for our clients.

In addition to our people, internal systems, processes and structures are pivotal to the delivery of the promise. We cultivate a competitive environment that spurs innovation and is performance driven. We continuously seek to improve operations by streamlining workflows, automating processes and leveraging the best available technologies. Indeed, there are a high number of new initiatives each year and the most outstanding are recognised at the Annual Awards gala in March.

During 2014, there were several significant new initiatives which will have far-reaching positive implications for efficiency gains, productivity improvements and lifting the quality of customer service even higher.

## RISK MANAGEMENT

Sagicor Group Jamaica operates in a wide cross-section of financial services which exposes it to a variety of insurance, financial and operational risks. Taking various types of risk is core to the financial services business, and operational risk is an inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return, in order to maximise stakeholder value and to minimise potential adverse effects on the Group's financial performance.

The Group utilises an Enterprise Risk Management framework with clear terms of reference and which includes policies and procedures designed to identify, analyse, measure and control risks from all sources. This is supplemented with an organisational structure with delegated authorities and responsibilities from the Board of Directors to Executive Management Committees and Senior Managers.

The Framework defines the Group's risk appetite through its policies and limits, developed with regulatory guidance as well as inputs from Board of Directors and Executive Management. These policies also provide guidance to the business units through the setting of boundaries and tolerances for various categories of key risks.

The risk management process is interactive as Executive Management and business process

owners participate in the identification and assessment of existing and emerging risks enterprise-wide. Top risks are agreed upon during this process with responsibilities specifically assigned to the relevant executives for management and reporting. While the assessment activity is conducted annually, there is ongoing monitoring and management of the key risks to ensure that they remain relevant to the business strategies of the Group. This process provides for quarterly reporting to the Board of Directors and other Board Committees on the management of financial risks, as well as operational risks.

### Board Audit and Compliance Committee

The Board Audit Committee is a committee of the Board comprising independent directors, and is responsible for:

- Overseeing how management monitors internal controls, compliance with the Group's risk management policies, and adequacy of the risk management framework to risks faced by the Group;
- Reviewing the Group's annual and quarterly financial statements, related policies and assumptions;
- Reviewing the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both

## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

### Risk Management Committee

The Risk Management Committee comprises a majority of independent directors. As part of its Terms of Reference, the Committee:

- Oversees the Group's enterprise risk management framework;
- Approves the investment policies within which the Group's investment portfolios are managed;
- Ensures that the Group's origination and management of risk is consistent with stated risk policy;
- Reviews the effectiveness of the Group's risk policies and processes, legal and regulatory requirements within management authorities.

### Asset/Liability Management Committee

The Group has in place an Asset/Liability Management (ALM) Committee of Executive Committee. This Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks, including interest rate risk, equity risk, liquidity risk, currency risk and country risk;

- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

### Anti-Money Laundering (AML)

The Group has assigned responsibility for AML and anti-fraud policies to the Group Risk Management & Compliance department. The primary responsibilities in this area include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions on a daily basis to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-money laundering and anti-fraud controls and awareness programmes are in place; and
- Filing the required reports with Management, Board of Directors and Regulatory bodies.

### Regulatory Compliance

The Board has assigned responsibility for ensuring compliance to regulatory standards to the Executive Management; with the day-to-day compliance function managed by the Vice President, Group Risk Management & Compliance who is responsible for:

- Keeping abreast of laws and regulations affecting the business;
- Developing, managing and maintaining the compliance framework of the Sagicor Jamaica Group, ensuring the appropriate implementation of regulatory changes within the business;
- Developing and implementing compliance policies; providing guidance to Management and the Board on regulatory changes impacting the Group and ensuring the appropriate implementation of operational processes to manage these changes;
- Monitoring the timely submission of all required regulatory filings by the respective departments;
- Providing compliance updates and performance reports to Management, the Board of Directors, and the Audit and Compliance Committees of the Board.

## MANAGEMENT'S DISCUSSION & ANALYSIS CONT'D

### Business Continuity

Identified among the top risks for Sagicor Group Jamaica are business continuity and information technology recovery arrangements to support mission critical business functions. To manage and mitigate these risks the following frameworks are in place:

- **A Corporate Business Continuity Plan (BCP)**
- **An Information Technology Disaster Recovery Plan (IT DRP)**

The Corporate Business Continuity Plan (BCP) was developed with input from all business units and approved by the Board of Directors. The BCP ensures the continuity of critical business functions in the event of business disruptions and helps to minimise the impact on team members, customers and other stakeholders, thus enabling the continued provision of certain critical services in the event of a disruption, crisis or emergency. The BCP seeks to address events such as natural disasters, loss of utilities, loss of services by external providers, organized &/ or deliberate disruption and other organisational threats.

The Information Technology Disaster Recovery Plan (IT DRP) was developed in congruence with the

BCP and encompasses the policies and procedures related to preparing for recovery or continuation of the technology and communications infrastructure after a recoverable disaster or emergency. Our IT infrastructure also includes a high level of redundancy, resilience and data security features, aimed at ensuring the availability, integrity and confidentiality of the information asset.

To ensure that our BCP and IT DRP recovery strategies, policies and procedures are relevant, regular simulation exercises form part of our preparedness strategy, which are used to refine our recovery procedures and inform the ever-greening of our Business Continuity and IT Disaster Recovery Policies and Plans.



## MANAGEMENT'S DISCUSSION &amp; ANALYSIS CONT'D

## OUR CORPORATE STRATEGY

**Strategic thinking, strategic planning, financial modelling, performance measurement and performance-driven compensation are central to how we manage our business.**

The overarching vision and objectives are first set at the Group level. In support of the Group vision and objectives, each business unit and operating department conduct detailed SWOT analyses, determine specific objectives and identify strategies in alignment with the Group vision. These detailed plans are used to build the Group strategic plan with supporting budgets for a three-year planning horizon. Our Board of Directors approves the strategic plans and budgets in December.

Amidst the local and global economic challenges, we at Sagicor will continue to exploit our advantages and opportunities while managing risks and exposures.

**The key strategies which we will be pursuing in 2015 are:**

- We must safeguard our reputation for excellent customer service, making it a competitive advantage in the marketplace.
- Write even higher levels of new business and manage conservation
- Produce superior returns on investments and keep Sigma Funds as #1
- Continued focus on building the efficiency of the business by streamlining, simplifying and automating
- Complete the build-out of our upgraded technology architecture, especially in the areas of banking and employee benefits
- Get the full energy and commitment of the team by continuously engaging and motivating
- Protecting our brand and improving our corporate social responsibility.

## OUTLOOK

During the year we completed the corporate reorganisation and the acquisition of RBC Jamaica. We also embarked on an ambitious programme to reorganise the Commercial and Investment Banking operations, upgrade technology and entrench a customer-centric and sales-oriented culture. We will be focusing on benefits realisation from these strategies in 2015.

By December 2014, for six consecutive quarters since the Extended Fund Agreement with the IMF began in April 2013, a number of macroeconomic indicators have shown improvement and important legislation has been enacted. Jamaica must continue to implement measures which will create meaningful sustained economic growth. This should positively impact our business prospects. We look ahead to 2015 with optimism.

## CONCLUSION

Sagicor Group Jamaica is the third-largest conglomerate on the Jamaica Stock Exchange, measured in terms of profitability. We are grateful for our loyal customers; our stockholders for their trust and confidence; the wise counsel of our Board of Directors; the commitment and expertise of our Executive Management; our hard-working team members and each of our financial advisors and brokers.

Thanks to you all.



**Richard O. Byles**

President & Chief Executive Officer

27 February, 2015



“ EACH AWARD REPRESENTS OUR TEAM’S COMMITMENT TO DELIVERING EXCEPTIONAL SERVICE ”

## CUSTOMER SERVICE IS OUR PRIORITY

At Sagicor Group Jamaica, the customer service experience is top priority. During 2014 some areas of note in our client service delivery were:

- The Client Contact Centre answered 454,550 calls during the year and we served 183,909 walk-in customers in our service centres. We continue to serve these customers at our usual high quality standards. Changes were implemented in the last quarter of 2014, which resulted in our frontline Client Service Representatives serving our highest volume of customers with the lowest average wait time of 17 minutes
- On average, we were able to serve our 183,909 walk-in customers within 30 minutes of arrival.
- Pension benefits processing met its 2014 target for three (3) of the four (4) quarters. While Health claim only achieved their target twice in 2014. This was due to staffing issues.
- There continues to be a steady increase in the use of our electronic payments compared to 2013 as more of customers and vendors received payments via this method. The objective is to increase this method of payment to 85% in 2015.

### 2014 AWARDS

We are always seeking ways to improve in the area of service delivery and therefore invest heavily in training sessions and workshops for team members. In 2014 Sagicor was rewarded for these efforts. The company was recognised for its continuous improvement in delivering exceptional customer service to our clients and received several awards throughout the year. Each award represents our team's commitment to delivering exceptional service to our clients.

## Awards won in 2014 by Sagicor Group Jamaica

### CLEANER HONOUR AWARD

*Special Award for Business*

### PSOJ/JAMAICA CUSTOMER SERVICE ASSOCIATION SERVICE EXCELLENCE AWARD - OVERALL WINNERS

1. *Handling of Customer Complaints Category*
2. *Monitoring & Management Category*
3. *International Benchmark Category*
4. *Leadership & Strategy Category*
5. *Training & Capability Building Category*
6. *Large Business Category*

### NATIONAL QUALITY AWARDS

1. *Excellence in Organisational Focus*
2. *Excellence in Human Resource Focus / Overall Winner*
3. *Excellence in Service (Service Sector)*

### AMCHAM

1. *Excellence in Corporate Social Responsibility*
2. *Civic Leadership Award for Excellence - Richard Byles*

### JAMAICA STOCK EXCHANGE

1. *Governor General's Award for Excellence*
2. *Website (Main Market) - Sagicor Investments*
3. *2nd runner-up for Website (Main Market) Sagicor Group*
4. *2nd runner-up for Members Dealers-Investor*
5. *1st runner-up Annual Report (Main Market) Sagicor Investments*

### UTECH AWARD

*Corporate Entrepreneur of the Year 2014 - Richard Byles*



## CORPORATE GOVERNANCE

### THE BOARD OF DIRECTORS

The Board of Directors is responsible for and committed to adherence by the Company and its subsidiaries to the highest standards of corporate governance. Corporate Governance is central to the Board's role of providing entrepreneurial leadership and oversight to the company in order to maximise shareholder wealth within the bounds of law and community standards of ethical behaviour.

By this commitment, the Board has adopted a Corporate Governance Policy which is influenced by applicable laws and regulations and internationally accepted corporate governance best practices. The Corporate Governance and Ethics Committee of the Board is the key driver of the Policy, which is reviewed from time to time in keeping with the Legislative and Regulatory frameworks in the jurisdictions in which the company operates, the Jamaica Stock Exchange and internationally accepted best practices. The corporate governance activities of the Committee during 2014 reflect the commitment of the Board to sound governance principles.

The Corporate Governance Policy is available on our website at [www.sagicorjamaica.com](http://www.sagicorjamaica.com)

### BOARD RESPONSIBILITIES

The Board of Directors is charged with the responsibility of providing entrepreneurial leadership, guidance and oversight for the management of the Group within the legal and regulatory frameworks, which ensures that risk is effectively assessed and managed whilst maximising shareholders' value. This is outlined in the Board Charter which provides clear guidelines on the mandate through which the Board executes its oversight and decision-making role.

Board meetings are held monthly, except in the month of August, with a structured agenda comprising matters reserved for the Board. Directors also meet on an adhoc basis to consider matters which are deemed urgent and critical to the functioning of the Group.

The Board delegates certain of its authorities to Executive Management through the President and Chief Executive Officer with defined limits of management's power and authority to enable it to execute and manage the business on a day-to-day basis in line with the approved policies, strategies and applicable laws.

### BOARD COMPOSITION AND STRUCTURE

As at December 31, 2014 the Board comprises thirteen (13) directors and is chaired by Dr the Hon. R.D. Williams C.D., O.J., LL.D., J.P. Thirteen (13) directors are non-executive directors and 1 executive director. An executive director is one who holds office (or is employed to the Group or its associated or affiliated companies). Of the 12 non-executive directors, 5 are deemed to be independent. Under the Corporate Governance Code, a director is not independent in the following instances (unless the Board can argue a case for independence):

## CORPORATE GOVERNANCE CONT'D

1. The director or an immediate family member is or was in any of the last five years an employee or officer in the Sagicor Group.
2. The director participates in the Group's share option or a performance-related pay scheme, and is a member of the Company's pension scheme.
3. The director or the director's spouse has a significant interest in a class of the Group's shares.
4. External auditor in certain instances i.e.
  - The director or an immediate family member is a current partner of a firm that is engaged as an internal or external auditor within the Sagicor Group;
  - The director is a current employee of such a firm;
  - The director's immediate family member is a current employee of such a firm and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or
  - The director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Group's audit within that time.
5. A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Group for property or services in an amount which, in any single fiscal year, exceeds the greater of US\$0.5 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three years after falling below such threshold.
6. The Company beneficially owns 5% or more of any class of equity securities of an entity:
  - i) controlled by the director;
  - ii) in which the director has an investment equal to 15% or more of the director's net worth,
  - iii) for which the director is an officer or has a similar position, or;
  - iv) for which the director could reasonably be deemed to have a material influence on the management of such entity.
7. The director holds cross-directorships or has significant links with other Company directors through involvement in other companies or bodies (unless the board can argue a case for independence).
8. The director or an immediate family member is or was in any of the last five years an employee or officer in the Sagicor Group.

In keeping with sound governance principles, the Board firmly believes in the separation of the office of Chairman and Chief Executive Officer in maintaining transparency and independence in governance of the business. The Chairman is a non-executive Chairman and the founder of the Company. The Chairman is responsible for the efficient and effective functioning of the Board. He ensures that the Board Agenda covers the key strategic issues which are relevant to the Group's business, including the approval and periodic review of Management's action plans.

*This breadth of knowledge and expertise of the directors provides for diversity of opinions and invaluable support to the decision-making process which underpins the need for independent and critical thinking.*

*In keeping with sound governance principles, the Board firmly believes in the separation of the office of Chairman and Chief Executive Officer in maintaining transparency and independence in governance of the business.*

## CORPORATE GOVERNANCE CONT'D

### BOARD EXPERTISE

The Directors bring to the office wide and diverse expertise, experience and knowledge in the areas of international business and corporate finance, strategic management, human resources and corporate governance. This breadth of knowledge and expertise provides for diversity of opinions and invaluable support to the decision-making process which underpins the need for independent and critical thinking. Additionally, directors are afforded the opportunity through training to build on or to be exposed to other disciplines.

### APPOINTMENT, TERM, ELECTION & RETIREMENT

Two (2) new directors were appointed during 2014, Messrs Stephen McNamara and Peter Melhado. Mr McNamara was appointed to fill a casual vacancy following the resignation of Prof. Hilary Beckles; Mr Peter Melhado, who also serves on the board of the banking subsidiary, was appointed during the year. Both gentlemen bring considerable years of experience and expertise to the Board in the areas of corporate law and business management respectively.

### BOARD EXPERTISE

| DIRECTOR                | Gen Mgt | Int'l Bus | Finance | Strat Mktg | Corp Law | Banking | Corp Fin M&A | Asset Mgt | Insurance | HR Mgt | Property | Info Tech | Other           |
|-------------------------|---------|-----------|---------|------------|----------|---------|--------------|-----------|-----------|--------|----------|-----------|-----------------|
| Richard Byles           | •       |           | •       | •          |          | •       | •            | •         | •         | •      |          |           |                 |
| Peter Clarke            | •       |           |         |            | •        |         | •            | •         |           |        |          |           |                 |
| Jeffrey Cobham          | •       |           | •       | •          |          | •       |              |           |           | •      |          |           |                 |
| Jacqueline Coke-Lloyd   | •       | •         |         | •          |          |         |              |           |           | •      | •        |           | Marketing & P&R |
| Paul Facey              | •       |           | •       | •          |          | •       |              | •         |           |        | •        |           |                 |
| Stephen Facey           | •       |           | •       |            |          |         | •            |           |           |        | •        |           |                 |
| Marjorie Fyffe Campbell | •       |           | •       |            |          |         |              |           |           |        | •        |           | Corp. Gov.      |
| Richard Downer          | •       | •         | •       | •          |          | •       | •            |           |           |        |          |           |                 |
| Paul Hanworth           | •       | •         | •       | •          |          |         | •            |           | •         |        | •        |           |                 |
| Stephen McNamara        | •       | •         |         |            | •        |         |              |           |           |        | •        |           | Corp. Gov.      |
| Peter Melhado           | •       |           | •       | •          |          | •       | •            | •         | •         |        |          |           |                 |
| Dodridge Miller         | •       | •         | •       | •          | •        | •       | •            | •         | •         |        |          | •         |                 |
| Hon. R. D. Williams     | •       |           |         | •          |          | •       |              |           | •         |        | •        |           |                 |

## CORPORATE GOVERNANCE CONT'D

The appointment, tenure, retirement and re-election are conducted in accordance with the Company's Articles of Incorporation. Each year at least one third of the directors retire at the company's Annual General Meeting and are eligible for re-election by the shareholders. Directors may serve up to age 65. Under the Articles the Board may at its absolute discretion invite a former Director or any other person who has attained 65 years to serve as a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.

Dr. the Hon. R. D. Williams has been invited by the directors under this provision to serve for an additional period of three (3) years. Directors Peter Clarke, Jacqueline Coke Lloyd and Paul Hanworth also retire by rotation and are eligible for re-election. Mr. Stephen McNamara, having been appointed to fill a casual vacancy and Peter Melhado who was appointed since the last annual general meeting are being recommended to the shareholders for re-election. The Corporate Governance and Ethics Committee of the Board, which is charged with the responsibility for the nomination of directors, recommends each nominee to the shareholders having regard to the expertise, core competence and the performance of each nominee and their willingness to devote time required to effectively perform their role as directors.

## DIRECTOR ORIENTATION AND TRAINING

Directors are inducted in the business through a formal orientation process. In addition, our directors receive periodic training relating to the core business of the Company and its subsidiaries, including the drivers of the business lines, products and subsidiaries. Directors are also kept abreast of trends in the business and regulatory environment. During the year additional training was provided in Anti-Money Laundering & Counter Financing of Terrorism, International Financial Reporting Standards (IFRS) and Actuarial Reserving.

## BOARD OPERATIONS

During 2014, the Board held ten (10) formal meetings; in addition, adhoc meetings were held to deal with other urgent matters. The critical agenda items which were covered at board meetings during the year included:

- The approval of the year-end Audited Financial Statements;
- The review and approval of the unaudited quarterly financial statements and Reports to the Stock Exchange;
- Annual General Meeting preparation;
- Approval of the Company's Budget and Strategic Plan for 2014-2016;
- Consideration and approval of interim dividend payments to stockholders;
- Approval of major investment activities including new products and strategic business initiatives;
- Monitor the performance of executive management in the implementation and achievement of strategic objectives and financial performance of the lines of business and subsidiaries of the Group;
- Receive and approve reports/decisions of Board Committees;
- Consider and approve new Corporate Policies and approved amendments to existing policies.

*The appointment, tenure, retirement and re-election are conducted in accordance with the Company's Articles of Incorporation. Each year at least one third of the directors retire at the company's Annual General Meeting and are eligible for re-election by the shareholders.*

## CORPORATE GOVERNANCE CONT'D

## BOARD COMMITTEES AND ATTENDANCE RECORD

The Committee members are appointed by the Board of Directors immediately following the Annual General Meeting each year and hold office until the end of the next Annual General Meeting or until they cease to be directors. The committees comprise a majority of non-executive directors. Members of the Executive Management Team attend meetings as invitees and participate in the meetings through presentation of discussion documents and development of strategies.

The table below shows the composition of the committees and directors' attendance at meetings as at December 31, 2014.

## DIRECTORS' ATTENDANCE: BOARD AND COMMITTEE MEETINGS

|  | Board          | Audit Committee | Risk Management * | Corporate Governance & Ethics | Human Resource & Compensation |
|--|----------------|-----------------|-------------------|-------------------------------|-------------------------------|
| Directors                              | Total Meetings | Total Meetings  |                   | Total Meetings                | Total Meetings                |
| (Number of Meetings Attended)          | held: 10       | held: 5         | held: 0*          | held: 2                       | held: 2                       |
| Prof. Sir. Hilary Beckles <sup>1</sup> | 2 of 10        | -               | -                 | -                             | -                             |
| Richard Byles                          | 9 of 10        | -               | 0                 | -                             | -                             |
| Peter Clarke                           | 6 of 10        | -               | -                 | -                             | -                             |
| Jeffrey Cobham                         | 10 of 10       | -               | 0                 | -                             | -                             |
| Jacqueline Coke-Lloyd                  | 9 of 10        | 5 of 5          | -                 | 2 of 2                        | 2 of 2                        |
| Richard Downer                         | 10 of 10       | 5 of 5          | 0                 | -                             | -                             |
| Paul Facey                             | 10 of 10       | 5 of 5          | -                 | -                             | -                             |
| Stephen Facey                          | 7 of 10        | -               | -                 | 2 of 2                        | 1 of 2                        |
| Marjorie Fyffe-Campbell                | 8 of 10        | 4 of 5          | -                 | 2 of 2                        | 2 of 2                        |
| Paul Hanworth                          | 9 of 10        | 5 of 5          | 0                 | -                             | -                             |
| Stephen McNamara <sup>2</sup>          | 4 of 5         | -               | 0                 | -                             | -                             |
| Peter Melhado <sup>3</sup>             | 5 of 5         | 0 of 2          | -                 | -                             | -                             |
| Dr. Dodridge Miller                    | 7 of 10        | -               | -                 | -                             | 2 of 2                        |
| Hon. R. D. Williams                    | 10 of 10       | -               | -                 | 2 of 2                        | 2 of 2                        |

<sup>1</sup> Prof Sir Hilary Beckles resigned as a Director effective June 4, 2014

<sup>2</sup> Mr. McNamara was appointed a Director effective June 4, 2014

<sup>3</sup> Mr. Melhado was appointed a Director effective June 4, 2014

\* Risk was managed across entities

## CORPORATE GOVERNANCE CONT'D

### DIRECTORS' REMUNERATION

The Board determines the level and structure of fees paid to non-executive directors annually; executive directors do not receive fees in respect of their office as a director of the company or any of its subsidiaries. There was no change in directors' fees. Fees are paid quarterly based on an annual retainer.

The Board Chairman is paid a retainer of \$2,300,000.00 and each director receives \$1,470,000.00. Directors who chair the Audit and Risk Management Committees are paid an annual retainer of \$945,000.00. Committee members receive \$630,000.00. The Chairpersons of the Corporate Governance and Human Resource Committees receive \$630,000.00 each. The members of each of the committees are paid \$420,000.00.

Fees paid to non-executive directors in 2014 amount to \$12,600,000.00.

### BOARD COMMITTEES

Some Board functions are delegated to Committees of the Board, each with clearly defined mandates which are Board approved. The Committees meet periodically (typically on a quarterly basis) to examine issues which fall within its mandate and report its activities to the Board. The Committees are Audit & Compliance, Risk Management, Corporate Governance & Ethics and Human Resource & Compensation.

#### Audit & Compliance Committee

The Audit and Compliance Committee is charged with the responsibility of monitoring the effectiveness of the Company's risk management and internal control systems and compliance with applicable regulations and laws. It also oversees the external audit process. This Committee comprises non-executive directors: Mr. Richard Downer (Chairman), Mrs. Marjorie Fyffe

Campbell, Mr. Paul Facey, Mr. Paul Hanworth, Mrs. Jacqueline Coke-Lloyd and Mr. Peter Melhado.

The Committee met five (5) times during the year to consider and approve inter alia the financial reports of the Company and its subsidiaries and disclosures to the shareholders and regulators, review and assess the main areas of enterprise risk management and internal control processes, review the activities of the internal and external auditors, assess the level of compliance with legal and regulatory requirements, review the quarterly financial reports, the Audited Financial Statements, The Anti-Money Laundering and the Internal Audit Department's Risk Review Reports, and the Annual Audit plan. The Audit Charter was reviewed and approved.

#### Risk Management Committee

The Risk Management Committee oversees and assesses the company's risk appetite in respect of financial and regulatory risks.

The Committee has been constituted but did not meet during the year. Financial, regulatory and operational risks are monitored through the subsidiary Boards and Risk Committees.

The members of the committee are: Mr. Paul Hanworth (Chairman), Mr. Dodridge Miller, Mr. Richard Byles, Mr. Jeffrey Cobham, Mr. Richard Downer and Mr. Stephen McNamara.

#### Human Resource and Compensation Committee

The Human Resource and Compensation Committee has overall responsibility for the Human Resource policies and practices in line with the strategic goals of the Group, the compensation policies and programmes and recommends the Management Succession plans and the Pension Plan for staff to the Board.

### BOARD COMMITTEES

Audit & Compliance

Investment & Risk

Corporate Governance & Ethics

Human Resource & Compensation.

*The Committee keeps the board composition and the director expertise under its review annually, demonstrating its commitment to ensuring that it has the appropriate functional skill sets to provide the leadership role in guiding the management of the business.*

## CORPORATE GOVERNANCE CONT'D

The Committee met two (2) times during the period to consider and approve the annual and long-term incentive plan for executives and the bonus payment to staff, to review Pension Fund Performance and approve amendments to benefits and to discuss staff issues.

The members are Dr. the Hon R. Danny Williams (Chairman), Dr. Dodridge Miller, Mrs. Marjorie Fyffe Campbell, Mrs. Jacqueline Coke-Lloyd and Mr. Stephen Facey.

### Corporate Governance and Ethics Committee

The Corporate Governance and Ethics Committee is charged with ensuring compliance with best practice standards of Corporate Governance and Ethics. The Committee's mandate also includes the management of the process for director succession, nomination and re-election, the performance evaluation of the Board as a whole and that of each director, directors' compensation, related party transactions and issues relating to the potential conflict of interest.

The Committee met two (2) times in 2014 and among the matters considered and approved Related Party Transactions, the process for dealing with potential conflicts of interest and reviewed the list of Corporate Policies to ensure that these were being updated periodically. The level of directors' compensation was also reviewed to ensure that this is maintained in line with similar entities within the financial sector or companies listed on the Jamaica Stock Exchange. Contract procurement practices were monitored against the guidelines.

The corporate governance structure is further strengthened by the commitment to director independence. Directors are required to submit to an annual self-assessment of their compliance with independence and conflict of interest requirements.

The annual Director Peer Review and Board Evaluation was conducted during the year. Following the review process, meetings were scheduled with directors, as necessary, to discuss any areas for development identified from the review.

The Committee keeps the board composition and the director expertise under its review annually, demonstrating its commitment to ensuring that it has the appropriate functional skill sets to provide the leadership role in guiding the management of the business. This is done through a formal Board Evaluation exercise, including the evaluation of the President and Chief Executive Officer and the Company Secretary. The Directors are covered under a Directors' and Officers' Liability Policy in respect of legal action which may be brought against them in certain instances. This policy also covers the Executive Management team.

The committee comprises only non-executive directors with diverse areas of expertise including Corporate Governance. The members are Mrs. Marjorie Fyffe Campbell (Chairman), Mr. Jeffrey Cobham, Mr. Stephen Facey and Mrs. Jacqueline Coke-Lloyd.

## CORPORATE DATA

As at December 31, 2014

### DIRECTORS:

**Dr. the Hon. R.D. Williams**  
O.J., C.D.,LL.D (Hon.),J.P.  
Chairman

**Richard O. Byles**  
President & CEO

**Peter Clarke**

**Jeffrey C. Cobham**

**Jacqueline Coke-Lloyd**

**Richard Downer**

**Paul A.B. Facey**

**Stephen B. Facey**

**Marjorie Fyffe-Campbell**

**Paul Hanworth**

**Stephen McNamara**

**Peter Melhado**

**Dr. Dodridge D. Miller**

### LEADERSHIP TEAM:

**Richard O. Byles**  
President & CEO

**Ivan B. O'B. Carter**  
Executive Vice President,  
Finance & IT Divisions and CFO

**Janice A.M. Grant Taffe**  
Vice President, General Counsel &  
Corporate Secretary

### LEADERSHIP TEAM (Cont'd):

**Rohan D. Miller**  
Executive Vice President,  
Treasury & Asset Management  
President & CEO  
Sagicor Investments Jamaica Limited  
President & CEO  
Sagicor Real Estate X Fund Limited

**Mark Chisholm**  
Executive Vice President,  
Individual Insurance Division

**Willard Brown**  
Executive Vice President, Employee  
Benefits Division  
and Actuary

**Karl Williams**  
Vice President,  
Group Human Resources

**Donovan H. Perkins**  
President & CEO  
Sagicor Bank Jamaica Limited

**Philip Armstrong**  
Deputy CEO  
Sagicor Bank Jamaica Limited

**Ingrid Card (Appointed January 1, 2015)**  
Vice President  
Group Marketing

**Corporate Secretary:**  
**Janice A.M. Grant Taffe**

### Appointed Actuary:

**Janet Sharp**

### Auditors:

**PricewaterhouseCoopers**

### Bankers:

**Sagicor Bank Jamaica Limited**  
**Scotiabank Jamaica Limited**  
**National Commercial Bank (Jamaica) Limited**  
**Cayman National Bank Ltd.**

### Attorneys

**Myers, Fletcher & Gordon**  
21 East Street  
Kingston

**Patterson Mair Hamilton**  
63-67 Knutsford Boulevard  
Kingston 5  
St. Andrew

**Nunes, Scholefield**  
**Deleon & Company**  
6A Holborn Road  
Kingston 10  
St. Andrew

**DunnCox**  
48 Duke Street  
Kingston

**Hart Muirhead Fatta**  
53 Knutsford Boulevard  
Kingston 5

### Registered Office:

**R. Danny Williams Building**  
28-48 Barbados Avenue,  
Kingston 5,  
Jamaica, W.I.  
Telephone : (876) 929-8920-9  
Toll Free : 1-888-SAGICOR  
Fax No : (876) 929-4730  
Email : infoja@sagicor.com  
Cable Code : 'LOJAM'  
Website : www.sagicorjamaica.com

### FOREIGN OPERATIONS

#### THE CAYMAN ISLANDS

**Sagicor Life of**  
**The Cayman Islands Ltd.**  
103 South Church Street,  
P.O. Box 1087,  
Georgetown, Grand Cayman,  
Cayman Islands KY1-1102.

#### TURKS & CAICOS ISLANDS

**Turks & Caicos**  
**First Insurance Limited**  
T & C First Building  
Downtown  
P. O. Box 80  
Providenciales  
Turks & Caicos Islands

#### COSTA RICA

**Sagicor Costa Rica**  
102 Avenida Escazu,  
Torre, 2 Suite, 405  
Escazu, San Jose,  
Costa Rica



# PRIDE COMMITMENT STRENGTH

For over 40 years, Sagicor has been protecting what matters to you most and helping you realise your financial goals.



BANKING | INSURANCE | INVESTMENTS | REAL ESTATE | RETIREMENT

## OUR SUBSIDIARIES



### SAGICOR BANK JAMAICA LIMITED

Head Office  
17 Dominica Drive  
Kingston 5  
Jamaica W.I  
Tel: (876) 960-2340  
Donovan Perkins  
President & CEO



### EMPLOYEE BENEFITS ADMINISTRATOR LIMITED

R. Danny Williams Building  
28 – 48 Barbados Avenue  
Kingston 5  
Tel: (876) 929-8920-9  
Latoya Mayhew-Kerr  
General Manager



### SAGICOR INVESTMENTS JAMAICA LIMITED

Head Office  
85 Hope Road  
Kingston 6, Jamaica W.I  
Tel: (876) 929-5583  
Rohan Miller  
President & CEO



### SAGICOR INSURANCE BROKERS LIMITED

R. Danny Williams Building  
28 – 48 Barbados Avenue  
Kingston 5  
Tel: (876) 929-8920-9  
Fax: (876) 929-4730  
Mark Chisholm  
General Manager



### SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.

P.O. Box 1087  
Grand Cayman KY101192  
Cayman Islands  
Tel: (345) 949-8211  
Fax: (345) 949-8262  
Michael Fraser  
President

### SAGICOR COSTA RICA, SCR, S.A.

102 Avenida Escazu,  
Torre, 2 Suite, 405  
Escuzu, San Jose,  
Costa Rica  
Fernando Viquez  
Deputy Manager

### SAGICOR INSRANUCE MANAGERS

1st Floor Harbour Place  
103 South Church Street,  
George Town  
Grand Cayman KY1-1102  
Cayman Islands  
Tel: (345) 815-0841  
Fax: (345) 949-6297

### SAGICOR POOLED INVESTMENT FUNDS LIMITED

R. Danny Williams Building  
28 – 48 Barbados Avenue, Kingston 5  
Tel: (876) 929-8920-9  
Fax: (876) 929-4730

### SAGICOR ST. LUCIA LIMITED

c/o McNamara Corporate Services Inc.  
20 Micoud Street  
Castries, St. Lucia  
Tel: (758) 452-2662  
Fax: (758) 458-0007

### SAGICOR RE INSURANCE LIMITED

C/o Sagicor Insurance  
Managers Ltd.  
1st Floor Harbour Place  
103 South Church Street,  
George Town  
Grand Cayman KY1-1102  
Cayman Islands  
Tel: (345) 815-0841  
Fax: (345) 949-6297

### SAGICOR PROPERTY SERVICES LIMITED

63-67 Knutsford Boulevard  
Kingston 5  
Jamaica W.I  
Tel: (876) 929-9182-9

## OUR VICE PRESIDENTS & ASSISTANT VICE PRESIDENTS

| EMPLOYEE BENEFITS DIVISION   |   | EMPLOYEE BENEFITS ADMINISTRATOR LIMITED   | INDIVIDUAL INSURANCE DIVISION  |   | SAGICOR BANK JAMAICA LTD.  |   |  |
|--|---|---|--|---|--|---|--|
|  <p><b>Carol Lawrence</b><br/>Vice President<br/>Group Insurance Services<br/>Sagicor Life Jamaica Ltd</p> |  <p><b>Megan Irvine</b><br/>Assistant Vice President<br/>Pensions &amp; Annuities,<br/>Sagicor Life Jamaica Ltd.</p> |  <p><b>Latoya Mayhew-Kerr</b><br/>Vice President<br/>Employee Benefits<br/>Administrator Ltd.</p>                                |  <p><b>Audrey Flowers-Clarke</b><br/>Vice President<br/>Insurance Operations<br/>Sagicor Life Jamaica Ltd.</p>         |  <p><b>Horace Johnson</b><br/>Assistant Vice President &amp;<br/>Actuary<br/>Corporate Actuarial<br/>Sagicor Life Jamaica Ltd.</p> |  <p><b>Jeffrey Chevannes</b><br/>Vice President<br/>Credit Risk<br/>Sagicor Bank Jamaica Ltd,</p> |  <p><b>Eric Scott</b><br/>Vice President<br/>Accounting<br/>Sagicor Bank Jamaica Ltd.</p>                  |  <p><b>Natasha O'Neill</b><br/>Assistant Vice President<br/>Small Medium Enterprise<br/>Sagicor Bank Jamaica Ltd.</p> |
|  <p><b>Nicola Leo-Rhynie</b><br/>Vice President<br/>EBD Marketing<br/>Sagicor Life Jamaica Ltd.</p>        |  <p><b>Nadia Lewis</b><br/>Assistant Vice President<br/>EBD Underwriting<br/>Sagicor Life Jamaica Ltd.</p>           |  <p><b>Corrinne Bellamy</b><br/>Assistant Vice President<br/>Actuarial Services<br/>Employee Benefits<br/>Administrator Ltd.</p> |  <p><b>Merrick Plummer</b><br/>Assistant Vice President<br/>Sales &amp; Distribution<br/>Sagicor Life Jamaica Ltd.</p> |  <p><b>Christopher King</b><br/>Assistant Vice President<br/>Corporate Actuarial<br/>Sagicor Life Jamaica Ltd.</p>                 |  <p><b>Sabrina Cooper</b><br/>Vice President<br/>Retail Banking<br/>Sagicor Bank Jamaica Ltd</p>  |  <p><b>Michael Willacy</b><br/>Vice President<br/>Commercial Banking<br/>Sagicor Bank Jamaica Ltd.</p>     |  <p><b>Annette Osborne</b><br/>Assistant Vice President<br/>Operations<br/>Sagicor Bank Jamaica Ltd.</p>              |
|  |   |   |  |   |  <p><b>Sean Parris</b><br/>Vice President<br/>Operations<br/>Sagicor Bank Jamaica Ltd.</p>      |  <p><b>Tanya Allgrove</b><br/>Assistant Vice President<br/>Credit Risk<br/>Sagicor Bank Jamaica Ltd.</p> |  <p><b>Colleen Yearde-Williams</b><br/>Assistant Vice President<br/>Accounting<br/>Sagicor Bank Jamaica Ltd.</p>    |

SAGICOR INVESTMENTS  
JAMAICA LTD.

## GROUP SHARED SERVICES



**Brenda-Lee Martin**  
Vice President  
Asset Management  
Sagicor Life Jamaica Ltd.



**Mark Clarke**  
Vice President  
Group Infrastructure &  
Technical Services,  
Sagicor Life Jamaica Ltd.



**Andrew Burke**  
Assistant Vice President  
Group IT & Data Security  
Sagicor Bank Jamaica Ltd.



**Coretta Foster**  
Assistant Vice President  
Group Human Resources  
Sagicor Bank Jamaica Ltd.



**Lorna Jamieson-Bond**  
Assistant Vice President  
Group Management  
Accounting  
Sagicor Life Jamaica Ltd.



**Grace Royal-Bassaragh**  
Assistant Vice President  
Legal Counsel  
Sagicor Life Jamaica Ltd.



**Tara Nunes**  
Vice President  
Investments Client Services  
and Wealth Management  
Sagicor Investments  
Jamaica Ltd.



**Jacqueline Somers-King**  
Vice President  
Finance  
Sagicor Life Jamaica Ltd.



**Andrea Chung**  
Assistant Vice President  
Group Project  
Management Office  
Sagicor Investments  
Jamaica Ltd.



**Karen Fuller**  
Assistant Vice President  
Compliance  
Sagicor Bank Jamaica Ltd.



**Jacinth Kelly**  
Assistant Vice President  
Insurance Accounting  
Sagicor Life Jamaica Ltd.



**Camisha Sinanon**  
Assistant Vice President  
Group Corporate Accounting  
Sagicor Life Jamaica Ltd.



**Donnette Scarlett**  
Vice President  
Treasury & Investment Services  
Sagicor Investments Jamaica  
Ltd.



**Hope Wint**  
Vice President  
Enterprise Risk Management &  
Group Compliance  
Sagicor Investments Jamaica  
Ltd.



**Jacqueline Donaldson**  
Assistant Vice President  
Group Human Resources  
Sagicor Life Jamaica Ltd.



**Vinnate Hall**  
Assistant Vice President  
Group Internal Audit  
Sagicor Life Jamaica Ltd.



**Patrick Kelly**  
Assistant Vice President  
Group Application Support &  
Development  
Sagicor Bank Jamaica Ltd.

## REGIONAL AND BRANCH MANAGERS

### SAGICOR LIFE JAMAICA



**Olivine Barnes**  
Branch Manager  
SPANISH TOWN



**Pete Forrest**  
Senior Branch Manager  
CORPORATE CIRCLE



**Michael Lawe**  
Senior Branch Manager  
LIGUANEA



**Patrick Sinclair**  
Branch Manager  
MONTEGO BAY &  
SAVANNA-LA-MAR



**Roaan Brown**  
Branch Manager  
BELMONT DUKES



**Dale Greaves-Smith**  
Branch Manager  
MANDEVILLE



**Donovan McCalla**  
Branch Manager  
NEW KINGSTON



**Marston Thomas**  
Branch Manager  
HALF WAY TREE



**Mavis Ferguson**  
Branch Manager  
OCHO RIOS



**Christopher Lawe**  
Branch Manager  
HOLBORN



**Randolph McLean**  
Senior Branch Manager  
KNUTSFORD



**Marvin Walters**  
Branch Manager  
SENATORS

### SAGICOR INVESTMENTS JAMAICA



**Karen Richards,**  
Regional Manager - Corporate  
HOPE ROAD  
KNUTSFORD  
NEW KINGSTON



**Sancia Thompson**  
Regional Manager  
OCHO RIOS



**Chevaughne Miller**  
Regional Manager  
MANDEVILLE



**Stephanie Vassell**  
Regional Manager  
MONTEGO BAY



**Jacqueline Lambert**  
Manager  
Wealth Management

**SAGICOR BANK JAMAICA**  
**BANKING - CORPORATE REGION**



**Clinton Hunter**  
Regional Manager  
BANKING-CORPORATE



**Stephen Mair**  
Branch Manager  
LIGUANEA  
HOPE ROAD



**Tamara Waul-Douglas**  
Branch Manager  
KNUTSFORD



**Lorraine Dunn**  
Branch Manager  
DUKE & TOWER STREET



**Garfield Morgan**  
Branch Manager  
DOMINICA DRIVE



**Ingrid Wood**  
Branch Manager  
HALF WAY TREE  
TROPICAL PLAZA

**BANKING - NORTH REGION**



**Oral Heaven**  
Regional Manager



**Lloyd Duhaney**  
Branch Manager  
FAIRVIEW  
MONTEGO BAY

**BANKING - SOUTH REGION**



**Simone Welham**  
Regional Manager  
BANKING-SOUTH



**Vilma Barrett-Gunter**  
Branch Manager  
BLACK RIVER



**Loven McCook**  
Branch Manager  
MAY PEN



**Kavon Walker**  
Branch Manager  
MANDEVILLE



**Carla Drummond**  
Branch Manager  
SAVANNA-LA-MAR

## TEAM HIGHLIGHTS

## Strategically Building and Supporting a #SagikorStrong Team!

2014 was an unprecedented year for Sagikor Group Jamaica. The year saw us welcoming almost five hundred (500) new team members, as we became bigger and stronger through the expansion of our Banking Division.

### Engagement and integration

Efforts were focused on ensuring that the new team members were properly integrated. On-boarding initiatives included an epic 'Brand Orientation Session', called **Ignite**, to welcome our new team members and share our vision for the Bank. Team members were kept apprised throughout the integration process through bi-weekly '**In-The-Loop**' and '**Our Voices**' newsletters. Several engagement activities were also undertaken, in an effort to build team synergies and maintain high team member engagement levels.

### Keeping Spirits High

In the face of all of 2014's changes, a major mandate was to 'Keep Spirits High'. In this regard, we continued to provide a 'fun, fit, and friendly' environment by hosting several social and bonding activities and events to display our team members' talents. Highlights throughout the year included the following:

- STARS Week **Movie Night**;
- The annual **Team Member Christmas Party** held in the Sunken Gardens at the Hope Zoo, Jamaica;
- STARS Week **Church Services** across the island and Gospel Concert
- Our **Sagikor World Cup 2014 Decorating Challenge**, which afforded team members the opportunity to showcase their talents, creativity, teamwork and spirit;
- STARS Week activities including our "**Grill Off**", "**Design Revamp**", and "**Mixology**" Competitions.

In October, team member engagement was again measured via the annual LOMA Team Member Opinion Survey, and Sagikor Group Jamaica showed a satisfaction rating of 77.5, a 0.7 point improvement over the previous year and, notably again, the highest satisfaction levels experienced by the Group since the 2005 commencement of the survey.



Sagikor Group LOMA EOS Satisfaction Score



## TEAM HIGHLIGHTS CONT'D

### Keeping Minds, Bodies, and Souls Healthy

A healthy team is a happy and productive team, and our Wellness Programme was a big initiative in 2014. One of our primary goals was to reduce our Claims Utilisation Rate in order to provide an improved Group Health Benefit. Initiatives included:

- Islandwide **Fitness Road Shows**;
- **Lunch & Learn** Wellness Seminars
- STARS Week **Wellness Days**;
- A **Hike and Bike** trip to Hollywell Recreational Park in the Blue Mountains;
- The expansion of the **complementary Exercise Programme** to our Non-Corporate Branches.
- The continued support of the **Sagicor Sports Programmes**;

We also continued to actively encourage volunteerism amongst our team members, and they gave back to the community in which they worked by supporting:

- The STARS Week **Blood Drive**;
- The STARS Week **Charity Day** for the Adonijah Group of Schools;
- The **Christmas Visit and Gift-Giving** to the Golden-Age Home;
- The **Adopt-A-School programme**, in which several departments within the Group adopted and gave back to a primary school of their choice throughout the year.

### LEARNING & DEVELOPMENT: Supporting and developing our team

2014's Learning & Development Initiatives were largely focused on integrating our new banking team members into the Sagicor culture. Training included orientation, brand workshops and product knowledge. Significant cross training on our systems took place as we operate on two (2) different banking platforms. Our Group Project Management Office was extremely busy with the myriad of projects undertaken.

Other 2014 Learning & Development initiatives included the continued roll-out of our company-wide customer experience training programme, sales skills training, regulatory/compliance training, and, significantly, leadership training. An Executive Development Leadership Series commenced for the senior management team; Emotional Intelligence training for our Junior Management Team; and Sales Succession Development conducted by the internationally recognised, John Maxwell Company.

In 2015, Learning and Development will be at the forefront, more than ever, in helping the Group achieve its strategic human resources goals. Initiatives will focus on further improving Learning Result Measurement, and developing "right fit". Most importantly, it will focus on honing the knowledge, skills and attitudes that are required to deliver a world-class client experience.

### Leadership Development: Succession Planning and Best-Fit in Action

Succession Planning and Preparation are always a top priority for Sagicor Group Jamaica and, in 2014, some of our leaders assumed new roles in support of the Group's ever-emerging strategy to become a Stronger Sagicor.



*2014's Learning & Development Initiatives were largely focused on integrating our new Banking team members into the Sagicor culture. Training included Orientation, Brand Workshops and Product Knowledge.*

## TEAM HIGHLIGHTS CONT'D

Rohan Miller, Executive Vice President – Treasury & Asset Management, and Chief Investment Officer for SLJ was appointed President & CEO of Sagicor Investments Jamaica Limited on June 16, 2014.

Similarly, Donovan Perkins, former President & CEO of Sagicor Investments Jamaica Limited, was appointed President & CEO – Sagicor Bank Jamaica Ltd., supported by Philip Armstrong as Deputy CEO. In keeping with our mandate to grow our Banking Division, it was determined that the focused attention of both Donovan and Philip would be necessary to ensure the seamless integration of the new and much larger Sagicor Bank.

Willard Brown, former Vice President & Actuary, succeeded Errol McKenzie, as Executive Vice President – Employee Benefits Division. We wish Errol a long and enjoyable retirement.

### Supporting and Developing the Jamaican Leaders of Tomorrow

In 2014, we continued our Sagicor Experience Internship Programme, allowing us to do our part to contribute to the development of the leaders of tomorrow. The Programme gives recent university graduates an opportunity to not only gain valuable work experience and build confidence, but also to make a seamless transition into the workforce.

The programme began in October 2013 and has grown from sixteen (16) participants in the first cohort to sixty (60) in 2014. To date, a total of twenty-seven (27) tertiary graduates have successfully transitioned from intern to team member status within the Sagicor Group.

Sagicor Group Jamaica is also proud to announce that, in 2014, both Timar Jackson (an Actuarial Analyst in our Corporate Actuarial Services department) and Ricardo Allen (a Structured Product Analyst in our Treasury & Capital Markets department) were selected as a Rhodes Scholar and a Fulbright Scholar respectively. Both Timar and Ricardo have subsequently moved on to pursue the studies afforded to them by their awards. We wish them the best in their pursuits and are happy that Sagicor was able to be a part of their journey to inevitable greatness.

Our Group President & CEO Richard Byles also received the 2014 Business & Civic Leadership Award for Excellence from the American Chamber of Commerce. Congratulations, Richard!

### SAGICOR: Leading The Way In Our Human Resources Focus

Sagicor Group Jamaica has always been and remains committed to excellence in managing and developing our human resources. In 2014, this commitment was duly recognised on a national level. In October, the Jamaica Bureau of Standards held its annual “National Quality Awards” event and, among other awards, Sagicor Group Jamaica was recognised above all others for ‘Excellence in Human Resource Focus’.

Sagicor’s high-performing team members are a significant factor for our many achievements, and we will continue to build strategies for success to attract, motivate and retain the very best talent.

#### Sagicor Group Jamaica Staff Complement Breakdown – as at December 31, 2014

| Company   | Permanent Administrative Team Members | Temporary Administrative Team Members | Field Force Team Members | Total Team Members |
|---|---------------------------------------|---------------------------------------|--------------------------|--------------------|
| Sagicor Life Jamaica Limited (SLJ)                  | 446                                   | 253                                   | 489                      | 1,188              |
| Sagicor International Administrators Limited (SIAL) | 58                                    | 12                                    | 9                        | 79                 |
| Sagicor Life of the Cayman Islands (SLC)            | 7                                     | 2                                     | 18                       | 27                 |
| Sagicor Insurance Managers (SIM)                    | 1                                     | -                                     | -                        | 1                  |
| Sagicor Insurance Brokers (SIB)                     | 1                                     | 3                                     | 10                       | 14                 |
| Employee Benefits Administrators Limited (EBA)      | 32                                    | 10                                    | -                        | 42                 |
| Sagicor Property Services (SPS)                     | 24                                    | 8                                     | 21                       | 53                 |
| Sagicor Bank Jamaica Limited (SBJ)                  | 560                                   | 107                                   | -                        | 667                |
| Sagicor Investments Jamaica Limited (SIJ)           | 99                                    | 18                                    | -                        | 117                |
| Sagicor Group Jamaica Total Staff Complement        | 1,228                                 | 413                                   | 547                      | 2,188              |

## TEAM HIGHLIGHTS CONT'D

## Sagicor's Team Member of the Year

## Davene Rowe:

**Driven, Articulate, Valiant, Energetic, Noble and Enthusiastic** are the best adjectives to aptly describe Davene Rowe. This passionate, highly motivated and self-driven individual joined the Company in May 2006, creating a positive impact throughout the company, particularly in her current role as Human Resources Relationship Officer.

Davene constantly explores ways of improving Group Human Resource processes and functions. 2014 was a challenging year for Group Human Resources, which included the acquisition of Royal Bank of Canada (RBC). Despite those challenges, Davene brought a new level of energy and knowledge to the Shared Services Unit, which became a part of her portfolio.

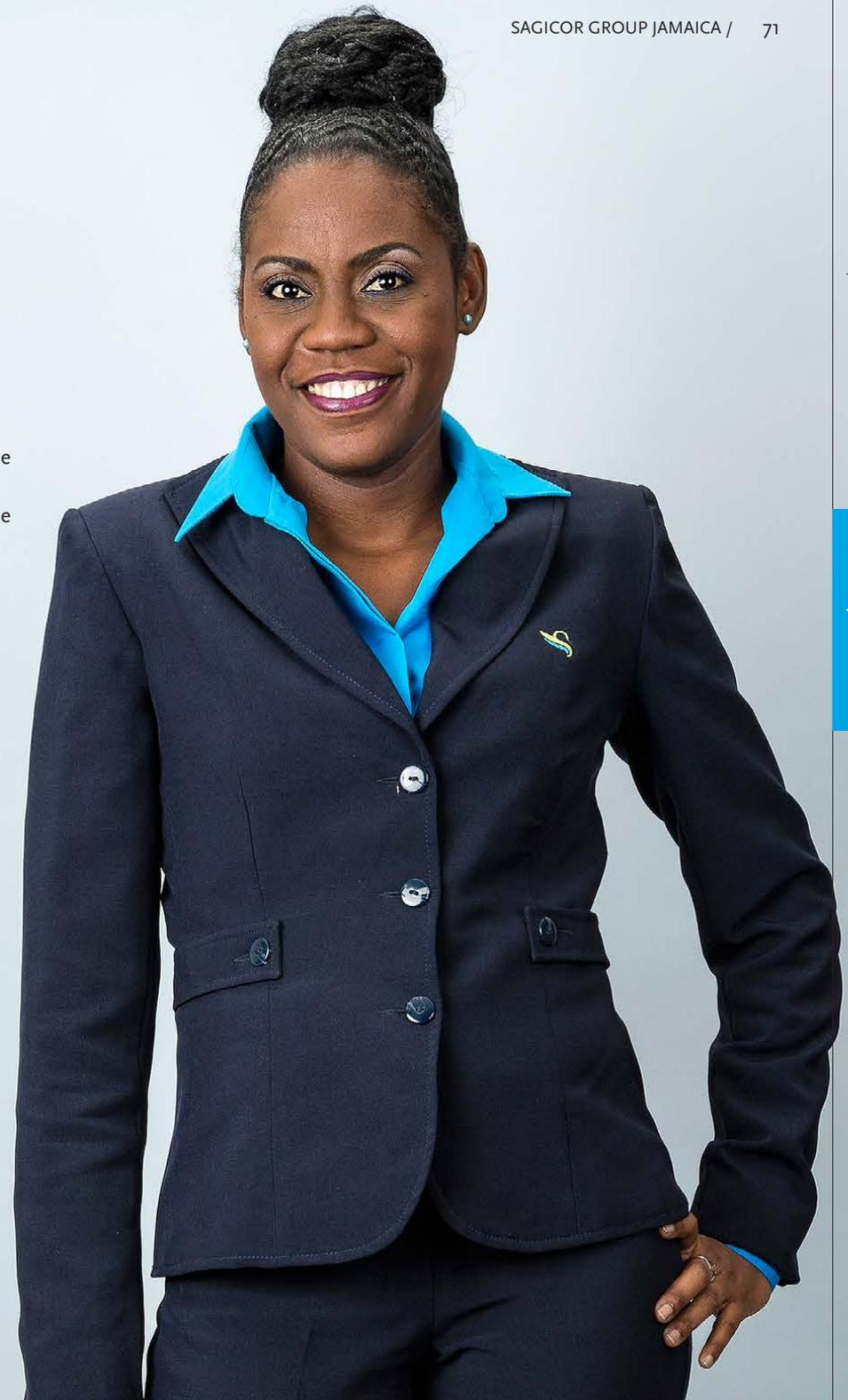
**Additional accomplishments credited to Davene's ingenuity are:**

The revamping of the Sagicor Experience Internship Programme where she collaborated with various universities, islandwide, in order to create a talented pool of applicants. Presently, there are 90 interns engaged in this programme.

The creation and implementation of a detailed Policy and Procedure Manual for Sagicor Group Jamaica's After-School Programme, which currently has an enrolment of forty (40) children.

A poet at heart, Davene was the author of the theme poem for Sagicor's 2014 Blast Off ceremony – "Sagicor Strong". Davene is also an active member of our Sagicor Wellness and Team Activities Planning Committees. She also volunteers her time at Bethel Baptist Church on Wednesdays of each week where she tutors Mathematics as part of the Jamaica Foundation for Lifelong Training Programme dealing with adult literacy and numeracy.

We congratulate Davene, Sagicor's 2014 Team Member of the Year!



“

MAKING A  
DIFFERENCE

”





## SAGICOR FOUNDATION

The vision of Sagicor Group Jamaica is to be a great company committed to improving the lives of people in the communities in which we operate. As an extension of this vision, The Sagicor Foundation has been established and is the object realisation of the core values of the company. The Foundation exists to further establish Sagicor Group Jamaica as a socially responsible brand by:

- Allowing greater access to education for our nation's youth
- Helping to create a healthy Jamaica by giving practical and tangible donations to the health sector
- Investing in youth sports for the better good of Jamaica

We hope to join other individuals and institutions in seeking to fill the gap which extends to the empowering of communities and respond to the needs and urgencies of the socio-economic landscape in which we operate.

Sagicor's commitment to volunteerism pulls at the heart of every team member who have themselves fostered a culture of giving of their time, energy and skills. We see this kind of giving through the Adopt-A-School initiative in which every branch of Sagicor Life selects a school yearly and throughout the year develops the infrastructure and social environment of the institution. This team of volunteers will now become "the arms extended" of the Sagicor Foundation.

The Foundation, as mandated by its Board of Directors, will deepen the roots of Sagicor in the areas of Health, Education, Sports and, by extension, Community Building.



“  
SPENDING TIME  
SHAPING LIVES”

Participants of the Sagacor Sigma Corporate Run gathered on the streets of New Kingston on Sunday for the 2014 staging for charity. Some 22,368 registered in support of the event. Sagacor raised \$22 million for child health care facilities this year.

## OUR CORPORATE SOCIAL RESPONSIBILITY

Sagicor Group Jamaica continued to seek opportunities in which it could create a positive impact in the areas of Health, Sports and Education in the communities in which we live and operate. We are pleased to share our undertakings in 2014.

### HEALTH

**Sagicor Sigma Corporate Run** – The 16th staging of the Sagicor Sigma Corporate Run took place on February 16 under the patronage of Lady Patricia Allen, World and Olympic Champion Shelly-Ann Fraser-Pryce and season five winner of NBC TV's The Voice, Tessanne Chin. Since its inception, the Run has contributed approximately J\$141 million to local charities and child-care facilities. Over the years, funds have been used to purchase equipment for entities such as Sophie's Place & Mustard Seed Communities; The University Hospital Labour Ward; Jamaica AIDS Support for Life; The Renal Units of the Cornwall Regional, University and Kingston Public hospitals; Victoria Jubilee Hospital Neo Natal Care Unit; and Chain of Hope Jamaica in support of the cardiac unit at the Bustamante Hospital for Children; Jamaica National Children's Home; and the Best Care Lodge Children's Home.

2014's staging of the Sigma Corporate Run saw us surpassing our \$17 million target when we handed over \$22 million raised for the beneficiaries: the Sickle Cell Unit, Tropical Medical Research Unit (TMRI) at the University of the West Indies, the Sickle Cell Trust, Mandeville; The Special Care Nursery at the UHWI and The Jamaica Kidney Kids Foundation. In addition to our donation, over 1,000 of our own team members also participated in the 22,368-person event. Sigma Corporate Run was also recognised for Excellence in Corporate Social Responsibility at the American Chamber of Commerce Business and Civic Leadership Awards banquet held in October. The Corporate Social Responsibility award recognises companies that demonstrated commitment to corporate citizenship through, but not limited to, the organisation's business strategy over a five-year period.

1. Runners hit the ground on Sunday, February 16 at the 16th staging of the Sagicor Sigma Corporate Run. The over 22,000 participants were part of a united force in aid of the Run's 2014 beneficiaries: The Sickle Cell Unit TMRI at the University of the West Indies and the Sickle Cell Trust, The Special Care Nursery at the University Hospital of the West Indies and Jamaica Kidney Kids Foundation.

2. Sagicor Sigma Corporate Run 2014 patron and 'The Voice' Season 5 Winner, Tessanne Chin (r), shares lens time with a Wheelchair participant as she presents her with a trophy at the Run held on February 16th.



1



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3. Donovan Perkins (3rd from left), President & CEO of Sagicor Investments, presents a symbolic cheque to the 2014 beneficiaries of the Sigma Corporate Run. Representatives of the charities, Dr Jennifer Knight-Madden (2nd left), Professor Graham Serjeant of the Sickle Cell Trust (4th left) of The Sickle Cell Unit UWI, Dr Minerva Thame of The Special Care Nursery at the University Hospital of the West Indies (5th left) and Dr Maolynne Miller of Jamaica Kidney Kids Foundation; were all there for the symbolic presentation which took place during the 16th staging on February 16, 2014.

4. Michelle Distant (c), Manager – Compensation and Benefits, Group Human Resources at Sagicor Life Jamaica Limited and Michael Fraser, Vice-Chairman of the Jamaica Cancer Society and President & CEO of Sagicor Life of the Cayman Islands greet Cathy Brice Hirsch (l), guest speaker of The Jamaica Cancer Society's and Jamaica Reach to Recovery's Keeping Abreast Luncheon. The annual fundraising event was sponsored by Sagicor and held at the Jamaica Pegasus Hotel on Thursday, October 30.

OUR CORPORATE SOCIAL RESPONSIBILITY CONT'D

OTHER HEALTH INITIATIVES

We also participated in various activities related to wellness and sports, such as the Jamaica Cancer Society's Relay for Life in Kingston and Ocho Rios, and the CUMI Come Run race, which is in aid of the rehabilitation of the mentally ill in St James. We entered teams in support of the Gleaner 180 5K, Reggae Marathon, Digicel 'Take Back the Night' 5K in aid of special needs, and the Everyone's a Winner Challenge series.

We continued our 11-year relationship with the Jamaica Cancer Society by donating \$1 million to the execution of their Keeping Abreast Luncheon. Cancer survivors and supporters in attendance listened to specially invited guest and president of Reach to Recovery International, Catherine Brice-Hirsch, who shared how her ordeal with breast cancer equipped her to help other cancer victims in the fight against the disease.

Towards the end of the year, we visited the headquarters of the Women's Centre of Jamaica Foundation, an organisation which supports the plight of teen mothers, and shared words of motivation and gave tokens to the young ladies. We ended the year spreading Christmas cheer at the Sagicor Shopping Centre in Spanish Town with "Sagicor Santa Claus" who handed out toys and books to the passersby.

SPORTS

JTA/SAGICOR NATIONAL ATHLETIC CHAMPIONSHIPS

In 2014, we sustained our partnership with the Jamaica Teachers' Association (JTA) through the sponsorship of the 31st JTA/ Sagicor National Athletic Championships, which saw more than 1,200 primary school student athletes, as well as their parents, teachers and the wider community being impacted by our sponsorship of the two-day track and field event to the sum of \$4.5 million. The JTA Track Meet is an annual sporting event held at the National Stadium for primary, junior high and all-age schools with participation of over 5,000 students in the lead-up to the event. At the championships, students competed by parish to be crowned national champions. The parish of St. Catherine captured their second title in twenty-five years after a tactical championship display in which they capitalised on strong relay performances to dethrone defending champions, St. Andrew. In addition to the sponsorship,



**\$22** million  
RAISED BY SIGMA  
CORPORATE RUN

**\$2** million  
DONATED TO THE JAMAICA  
CANCER SOCIETY

**\$4.5** million  
DONATED TO JTA/SAGICOR NATIONAL  
ATHLETICS CHAMPIONSHIP

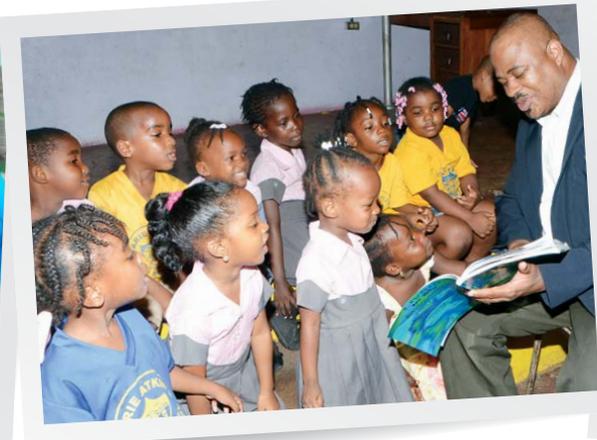
## OUR CORPORATE SOCIAL RESPONSIBILITY CONT'D

we provided two five-year academic scholarships at the secondary school level to the Champion Boy and Champion Girl of the meet, a tradition which has been upheld for over five years.

### OTHER SPORTS INITIATIVES

We continued to foster the development of our youth in sports by supporting the Sagicor/UWI Guild Champions League to the tune of \$1.9 million. The league, in its fourth year, saw a total of 16 teams from the blocks and clusters of the various halls of residence competing in the fast-paced, “knock-out” style football competition for the Sagicor/UWI Guild Champions League Trophy, as well as bragging rights, and \$150,000 cash prize. The league is aimed at encouraging camaraderie and a sense of hall spirit as well as integration among the students of the UWI.

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We assisted in other areas of sports with donations to Shelly-Ann Fraser-Pryce's Pocket Rocket Foundation and as title sponsors of the All Jamaica Junior Tennis tournament, contributing \$200,000. Over 100 young athletes demonstrated their strong tennis talent vying for the championship title.

### EDUCATION

#### GSAT SCHOLARSHIPS

Sagicor Life Jamaica gave \$1.4 million to 2014's 14 GSAT scholarship recipients. Scholarships were also awarded to the Champion Boy and Girl from the JTA/Sagicor Primary and Junior High Athletic Championships, taking the total number of beneficiaries since the programme began in 1994 to 260. Twelve girls and four boys comprise the 16 students on 2014's list of awardees. At

present, there are 84 students benefiting from Sagicor GSAT scholarships across the island. In 2014, the Sagicor scholarship recipients were awarded a bursary valued at \$150,000 each, making the disbursements since its inception over \$17 million. Jamaica's 2014 Rhodes Scholar and Sagicor Actuarial Analyst, Timar Jackson delivered the keynote address at the awards ceremony, imploring the students to have dreams and go after them.

5. Sagicor Life Executive Vice President, Willard Brown (r), presents the student athletes hailing from St. Mary with a gift bag of tokens at the Opening Ceremony of the JTA/Sagicor National Athletic Championships held on May 16th at the National Stadium.

6. New Kingston Branch financial advisor Wayne Ferron holds the rapt attention of the Marie Atkins Basic School students as he reads to them during a visit to the school on Teachers' Day.

7. The sixteen Sagicor GSAT Scholarship awardees proudly display their certificates with Sagicor Life Chairman, Hon. R. Danny Williams and Sagicor Group President and CEO, Richard Byles. The sixteen students were awarded five year academic scholarships valued at \$125,000.00 each.

**\$1.7** million

DONATED TO SAGICOR/UWI GUILD CHAMPIONS LEAGUE

**\$1.4** million

AWARDED TO 14 GSAT SCHOLARSHIP RECIPIENTS

**\$2** million

DONATED THROUGH CORPORATE STAFF EDUCATION SCHOLARSHIPS



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## OUR CORPORATE SOCIAL RESPONSIBILITY CONT'D

### ADOPT-A-SCHOOL

The Adopt-a-School programme forms an integral part of Sagicor Life's Individual Life Insurance Division's philanthropy programme. Each branch adopts a school for the calendar year and participates in various school upliftment and renovation programmes throughout the period.

Throughout 2014, our team members were dedicated to doing their part to contribute to their surrounding environs through various projects executed at their adopted schools. Our Knutsford Branch gave their adopt-a-school, Evangelistic Basic School, a well-needed facelift by replacing the classroom floors and painting and decorating the classroom walls. Our Ocho Rios branch donated stationery to the Ocho Rios Primary School in the Special Education Unit. The Montego Bay Branch adopted the Copse Basic School in Hanover. They replaced the roof and perimeter fence, and fixed leaking classrooms and broken windows. The team actively participated in weekly devotions, engaged in a Read-With-Me programme, a Teachers' Day Treat and a Christmas Treat.

The New Kingston Branch treated their adopt-a-school, Marie Atkins Basic, by painting the entire school and removing a huge dead tree from the centre of the play area. They also painted educational murals on the walls, provided the entire school population with new uniforms, including the teachers, and sponsored and participated in the school's Graduation Ceremony. The New Kingston Branch was also instrumental in assisting the school to get registered with the Early Childhood Commission.

### OTHER EDUCATION INITIATIVES

We awarded 119 successful applicants at both the primary and secondary levels with over \$2 million through the Corporate Staff Education initiative where recipients were children of Sagicor team members.

Another \$2.8 million was awarded to 19 students at the University of the West Indies and the University of Technology in Jamaica as scholarship grants through the Sagicor Scholar programme, which has been active for over eight years.

We donated several computer items valued at nearly \$1 million to the Manchester High School. The donations assisted students at the CXC, GCE and 'A' Levels.

On July 18 we celebrated Nelson Mandela Day by collaborating with the South African High Commission to donate books to the Middleton Primary School library.

We also sponsored the Sagicor/UTech National Debating Championships, which established UTech as undisputed leaders in British Parliamentary Debating in Jamaica, and saw a record 60 teams participating.

We assisted in other areas of education when we participated in Read Across Jamaica Day, and Teachers' Day. On Labour Day, our team members joined Jamaica to "Take A Stand, Beautify Our Land" by coming together with tools and material to provide a facelift to their adopted schools.



9

8. Alysia White, Manager of Sponsorships and Public Relations at Sagicor and Barrington Groves (r), Brand Manager of Sagicor Life Jamaica hand over a symbolic cheque of \$4.5 million to Dr Mark Nicely, President of the Jamaica Teachers' Association (JTA) and Huit Johnson (l), Chairman of the National Sports Committee at the JTA for the 31st JTA/Sagicor National Athletic Championships



10

9. A Sagicor volunteer gives the Marie Atkins Basic School a much-needed facelift with a fresh coat of paint on Labour Day, which was held under the theme "Take a Stand, Beautify Our Land".

10. Children at the Marie Atkins Basic School play with toys gifted to them by the New Kingston Branch, as Assistant Manager – Public Relations, Suzette Shaw-Reid (l), and New Kingston Branch Supervisor, Seneritta Green, look on.

**\$2.8** million

AWARDED TO STUDENTS OF THE U.W.I. AND UTECH

**\$0.95** million

IN COMPUTER EQUIPMENT TO MANCHESTER HIGH SCHOOL

**\$7** million

IN TOTAL DONATED TO EDUCATION IN 2014



# FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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## Independent Auditors' Report

To the Members of  
Sagicor Group Jamaica Limited

### Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Sagicor Group Jamaica Limited and its subsidiaries, set out on pages 82 to 171, which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Sagicor Group Jamaica Limited standing alone, which comprise the statement of financial position as at 31 December 2014 and the income statement, 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 and Company Stand Alone Financial Statements

Management is responsible for the preparation of consolidated and company stand alone 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 and company stand alone 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 and company stand alone 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 and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone 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 and company stand alone 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 and company stand alone financial statements.

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

### Opinion

In our opinion, the consolidated financial statements of Sagicor Group Jamaica Limited and its subsidiaries, and the financial statements of Sagicor Group Jamaica Limited standing alone give a true and fair view of the financial position of Sagicor Life Jamaica Limited and its subsidiaries and Sagicor Group Jamaica Limited standing alone as at 31 December 2014, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Sagicor Group Jamaica Limited, 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 and company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

Chartered Accountants

3 March 2015  
Kingston, Jamaica

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

C.D.W. Maxwell E.A. Crawford P.E. Williams L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning  
G.A. Reece P.A. Williams R.S. Nathan

## Consolidated Statement of Financial Position

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

|   | Note | 2014<br>\$'000     | 2013<br>\$'000     |
|---|------|--------------------|--------------------|
| <b>ASSETS:</b>                                    |      |                    |                    |
| Cash resources                                    | 6    | 21,073,597         | 4,082,363          |
| Cash reserve at Central Bank                      | 8    | 5,492,491          | 993,331            |
| Financial investments                             | 9    | 183,095,026        | 161,788,676        |
| Derivative financial instruments                  | 10   | 761,732            | 3,019,597          |
| Loans & leases, after allowance for credit losses | 11   | 38,808,049         | 10,821,201         |
| Pledged assets                                    | 12   | 8,402,683          | 3,278,856          |
| Investment properties                             | 13   | 871,888            | 782,345            |
| Investment in joint venture                       | 14   | 738,718            | 639,235            |
| Intangible assets                                 | 18   | 4,617,001          | 4,015,509          |
| Property, plant and equipment                     | 19   | 3,506,736          | 1,676,573          |
| Reinsurance contracts                             | 20   | 380,822            | 262,710            |
| Retirement benefit assets                         | 21   | 58,912             | -                  |
| Deferred income taxes                             | 22   | 3,018,293          | 298,107            |
| Taxation recoverable                              | 23   | 3,114,495          | 2,327,391          |
| Other assets                                      | 24   | 10,275,370         | 4,324,403          |
| <b>TOTAL ASSETS</b>                               |      | <b>284,215,813</b> | <b>198,310,297</b> |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Consolidated Statement of Financial Position (Continued)

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | 2014<br>\$'000     | 2013<br>\$'000     |
|--|------|--------------------|--------------------|
| <b>STOCKHOLDERS' EQUITY AND LIABILITIES:</b> |      |                    |                    |
| <b>Stockholders' Equity Attributable</b>     |      |                    |                    |
| <b>Stockholders' of the Company</b>          |      |                    |                    |
| Share capital                                | 26   | 9,161,065          | 7,854,938          |
| Equity reserves                              | 27   | 6,413,536          | 5,343,433          |
| Retained earnings                            |      | 30,490,757         | 22,727,470         |
|  |      | 46,065,358         | 35,925,841         |
| <b>Non-controlling interests</b>             |      | -                  | 1,695,002          |
| <b>Total Equity</b>                          |      | <b>46,065,358</b>  | <b>37,620,843</b>  |
| <b>Liabilities</b>                           |      |                    |                    |
| Deposit and security liabilities             | 34   | 151,584,382        | 86,069,724         |
| Derivative financial instruments             | 10   | 716,186            | 3,170,941          |
| Taxation payable                             |      | 714,632            | 394,373            |
| Deferred income taxes                        | 22   | -                  | 1,144              |
| Retirement benefit obligations               | 21   | 3,361,094          | 2,659,268          |
| Other liabilities                            | 35   | 10,631,301         | 3,855,556          |
| <b>Policyholders' Funds</b>                  |      |                    |                    |
| Insurance contracts liabilities              | 36   | 55,826,311         | 48,565,731         |
| Investment contracts liabilities             | 37   | 12,348,035         | 13,260,293         |
| Other policy liabilities                     | 38   | 2,968,514          | 2,712,424          |
|  |      | 71,142,860         | 64,538,448         |
| <b>Total Liabilities</b>                     |      | <b>238,150,455</b> | <b>160,689,454</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>          |      | <b>284,215,813</b> | <b>198,310,297</b> |

Approved for issue by the Board of Directors on February 27, 2015 and signed on its behalf by:

Hon. R.D. Williams, O.J.

Chairman

Richard O. Byles

Director

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Consolidated Income Statement

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

|  | Note  | 2014<br>\$'000    | 2013<br>\$'000    |
|--|-------|-------------------|-------------------|
| <b>Revenue:</b>  |       |                   |                   |
| Gross premium revenue  | 40    | 30,135,173        | 30,145,619        |
| Insurance premium ceded to reinsurers  | 40    | (966,385)         | (921,123)         |
| Net premium revenue  | 40    | 29,168,788        | 29,224,496        |
| Net investment income  | 41    | 12,552,316        | 8,784,969         |
| Fee and other income   | 42    | 3,909,119         | 4,346,700         |
| Total revenue  |       | <b>45,630,223</b> | <b>42,356,165</b> |
| <b>Benefits:</b>   |       |                   |                   |
| Insurance benefits incurred  |       | 17,508,793        | 15,994,659        |
| Insurance benefits reinsured   |       | (262,090)         | (240,162)         |
| Net insurance benefits   | 43    | 17,246,703        | 15,754,497        |
| Net movement in actuarial liabilities  | 36(d) | 5,523,213         | 7,476,839         |
| <b>Expenses:</b>   |       |                   |                   |
| Provision for credit losses  | 11    | 225,107           | 59,159            |
| Administration expenses  | 45    | 11,461,285        | 7,322,648         |
| Commissions and sales expenses   | 46    | 3,875,268         | 3,636,250         |
| Depreciation   | 19    | 276,989           | 209,900           |
| Amortisation and impairment of intangible assets   | 18    | 737,499           | 254,220           |
| Premium and other taxes  | 47(b) | 640,023           | 616,452           |
|  |       | 17,216,171        | 12,098,629        |
|  |       | <b>39,986,087</b> | <b>35,329,965</b> |
| Share of profit/(loss) from joint venture  | 14    | 6,310             | (10,021)          |
| Negative goodwill  | 57    | 3,211,180         | -                 |
| Share of (loss) on disposal of associate   | 16    | -                 | (1,716)           |
| <b>Profit before Taxation</b>  |       | <b>8,861,626</b>  | <b>7,014,463</b>  |
| Taxation   | 47(a) | (298,508)         | (561,773)         |
| <b>NET PROFIT</b>  |       | <b>8,563,118</b>  | <b>6,452,690</b>  |
| Stockholders of the parent company   |       | 8,512,779         | 6,297,935         |
| Non-controlling interests  |       | 50,339            | 154,755           |
|  |       | <b>8,563,118</b>  | <b>6,452,690</b>  |
| <b>Earnings per stock unit for profit attributable to the stockholders of the company during the year:</b> |       |                   |                   |
| Basic and fully diluted  | 48    | 2.21              | 1.67              |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

|   | 2014<br>\$'000    | 2013<br>\$'000   |
|---|-------------------|------------------|
| <b>Net profit for the year</b>  | <b>8,563,118</b>  | <b>6,452,690</b> |
| <b>Other comprehensive income:</b>  |                   |                  |
| <b>Items that may be subsequently reclassified to profit or loss</b>  |                   |                  |
| Available-for-sale investments:   |                   |                  |
| Unrealised gains/(losses) on available-for-sale investments   | 729,844           | (861,258)        |
| Gains reclassified and reported in profit   | (848,705)         | (1,173,294)      |
| Impairment losses on available-for-sale investments   | 738,183           | (7,851)          |
|   | 619,322           | (2,042,403)      |
| Re-translation of foreign operations  | 570,118           | 1,345,070        |
| <b>Items that will not be subsequently reclassified to profit or loss</b>   |                   |                  |
| Unrealised gains on owner-occupied properties   | 80,549            | 143,299          |
| Re-measurements of retirement benefits obligations  | 1,004,348         | (1,286,821)      |
| Total other income recognised directly in stockholders' equity, net of taxes  | 2,274,337         | (1,840,855)      |
| <b>Total Comprehensive Income</b>   | <b>10,837,455</b> | <b>4,611,835</b> |
| <b>Total Comprehensive Income attributable to:</b>  |                   |                  |
| Stockholders of the parent company  | 10,721,799        | 4,546,349        |
| Non-controlling Interests   | 115,656           | 65,486           |
|   | <b>10,837,455</b> | <b>4,611,835</b> |
| Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 47(c). |                   |                  |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Consolidated Statement of Changes in Equity

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

| Note  | Attributable to owners of the parent |                           |                   |                      |                                 | Grand Total       |
|---|--------------------------------------|---------------------------|-------------------|----------------------|---------------------------------|-------------------|
|   | Share Capital                        | Equity Reserves (Note 27) | Retained Earnings | Equity Owners' Total | Non-controlling Interests Total |                   |
|   | \$'000                               | \$'000                    | \$'000            | \$'000               | \$'000                          |                   |
| <b>Balance as at January 1, 2013</b>                      | 7,854,938                            | 5,734,286                 | 19,266,331        | 32,855,555           | 1,759,279                       | 34,614,834        |
| Total comprehensive income for the year                   | -                                    | (471,965)                 | 5,018,314         | 4,546,349            | 65,486                          | 4,611,835         |
| Transactions with owners -                                |                                      |                           |                   |                      |                                 |                   |
| Employee share option scheme - value of services provided | -                                    | 34,529                    | -                 | 34,529               | 2,183                           | 36,712            |
| Employee stock grants and options exercised/expired       | -                                    | (6,196)                   | -                 | (6,196)              | (10,635)                        | (16,831)          |
| Dividends paid to non-controlling interests               | -                                    | -                         | -                 | -                    | (121,311)                       | (121,311)         |
| Dividends paid to owners of the parent                    | 32                                   | -                         | (1,504,396)       | (1,504,396)          | -                               | (1,504,396)       |
| Total transactions with owners                            | -                                    | 28,333                    | (1,504,396)       | (1,476,063)          | (129,763)                       | (1,605,826)       |
| Transfers between reserves -                              |                                      |                           |                   |                      |                                 |                   |
| To special investment reserve                             | 2(r)                                 | -                         | 65,820            | (65,820)             | -                               | -                 |
| To retained earnings                                      | 2(s)                                 | -                         | (17,863)          | 17,863               | -                               | -                 |
| Adjustment between regulatory loan provisioning and IFRS  | 31(b)                                | -                         | 4,822             | (4,822)              | -                               | -                 |
| Total transfers between reserves                          | -                                    | 52,779                    | (52,779)          | -                    | -                               | -                 |
| <b>Balance at 31 December 2013</b>                        | <b>7,854,938</b>                     | <b>5,343,433</b>          | <b>22,727,470</b> | <b>35,925,841</b>    | <b>1,695,002</b>                | <b>37,620,843</b> |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

| Note  | Attributable to owners of the parent |                           |                   |                      |                                 | Grand Total       |
|---|--------------------------------------|---------------------------|-------------------|----------------------|---------------------------------|-------------------|
|   | Share Capital                        | Equity Reserves (Note 27) | Retained Earnings | Equity Owners' Total | Non-controlling Interests Total |                   |
|   | \$'000                               | \$'000                    | \$'000            | \$'000               | \$'000                          |                   |
| <b>Balance as at January 1, 2014</b>                      | 7,854,938                            | 5,343,433                 | 22,727,470        | 35,925,841           | 1,695,002                       | 37,620,843        |
| Total comprehensive income for the year                   | -                                    | 1,204,672                 | 9,517,127         | 10,721,799           | 115,656                         | 10,837,455        |
| Transactions with owners -                                |                                      |                           |                   |                      |                                 |                   |
| Employee share option scheme - value of services provided | -                                    | 23,677                    | -                 | 23,677               | -                               | 23,677            |
| Employee stock grants and options exercised/expired       | -                                    | (6,693)                   | -                 | (6,693)              | -                               | (6,693)           |
| Issue of share capital                                    | 1,306,127                            | -                         | -                 | 1,306,127            | -                               | 1,306,127         |
| Purchase of minority interest                             | -                                    | -                         | 504,532           | 504,532              | (1,810,658)                     | (1,306,126)       |
| Dividends paid to owners of the parent                    | 32                                   | -                         | (2,409,925)       | (2,409,925)          | -                               | (2,409,925)       |
| Total transactions with owners                            | 1,306,127                            | 16,984                    | (1,905,393)       | (582,282)            | (1,810,658)                     | (2,392,940)       |
| Transfers between reserves -                              |                                      |                           |                   |                      |                                 |                   |
| To special investment reserve                             | 2(r)                                 | -                         | 202,736           | (202,736)            | -                               | -                 |
| To retained earnings                                      | 2(s)                                 | -                         | (92,906)          | 92,906               | -                               | -                 |
| Adjustment between regulatory loan provisioning and IFRS  | 31(b)                                | -                         | (261,383)         | 261,383              | -                               | -                 |
| Total transfers between reserves                          | -                                    | (151,553)                 | 151,553           | -                    | -                               | -                 |
| <b>Balance at 31 December 2014</b>                        | <b>9,161,065</b>                     | <b>6,413,536</b>          | <b>30,490,757</b> | <b>46,065,358</b>    | <b>-</b>                        | <b>46,065,358</b> |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Consolidated Statement of Cash Flows

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

|  | Note  | 2014<br>\$'000     | 2013<br>\$'000     |
|--|-------|--------------------|--------------------|
| <b>Net profit</b>  |       | <b>8,563,118</b>   | <b>6,452,690</b>   |
| Adjustments for:   |       |                    |                    |
| <b>Items not affecting cash and changes to policyholders' funds:</b> |       |                    |                    |
| Adjustments for non-cash items, interest and dividends               | 49(a) | (8,892,465)        | 838,725            |
| Changes in other operating assets and liabilities                    | 49(b) | 23,549,941         | 3,004,279          |
| Net investment purchases   | 49(c) | (19,588,803)       | (13,355,416)       |
| Interest received  |       | 14,579,571         | 12,443,458         |
| Interest paid  |       | (4,646,360)        | (4,009,269)        |
| Income taxes paid  |       | (1,383,797)        | (1,882,830)        |
| Net cash generated from operating activities                         |       | <b>12,181,205</b>  | <b>3,491,637</b>   |
| <b>Cash Flows from Investing Activities</b>                          |       |                    |                    |
| Investment in joint venture  | 14    | (41,105)           | (26,512)           |
| Acquisition of subsidiary, net of cash acquired                      | 57    | 6,022,237          | -                  |
| Purchase of property, plant and equipment, net                       | 49(d) | (451,066)          | (189,652)          |
| Purchase of intangible assets  | 18    | (164,623)          | (33,600)           |
| Net cash used in investing activities                                |       | <b>5,365,443</b>   | <b>(249,764)</b>   |
| <b>Cash Flows from Financing Activities</b>                          |       |                    |                    |
| Dividends paid to stockholders                                       |       | (2,409,925)        | (1,504,396)        |
| Dividends paid to non-controlling interests                          |       | -                  | (48,204)           |
| Net cash used in financing activities                                |       | <b>(2,409,925)</b> | <b>(1,552,600)</b> |
| Effect of exchange rate on cash and cash equivalents                 |       | 1,970,456          | 688,135            |
| Increase/(decrease) in cash and cash equivalents                     |       | 17,107,179         | 2,377,409          |
| Cash and cash equivalents at beginning of year                       |       | 5,444,399          | 3,066,991          |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                      | 7     | <b>22,551,578</b>  | <b>5,444,399</b>   |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Company Statement of Financial Position

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

|   | Note   | 2014<br>\$'000    | 2013<br>\$'000    |
|---|--------|-------------------|-------------------|
| <b>ASSETS:</b>                              |        |                   |                   |
| Cash resources                              | 6      | 6,685             | -                 |
| Financial investments                       | 9      | 5,466,100         | -                 |
| Investment in subsidiaries                  | 17 (b) | 57,444,464        | 34,858,500        |
| Intangible assets                           |        | 5,875             | -                 |
| Property, plant and equipment               |        | 298               | -                 |
| Taxation recoverable                        | 23     | 60,763            | -                 |
| Other assets                                | 24     | 767,953           | 116,559           |
| <b>TOTAL ASSETS</b>                         |        | <b>63,752,138</b> | <b>34,975,059</b> |
| <b>STOCKHOLDERS' EQUITY AND LIABILITIES</b> |        |                   |                   |
| <b>Stockholders' Equity Attributable</b>    |        |                   |                   |
| <b>Stockholders' of the Company</b>         |        |                   |                   |
| Share capital                               |        | 9,161,064         | 7,854,938         |
| Equity reserves                             |        | 26,541,998        | 26,518,975        |
| Retained earnings/(deficit)                 |        | 15,845,408        | (19,488)          |
|   |        | 51,548,470        | 34,354,425        |
| <b>Liabilities</b>                          |        |                   |                   |
| Promissory notes                            | 34     | 11,525,678        | 601,145           |
| Other liabilities                           | 35     | 677,990           | 19,489            |
| <b>Total Liabilities</b>                    |        | <b>12,203,668</b> | <b>620,634</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>         |        | <b>63,752,138</b> | <b>34,975,059</b> |

Approved for issue by the Board of Directors on February 27, 2015 and signed on its behalf by:

Hon. R.D. Williams, O.J.

Chairman

Richard O. Byles

Director

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Company Income Statement

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

|                                      | Note | 2014<br>\$'000           | 2013<br>\$'000         |
|--------------------------------------|------|--------------------------|------------------------|
| <b>Revenue:</b>                      |      |                          |                        |
| Net investment income                | 41   | 18,501,953               | -                      |
| Other income                         |      | 8,419                    | -                      |
| Total revenue                        |      | <u>18,510,372</u>        | <u>-</u>               |
| <b>Expenses:</b>                     |      |                          |                        |
| Administration expenses              | 45   | 235,142                  | 19,488                 |
| Depreciation                         |      | 27                       | -                      |
| Amortisation of intangible assets    |      | 203                      | -                      |
| Asset tax                            |      | 100                      | -                      |
|                                      |      | <u>235,472</u>           | <u>19,488</u>          |
| <b>Profit/(loss) before Taxation</b> |      | 18,274,900               | (19,488)               |
| Taxation                             | 47   | (60)                     | -                      |
| <b>NET PROFIT/(LOSS)</b>             |      | <u><u>18,274,840</u></u> | <u><u>(19,488)</u></u> |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Company Statement of Cash Flows

Year ended 31 December 2014  
(expressed in Jamaican dollars unless otherwise indicated)

|  | Note  | 2014<br>\$'000       | 2013<br>\$'000  |
|--|-------|----------------------|-----------------|
| <b>Net profit</b>  |       | <b>18,274,840</b>    | <b>(19,488)</b> |
| Adjustments for:   |       |                      |                 |
| <b>Items not affecting cash and changes to policyholders' funds:</b> |       |                      |                 |
| Adjustments for non-cash items, interest and dividends               | 49(a) | (18,470,625)         | -               |
| Changes in other operating assets and liabilities                    | 49(b) | (36,691)             | 19,488          |
| Net investment purchases   | 49(c) | (5,327,502)          | -               |
| Interest received  |       | 104,465              | -               |
| Income taxes paid  |       | (100)                | -               |
| Dividend received  |       | 17,373,268           | -               |
| Net cash generated from operating activities                         |       | <u>11,917,655</u>    | <u>-</u>        |
| <b>Cash Flows from Investing Activities</b>                          |       |                      |                 |
| Investment in joint venture  | 14    | (547,905)            | -               |
| Investment in subsidiaries   |       | (101,000)            | -               |
| Acquisition of subsidiaries  | 56    | (8,820,238)          | -               |
| Purchase of property, plant and equipment, net                       | 49(d) | (325)                | -               |
| Purchase of intangible assets  | 18    | (6,078)              | -               |
| Net cash used in investing activities                                |       | <u>(9,475,546)</u>   | <u>-</u>        |
| <b>Cash Flows from Financing Activities</b>                          |       |                      |                 |
| Dividends paid to stockholders                                       |       | (2,409,925)          | -               |
| Net cash used in financing activities                                |       | <u>(2,409,925)</u>   | <u>-</u>        |
| Effect of exchange rate on cash and cash equivalents                 |       | -                    | -               |
| Increase/(decrease) in cash and cash equivalents                     |       | 32,184               | -               |
| Cash and cash equivalents at beginning of year                       |       | -                    | -               |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                      | 7     | <u><u>32,184</u></u> | <u><u>-</u></u> |

The accompanying notes on pages 87 – 171 form an integral part of these financial statements

## Company Statement of Changes in Equity

Year ended 31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

|                                       | Note | Share<br>Capital | Equity<br>Reserves | Accumulated<br>Deficit | Grand<br>Total    |
|---------------------------------------|------|------------------|--------------------|------------------------|-------------------|
|                                       |      | \$'000           | \$'000             | \$'000                 | \$'000            |
| Loss for the period                   |      | -                | -                  | (19,488)               | (19,488)          |
| Share exchange – group reorganisation | 1(b) | 7,854,938        | -                  | -                      | 7,854,938         |
| Employee stock options                |      | -                | 116,559            | -                      | 116,559           |
| Group reorganization                  | 1(b) | -                | 26,402,416         | -                      | 26,402,416        |
| <b>Balance at 31 December 2013</b>    |      | <b>7,854,938</b> | <b>26,518,975</b>  | <b>(19,488)</b>        | <b>34,354,425</b> |
| Total comprehensive income            |      | -                | 6,039              | 18,274,821             | 18,280,860        |
| Dividends paid to owners of parent    | 1(b) | -                | -                  | (2,409,925)            | (2,409,925)       |
| Employee stock options                |      | -                | 16,984             | -                      | 16,984            |
| Group reorganization                  | 1(b) | 1,306,126        | -                  | -                      | 1,306,126         |
| <b>Balance at 31 December 2014</b>    |      | <b>9,161,064</b> | <b>26,541,998</b>  | <b>15,845,408</b>      | <b>51,548,470</b> |

### 1. Identification and Principal Activities

- (a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2013 – 33.70%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. The ultimate parent company is Sagicor Financial Corporation (SFC), which is incorporated and domiciled in Barbados. SFC has an overall interest of 49.11% (2013 – 51%) in Sagicor Group Jamaica Limited. The other significant shareholder in Sagicor Group Jamaica Limited is Pan-Jamaica Investment Trust Limited with a 31.55% (2013 – 32.76%) holding.

The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

- (b) Reorganisation of Sagicor Group Jamaica

At an Extraordinary General Meeting held in September 2013, the stockholders of Sagicor Life Jamaica Limited (SLJ) unanimously approved the reorganization of the Sagicor Jamaica Group of Companies under a Scheme of Arrangement approved by the Supreme Court of Jamaica in accordance with the Jamaica Companies Act. In December 2013, the new holding company, Sagicor Group Jamaica Limited (SGJ) was listed on the Jamaica Stock Exchange and at the same time Sagicor Life Jamaica Limited was delisted. The existing shareholders of SLJ exchanged their shares for SGJ shares of equal value. At December 31, 2013, SLJ also transferred ownership of all subsidiaries, except for the Sagicor Investments Jamaica Limited and its subsidiaries, the Banking Group, directly to SGJ. The subsidiaries outside of Jamaica now report to SGJ through their immediate parent company, Sagicor St. Lucia Limited.

Effective May 2014, Sagicor Investments Jamaica Limited (SIJL) became a wholly owned subsidiary of Sagicor Group Jamaica Limited (SGJ), through a court approved scheme of arrangement. Previously, Sagicor Investments Jamaica Limited was owned 85.45% (2013 – 85.45%) by Sagicor Life Jamaica Limited. At an Extraordinary General Meeting held in March 2014, the stockholders of Sagicor Investments Jamaica Limited (SIJL) unanimously approved the reorganization of the Sagicor Jamaica Group of Companies under a Scheme of Arrangement. The existing minority shareholders of Sagicor Investments Jamaica Limited exchanged their SIJL shares for Sagicor Group Jamaica Limited (SGJ) shares in the ratio of 1.8 SGJ share for each SIJL share held. The existing parent company, Sagicor Life Jamaica Limited exchanged its shares in SIJL for unsecured debenture bonds from SGJ. SIJL was subsequently delisted from the Jamaica Stock Exchange. The exchange of SIJL shares to SGJ shares took effect on 5 May 2014, pursuant to the order of approval from the Supreme Court. This allowed for the transfer of all the assets and liabilities (including reserves) of its other subsidiaries to the company and these entities were automatically dissolved in accordance with separate schemes of arrangement. The entities are Manufactures Investments Limited, Pan Caribbean Asset Management Limited and Pan Caribbean Investments Limited.

Consequently SIJL transferred ownership of its banking subsidiary, Sagicor Bank Jamaica Limited to SGJ in May 2014. The consideration for the transfer of the subsidiary from SIJL to SGJ was effected by dividend distribution in specie and debenture bonds.

All Jamaican subsidiaries are now wholly owned by Sagicor Group Jamaica Limited.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification and Principal Activities (Continued)

#### (b) Reorganisation of Sagicor Group Jamaica (continued)

As the reorganization is a transaction among entities under common control, the Group has applied predecessor method of accounting. Under the predecessor method:

- The Group does not restate assets and liabilities to their fair values, instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted only to achieve harmonization of accounting policies.
- No goodwill arises.
- The consolidated financial statements incorporate the combined companies' results as if the companies had always been combined. Consequently, under predecessor accounting, the consolidated financial statements reflect both the companies' full year's results, even though the business combination may have occurred part of the way through the year.
- The corresponding amounts in the consolidated financial statements for the previous year reflect the results of the combined companies, even though the business combination did not occur until the current year.

#### (c) Acquisition of RBC Royal Bank (Jamaica) Limited

Sagicor Group Jamaica Limited (SGJ) acquired the entire share capital of RBC Royal Bank (Jamaica) Limited (RBC) and its subsidiary, RBTT Securities Limited on June 27<sup>th</sup> 2014 (Note 56).

Sagicor Bank Jamaica Jamaica Limited applied for and obtained approval for the scheme under the Banking Act and Regulations for the transfer of its entire business (including its assets, liabilities and entire undertaking) to Royal Bank Jamaica Limited (RBC) which changed its name to Sagicor Bank Jamaica Limited and became the surviving entity. The former entity Sagicor Bank Jamaica Limited changed its name to Sagicor SPV Limited to facilitate the progress of the surviving Banking entity. The entity known as RBTT Securities Jamaica Limited has changed its name to Sagicor Securities Jamaica Limited.

### 1. Identification and Principal Activities (Continued)

- (d) The company, its subsidiaries and joint venture all have co-terminous year ends. The company's subsidiaries, joint venture and associate, which together with the company are referred to as "the Group", are as follows:

| Subsidiaries   | Principal Activities   | Incorporated In                              | Holding              |
|--|--|--|----------------------|
| Sagicor Life Jamaica Limited.  | Health insurance, annuities, retirement products, pension administration and investment services | Jamaica                                      | 100%                 |
| Sagicor Investments Jamaica Limited  | Investment banking   | Jamaica                                      | 100%                 |
| Sagicor Bank Jamaica Limited   | Retail banking   | Jamaica                                      | 100%                 |
| Sagicor Securities Jamaica Limited   | Securities trading   | Jamaica                                      | 80%                  |
| Sagicor SPV Limited  | Inactive   | Jamaica                                      | 100%                 |
| Pan Caribbean Asset Management Limited   | Dissolved (2014)   | Jamaica                                      | 100%                 |
| Manufactures Investments Limited   | Dissolved (2014)   | Jamaica                                      | 100%                 |
| Pan Caribbean Investments Limited  | Dissolved (2014)   | Jamaica                                      | 100%                 |
| Pan Caribbean Securities Limited   | Inactive   | Jamaica                                      | 100%                 |
| Sagicor St. Lucia Ltd. and its joint venture company   | Financial services (holding company)   | St. Lucia                                    | 100%                 |
| <ul style="list-style-type: none"> <li>• Sagicor Costa Rica SCR, S.A</li> <li>• Sagicor Life of the Cayman Islands Ltd.</li> </ul> | Life insurance   | Costa Rica                                   | 50%                  |
| <ul style="list-style-type: none"> <li>• Sagicor Insurance Managers Ltd.</li> <li>• Sagicor Re Insurance Ltd.</li> </ul>           | Life insurance<br>Captives management<br>Property and casualty insurance (captive)               | Grand Cayman<br>Grand Cayman<br>Grand Cayman | 100%<br>100%<br>100% |
| Employee Benefits Administrator Limited.   | Pension administration services  | Jamaica                                      | 100%                 |
| Sagicor Property Services Limited  | Property management, real estate sales and rentals   | Jamaica                                      | 100%                 |
| Sagicor Pooled Investment Funds Limited  | Pension fund management (Note 1(c))  | Jamaica                                      | 100%                 |
| Sagicor Insurance Brokers Limited  | Insurance brokerage  | Jamaica                                      | 100%                 |
| Sagicor International Administrators Limited.  | Group insurance administration   | Jamaica                                      | 100%                 |

Sagicor Pooled Investment Funds Limited administers assets of the Pooled Pension Investment Funds which are held in trust, on behalf of pension funds. At 30 September 2014, the audited assets totaled \$71,225,077,000 (2013 - \$61,835,759,000). At 31 December 2014, the unaudited assets totaled \$73,650,002,000 (2013 - \$63,950,608,000).

The Group also administers a number of self-directed pension funds on behalf of clients. At 31 December 2014, the unaudited assets of these funds totaled \$24,558,618,000 (2013 - \$21,555,122,000).

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 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

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property, certain property, plant and equipment, and financial assets and liabilities 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 judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### *Interpretations and amendments to published standards effective 1 January 2014 that are relevant to the Group's operations*

- Amendments to IAS 32, Financial instruments (effective for annual periods beginning on or after 1 January 2014): This amendment updates the application guidance in IAS32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This standard is not expected to have a significant impact on the Group's financial statements.
- Amendments to IAS 36, Impairment of assets (effective for annual periods beginning on or after 1 January 2014). The amendments to IAS 36 require disclosure of the recoverable amount of an individual asset (including goodwill) or a cash-generating unit and additional information about the fair value less costs of disposal for which an impairment loss has been recognised or reversed during the reporting period. The requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite life intangible assets allocated to that unit is significant when compared to the total carrying amount of goodwill or indefinite life intangible assets has been removed. The future adoption of these amendments may result in additional disclosure relating to impairments or reversals of impairments.
- Amendment to IAS 19 (effective for annual periods beginning on or after 1 July 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. This standard is not expected to have a significant impact on the Group's financial statements.
- IFRS 21, Levies (effective for annual periods beginning on or after 1 January 2014). This interpretation is on IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have present obligation as a result of a past event (known as a n obligation event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

#### *Interpretations and amendments to published standards effective 1 January 2014 that are relevant to the Group's operations (continued)*

- IFRS 10, Consolidated Financial Statements, IFRS 12 and IAS 27 for investment entities (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. This amendment give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have been made IFRS 12 to introduce disclosures that an investment entity needs to make. This standard is not expected to have a significant impact on the Group's financial statements.
- Amendment to IAS 39 'Financial instruments, (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of the over-the-counter derivatives.
- 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 judgments 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.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the year end date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

- IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the parts of IAS 39, 'Financial instruments: Recognition and measurement', 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 model 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 2018, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.
- IFRS 11, Joint Arrangements Statements (effective for annual periods beginning on or after 1 January 2016): This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.
- Amendments to IAS 27, 'Separate financial statements' on equity method, (effective for annual periods beginning on or after 1 January 2016). These amendments allow entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is assessing the impact of adopting these amendments.

### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)**

- IFRS 15, 'Revenue from contracts with customers', (effective for annual periods beginning on or after 1 January 2017). The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations.

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.

#### (b) Basis of consolidation

- (i) **Subsidiaries**  
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest.

The excess of the cost of the acquisition, the minority interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition. All acquisition related costs are expensed as incurred.

Subsequent ownership changes in a subsidiary, without loss of control, are accounted for as transactions between owners in the statement of changes in equity.

Minority interest balances represent the equity in a subsidiary not attributable to Sagico's interests.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (b) Basis of consolidation (continued)

##### (i) Subsidiaries (continued)

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the minority interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of minority interests, other IFRS may override the fair value option.

Minority interest balances are subsequently re-measured by the minority's proportionate share of changes in equity after the date of acquisition.

Investments in subsidiaries are stated in the company's financial statements initially at cost less impairment. They are subsequently measured at fair value.

##### (ii) Change in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

##### (iii) Joint ventures

Interest in the assets, liabilities and earnings of jointly controlled ventures are included in these consolidated financial statements using the equity method. Interest in Joint Ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (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 Group President and CEO.

### 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 profit or loss, 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.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (d) Foreign currency translation (continued)

##### (iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- short term deposits,
- other liquid securities with maturities of three months or less from the acquisition date,
- bank overdrafts which are repayable on demand; and
- other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, 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.

##### (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) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

##### (iv) Available-for-sale financial assets

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.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (f) Financial assets (continued)

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 amounts represents estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidence by a quoted market value, if one exists. The estimate fair values of the financial assets are based on quoted bid prices of securities as at December 31 where available.

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.

### 2. Summary of Significant Accounting Policies (Continued)

#### (g) Investment properties

Investment property consists of freehold lands and freehold properties which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties which are accounted for using the equity method.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2 (m).

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied.

Rental income is recognised on an accruals basis.

#### (h) Securities purchased/sold under agreements to resell/repurchase

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.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (i) Leases

##### (i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to 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 leased out under 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 in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

#### (i) Acceptances, guarantees, indemnities, letter of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

- (i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and
- (ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where the Group's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

Where the Group's obligations are considered to be contingent, the amounts are disclosed in Note 55.

### 2. Summary of Significant Accounting Policies (Continued)

#### (k) Impairment of assets

##### (i) Assets carried at amortised cost – loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

##### *Provision for credit losses determined under the requirements of IFRS*

The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans 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 loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;
- default or delinquency in interest or principal payments;
- having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
- the probability that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
  - i. adverse changes in the payment status of borrowers in the portfolio; and
  - ii. national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans 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 carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses 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.

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

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (k) Impairment of assets (continued)

- (i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

*Provision for credit losses determined under the requirements of IFRS (continued)*

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made 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.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, 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.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. 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 provision for credit losses. The amount of the reversal is recognised in the income statement.

*Provision for credit losses determined under the Bank of Jamaica regulatory requirements*

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision", a "special provision" and a "general provision". The specific and special provisions are determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

### 2. Summary of Significant Accounting Policies (Continued)

#### (k) Impairment of assets (continued)

- (i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

*Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)*

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss.

A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

- (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 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.

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (k) Impairment of assets (continued)

##### (iii) Renegotiated loans

Where possible, the Group 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.

##### (iv) 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)

#### (l) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the income statement.

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. Annual depreciation rates are as follows:

|                        |  |
|------------------------|--|
| Freehold buildings     | 2.5%   |
| Leasehold improvements | Period of lease, not to exceed ten years           |
| Computer equipment     | 20 - 33½%  |
| Furniture              | 10%  |
| Other equipment        | 15%  |
| Motor vehicles         | 20%  |
| Leased assets          | Shorter of period of lease or useful life of asset |

Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

#### (m) Real estate developed for sale

Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

#### (n) Intangible assets

##### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, negative goodwill, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### (ii) Contractual customer relationships

This assets represents the present value of the benefit to the Group from customer lists, contracts, or customers relationships that can be identified separately and measured reliably. Customer relationships include those of insurance and banking customer relationships with an estimated useful life of 10 to 20 years.

##### (iii) Trademarks and licences

Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

##### (iv) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

### 2. Summary of Significant Accounting Policies (Continued)

#### (o) Employee benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

##### (i) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define 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, together with adjustments for past service costs. 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 charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

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 benefit obligations

The Group provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based 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 the same accounting methodology as used 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.

## Notes to the Financial Statements

31 December 2014

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### 2. Summary of Significant Accounting Policies (Continued)

#### (o) Employee benefits (continued)

##### (iii) Annual leave

Employee entitlements to annual leave are recognised 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) Share-based compensation

The Group operates an equity-settled, share-based compensation plan.

##### 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 are credited to share capital when the options are exercised.

##### Share grants

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

##### Share purchase plan

Employees of the company are also eligible to purchase shares in the company under a share purchase plan.

##### (v) Productivity bonus plan

The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to non-executive administrative staff 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.

##### (vi) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary separation. Benefits falling due more than twelve months after the year end date are discounted to present value.

### 2. Summary of Significant Accounting Policies (Continued)

#### (p) Pension and investment funds

Insurers have issued deposit administration and units linked contracts in which full return of the assets supporting these contracts accrue directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated holding exist, the group consolidates the assets, liabilities and activities of the fund and accounts for any non-controlling interest as a financial liability.

#### (q) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

##### (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(u)).

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

Dividends for the year that are declared after the year end date are dealt with in the subsequent events note.

#### (r) Special investment reserve

Unrealised gains on investment properties are recorded in the income statement under IFRS. Regulatory reserve requirements are met through the following:

##### (i) Net unrealised gains brought forward at the beginning of each year are transferred from the special investment reserve to retained earnings at 10%.

##### (ii) Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

#### (s) Transfers to retained earnings

Unrealised gain on quoted equities is recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

##### (i) Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.

##### (ii) Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

# Notes to the Financial Statements

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## 2. Summary of Significant Accounting Policies (Continued)

### (t) Financial Liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in 2 (v) and in the following paragraphs.

#### Securities sold for re-purchase

Securities sold under agreements to repurchase are recognised initially at fair value and are subsequently stated at amortised cost. Securities sold for re-purchase are treated as collateralised financing transactions. The difference between the sale and re-purchase price is treated as interest and accrued over the life of the agreements using the effective yield method.

#### Deposit liabilities

Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

#### Loans and other debts obligations

Loans and other debts obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as noted or loans payable and associated cost classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

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.

#### Structured products

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

### (u) Insurance and investment contracts

#### (i) Classification

The Group issues policy contracts that transfer insurance risk and/or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction. Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

## 2. Summary of Significant Accounting Policies (Continued)

### (u) Insurance and investment contracts (continued)

#### (ii) Recognition and measurement (continued)

Insurance contracts and investment contracts issued by the Group are summarised below:

#### (1.1) Short-term insurance contracts

These contracts are casualty, property and short-duration life and health insurance contracts.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short duration life and health insurance contracts protect the Group's customers from the consequences of events (such as sickness, death and disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For most of these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the year end date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They include claims settlement costs and arise from events that have occurred up to the year end date even if they have not yet been reported to the Group. Significant delays may be experienced in the notification and settlement of certain types of claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the year end date. Provision for certain claims is therefore discounted using rates having regard to the returns generated by the assets supporting the liabilities. Liabilities for unpaid claims are estimated using case reserves, statistical analyses for the claims incurred but not reported and a provision for unallocated loss adjustment expenses.

#### (1.2) Long-term traditional insurance contracts -

These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature (1.3) as the amount of additional benefits is not paid at the discretion of the Group.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (u) Insurance and investment contracts (continued)

##### (ii) Recognition and measurement (continued)

##### (1.2) Long-term traditional insurance contract (continued)

The policy reserves have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, persistency rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the income statement.

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

##### (1.3) Long-term insurance contracts without fixed terms and without discretionary participation features (DPF) –

A DPF is a contractual right to receive, as a supplement to the guaranteed benefit, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
  - The performance of a specified pool of contracts or specified type of contract; and
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the company, fund or other entity that issues the contract.

These contracts include interest-sensitive and unit-linked universal life type policies which are classified as insurance liabilities.

### 2. Summary of Significant Accounting Policies (Continued)

#### (u) Insurance and investment contracts (continued)

##### (ii) Recognition and measurement (continued)

##### (1.3) Long-term traditional insurance contract without fixed terms and with discretionary participation features (DPF) (continued)

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of an internal investment fund set up by the Group with the consideration received from the contract holders. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

Revenue consists of fees deducted for mortality, policy administration and surrender charges. Interest or changes in the unit prices credited to the account balances and excess benefit claims in excess of the account balances incurred during the period are charged as expenses in the income statement.

##### Investment contracts without discretionary participatory feature (DPF) –

The Group issues investment contracts without fixed terms and DPFs because these contracts do not satisfy the requirements that the amount or timing of additional benefits is contractually at the discretion of the Group.

Investment contracts without fixed terms are financial liabilities whose fair value is dependent on the fair value of underlying financial assets and are designated at inception at fair value through the profit or loss.

Valuation techniques are used to establish the fair value at inception and each reporting date.

##### (1.4) Investment contracts without discretionary participatory feature (DPF)

The Group's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data. The fair value of a unit-linked financial liability is determined using the current unit values that reflect the fair values of the financial assets contained within the Group's unitheld investments funds linked to the financial liability, multiplied by the number of units attributed to the contract holder at the year end date.

If the investment contract is subject to a put or surrender option, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.

##### (iii) Amounts on deposit and deposit administration funds

These funds are managed by the company but are not legally separated from the general operations. The assets and liabilities of these funds are included in these financial statements. The company earns administration and investment fees on the management of these funds.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (u) Insurance and investment contracts (continued)

(iv) **Liability adequacy test**  
At each year end date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

(v) **Reinsurance contracts held**  
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

(vi) **Receivables and payables related to insurance contracts and investment contracts**  
Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

### 2. Summary of Significant Accounting Policies (Continued)

#### (v) Provisions

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

#### (w) Revenue recognition

(i) **Premium income**  
Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and 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.

(ii) **Fee income**  
Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. 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.

The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (w) Revenue recognition (continued)

##### (iii) Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. 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.

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 the 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.

#### (x) Interest and commission expense

##### (i) Interest expense

Interest expense is recognised in the income statement on an accrual basis using the effective yield method. Amounts paid under contracts with principally financial risk are recorded directly to the statement of financial position as an adjustment. The interest credited to these funds is recorded as an interest expense.

##### (ii) Commission expense

Commissions are expensed over the policy year on the same basis as earned premiums.

#### (y) Taxation

##### (i) Current and deferred taxes

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

### 2. Summary of Significant Accounting Policies (Continued)

#### (y) Taxation (continued)

##### (j) Current and deferred taxes (continued)

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.

##### (ii) Premium taxes

Insures in Jamaica are subject to tax at a rate of 3% on premium revenues generated.

##### (iii) Asset taxes

A financial institutions are subject to a tax at a rate of 0.14% of total assets less required capital and withholding taxes due from Tax Administration of Jamaica (TAJ).

#### (z) 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.

#### (aa) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, investments, securities purchased under resale agreements, loans & leases, other assets, securities sold under repurchase agreements, due to banks and other financial institutions, customer deposits and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 47.

#### (bb) Derivative financial instruments and hedging activities

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.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (bb) Derivative financial instruments and hedging activities (continued)

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, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in stockholders' equity, in the fair value reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. 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'.

### 3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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

- (i) Determination of the fair value of subsidiary  
In the process of applying the Group's accounting policies, management has made significant judgements regarding the amounts recognised in the financial statements in respect of the fair value of investment in its quoted subsidiary, Sagicor Investments Jamaica Limited, as disclosed in Note 2.
- (ii) Adoption of IFRS 10, 'Consolidation of financial statements'  
Management assessments were done for the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund and Sagicor Sigma Funds to ensure that changes made to IFRS 10 were properly implemented in accordance with the standard. A number of significant judgements were used regarding whether or not these entities had met the requirements to be consolidated within the financial statements of the Group and are highlighted below:
  - Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund  
IFRS 10 does not establish bright lines as to what level of exposure definitely result in control and the assessment should be based on the relevant facts and circumstances. In determining whether a fund manager has control over the fund they manage, therefore, involves significant judgement. Management considers that the Group does not have control of Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund. Although the Group contractual terms provide the Group with power over Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund Funds, management is of the view that the overall exposure of the Group to the variability of returns is not sufficient to conclude that the Group has control. Therefore, the Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund have not consolidated in these financial statements.
  - Sagicor Sigma Funds  
These are Unit Trust managed by the Group, but has independent trustees. Determining whether the Group has control over the Unit Trust requires judgment. This would include a consideration of the trustees' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Unit Trust.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

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

Under IFRS 10.B65, the single party substantive removal rights may in isolation be sufficient to conclude that the fund manager is an agent. We note that the language in the Trust Deed is not specific on causes for which the manager can be removed. "Good and sufficient reason" envisages by the Trust Deed may include negligence, poor financial performance and other reasons. However, the Deed also provides for appeal right for the manager. This appeal right and the requirement that the removal of the manager must be withheld by the independent party may limit the Trustee's freedom of removing the manager without good grounds for this. Under these circumstances, drawing a conclusion whether the removal rights of the Trustee are substantive rights requires significant judgement. Management considers 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) Insurance

###### • The ultimate liability arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by \$3,043,719,000 (2013 - \$2,742,223,000).

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

### 3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

#### (b) Key sources of estimation uncertainty (continued)

##### (i) Insurance (continued)

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Where the average future investment returns decrease by 0.5% for ten years from management's estimates, the insurance liability would increase by \$14,429,908,000 (2013 - \$12,396,143,000).

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Where the actual lapse experience differs by 200% or by 50% of expected lapse experience the liability would increase by \$4,742,506,000 (2013 - \$4,549,411,000).

##### (ii) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

##### (iii) Estimated impairment of intangible assets

###### Goodwill

The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future net income of these business units and the expected returns to providers of capital to the business units and the Group as a whole.

###### Other intangible assets

The assessment of impairment of other intangible assets involves the determination of the intangible asset's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible asset's value in use, estimates are required of future cash flows generated because of the assets.

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

#### (b) Key sources of estimation uncertainty (continued)

(iv) *Fair value of securities and investment in subsidiaries not quoted in an active market*

The fair value of securities and subsidiaries not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. 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.

(v) *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 initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(vi) *Impairment losses on loans and advances*

The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. 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.

(vii) *Purchase price allocation of a business combination*

In a business combination, the acquirer must allocate the cost of the business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value at that date. The allocation is based upon certain valuations and other studies performed with the assistance of external valuation specialists. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and the carrying amounts of some assets, such as intangible assets, acquired through a business combination could therefore differ significantly in the future.

### 3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

#### (b) Key sources of estimation uncertainty (continued)

(vii) *Purchase price allocation of a business combination (continued)*

As prescribed by IFRS 3 (revised), if the initial accounting for a business combination can be determined only provisionally by the end of the reporting period in which the combination is effected, the acquirer must account for the business combination using those provisional values and has a twelve month period from the acquisition date to complete the purchase price allocation. Any adjustment of the carrying amount of an identifiable asset or liability made as a result of completing the initial accounting is accounted for as if its fair value at the acquisition date had been recognised from that date. The purchase price allocation for the acquisition of RBC Bank (Jamaica) Limited has been provisionally determined as described in Note 55.

### 4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

### 5. Segmental Financial Information

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 managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into five primary business segments:

- (a) Individual Lines - Provides life insurance, health and annuity products to individuals.
- (b) Employee Benefits - Provides group life and creditor life, personal accident, group health, group annuities, pension funds investment and administration services and the administration of trust accounts.
- (c) Commercial Banking - Comprises of personal banking, retail mortgages, small business (SME's) banking, treasury management and corporate banking.
- (d) Investment Banking - Comprises of wealth management products and services offered to retail and institutional clients; including unit trusts, mutual funds, brokerage, asset management and corporate trust.
- (e) Other - Comprises property management, captives management, general insurance and stockholders' funds.

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### 5. Segmental Financial Information (Continued)

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations and business development loans.

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 which are reviewed include those backing policyholders' fund and other interest-bearing assets.

Segment liabilities that are reviewed by the CODM include policyholders' fund and interest-bearing liabilities.

Costs incurred by the support units of the Group are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

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.

Eliminations comprise inter-company and inter-segment transactions.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2014 or 2013.

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 5. Segmental Financial Information (Continued)

|  | The Group                     |                                |                                 |                                 |                 |                        | Group        |
|--|-------------------------------|--------------------------------|---------------------------------|---------------------------------|-----------------|------------------------|--------------|
|  | 2014                          |                                |                                 |                                 |                 |                        |              |
|  | Individual<br>Lines<br>\$'000 | Employee<br>Benefits<br>\$'000 | Commercial<br>Banking<br>\$'000 | Investment<br>Banking<br>\$'000 | Other<br>\$'000 | Eliminations<br>\$'000 |              |
| External revenues                                | 18,563,096                    | 19,863,717                     | 3,829,301                       | 2,468,657                       | 905,452         | -                      | 45,630,223   |
| Revenue from other segments                      | 202,236                       | 34,106                         | (8,671)                         | (63,359)                        | 204,339         | (368,651)              | -            |
| Total revenue                                    | 18,765,332                    | 19,897,823                     | 3,820,630                       | 2,405,298                       | 1,109,791       | (368,651)              | 45,630,223   |
| Benefits and expenses                            | (13,165,216)                  | (12,447,309)                   | (4,304,468)                     | (1,213,299)                     | (2,081,891)     | 403,824                | (32,808,359) |
| Change in actuarial liabilities                  | (2,461,723)                   | (3,000,290)                    | -                               | -                               | -               | (61,203)               | (5,523,216)  |
| Depreciation                                     | (77,387)                      | (34,297)                       | (94,003)                        | (28,629)                        | (42,673)        | -                      | (276,989)    |
| Amortisation of intangibles                      | (16,946)                      | (120,682)                      | (42,576)                        | (544,146)                       | (13,150)        | -                      | (737,500)    |
| Finance costs                                    | -                             | -                              | -                               | -                               | (20,077)        | 20,077                 | -            |
| Premium and other taxes                          | (396,363)                     | (65,066)                       | (26,762)                        | (88,126)                        | (63,706)        | -                      | (640,023)    |
| Total benefits and expenses                      | (16,117,635)                  | (15,667,644)                   | (4,467,809)                     | (1,874,200)                     | (2,221,497)     | 362,698                | (39,986,087) |
| Share of profit from joint venture               | -                             | 6,310                          | -                               | -                               | -               | -                      | 6,310        |
| Negative Goodwill                                | -                             | -                              | -                               | -                               | -               | -                      | 3,211,180    |
| Profit before taxation                           | 2,647,697                     | 4,236,489                      | (647,179)                       | 531,098                         | (1,111,706)     | (5,953)                | 8,861,626    |
| Taxation   | (199,917)                     | (295,831)                      | 148,778                         | (145,806)                       | 194,268         | -                      | (298,508)    |
| Net profit                                       | 2,447,780                     | 3,940,658                      | (498,401)                       | 385,292                         | (917,438)       | (5,953)                | 8,563,118    |
| Segment assets -                                 |                               |                                |                                 |                                 |                 |                        |              |
| Intangible assets                                | 1,452,059                     | 1,146,705                      | 1,215,635                       | 781,778                         | 99,162          | -                      | 4,695,339    |
| Other assets                                     | 44,193,419                    | 52,232,010                     | 84,012,525                      | 88,613,041                      | 17,855,092      | (11,201,536)           | 275,704,551  |
|  | 45,645,478                    | 53,378,715                     | 85,228,160                      | 89,394,819                      | 17,954,254      | (11,201,536)           | 280,399,890  |
| Unallocated assets -                             |                               |                                |                                 |                                 |                 |                        |              |
| Investments in joint venture (Note 14)           |                               |                                |                                 |                                 |                 |                        | 738,718      |
| Deferred income taxes (Note 22)                  |                               |                                |                                 |                                 |                 |                        | 3,018,293    |
| Retirement benefits asset (Note 21)              |                               |                                |                                 |                                 |                 |                        | 58,912       |
| Total assets                                     |                               |                                |                                 |                                 |                 |                        | 284,215,813  |
| Segment liabilities                              | 38,147,676                    | 41,395,190                     | 68,482,274                      | 80,529,408                      | 17,450,482      | (11,215,669)           | 234,789,361  |
| Unallocated liabilities -                        |                               |                                |                                 |                                 |                 |                        |              |
| Retirement benefit obligations (Note 21)         |                               |                                |                                 |                                 |                 |                        | 3,361,094    |
| Total liabilities                                |                               |                                |                                 |                                 |                 |                        | 238,150,455  |
| Other segment items:                             |                               |                                |                                 |                                 |                 |                        |              |
| Capital expenditure: Computer software (Note 18) |                               |                                |                                 |                                 |                 |                        | 164,623      |
| Property, plant and equipment (Note 19)          |                               |                                |                                 |                                 |                 |                        | 483,860      |



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### 5. Segmental Financial Information (Continued)

The Group's geographic information:

|              | Cayman Islands     |                   |                | Total              |
|--------------|--------------------|-------------------|----------------|--------------------|
|              | Jamaica            |                   | Other          |                    |
|              | <b>2014</b>        |                   |                |                    |
|              | <b>\$'000</b>      | <b>\$'000</b>     | <b>\$'000</b>  | <b>\$'000</b>      |
| Revenue      | 43,183,551         | 2,899,048         | (452,376)      | 45,630,223         |
| Total assets | <u>257,543,240</u> | <u>25,926,550</u> | <u>746,023</u> | <u>284,215,813</u> |
|              | <b>2013</b>        |                   |                |                    |
|              | <b>\$'000</b>      | <b>\$'000</b>     | <b>\$'000</b>  | <b>\$'000</b>      |
| Revenue      | 38,979,896         | 3,369,858         | 6,411          | 42,356,165         |
| Total assets | <u>168,611,799</u> | <u>29,052,492</u> | <u>646,006</u> | <u>198,310,297</u> |

Geographically, the segments are Jamaica, Cayman Islands and Other (Costa Rica and St. Lucia).

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets, investment in associates and investment in subsidiaries.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items such as taxation, retirement benefit liabilities and business development loans.

### 6. Cash Resources

|                                       | The Group         |                  | The Company   |               |
|---------------------------------------|-------------------|------------------|---------------|---------------|
|                                       | 2014              | 2013             | 2014          | 2013          |
|                                       | <b>\$'000</b>     | <b>\$'000</b>    | <b>\$'000</b> | <b>\$'000</b> |
| Balances with banks payable on demand | 18,261,238        | 3,898,330        | 6,685         | -             |
| Cash in hand                          | 2,812,359         | 184,033          | -             | -             |
|                                       | <u>21,073,597</u> | <u>4,082,363</u> | <u>6,685</u>  | <u>-</u>      |

### 7. Cash and Cash Equivalent

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

|   | The Group         |                  | The Company   |               |
|---|-------------------|------------------|---------------|---------------|
|   | 2014              | 2013             | 2014          | 2013          |
|   | <b>\$'000</b>     | <b>\$'000</b>    | <b>\$'000</b> | <b>\$'000</b> |
| Cash resources  | 21,073,597        | 4,082,363        | 6,685         | -             |
| Short term deposits                                     | 985,221           | 1,326,925        | -             | -             |
| Securities purchased under resale agreements            | 2,674,078         | 3,816,562        | 25,499        | -             |
| Items in course of payment (Note 34)                    | (498,236)         | (68,364)         | -             | -             |
| Repurchase agreements with other financial institutions | (1,519,956)       | (3,514,101)      | -             | -             |
| Bank overdrafts (Note 34)                               | (163,126)         | (198,986)        | -             | -             |
|   | <u>22,551,578</u> | <u>5,444,399</u> | <u>32,184</u> | <u>-</u>      |

The amounts of \$985,221 (2013: \$1,326,922) represent deposits with original maturity of less than 90 days out of the total Group and short-term deposits of \$985,281 (2013: 1,334,809).

### 8. Cash Reserves at Central Bank

A prescribed minimum of 26% (2013 - 26%) of deposit liabilities is required to be maintained by the banking subsidiary in liquid assets, of which 12% (2013 - 12%) must be maintained as cash reserve with the central bank, Bank of Jamaica for Jamaican dollar currency and for the relevant foreign currency at 9% (2013 - 9%). Cash reserves are not available for investment, lending or other use by the Group.

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### 9. Financial Investments

|  | The Group          |                    | The Company      |                |
|--|--------------------|--------------------|------------------|----------------|
|  | 2014<br>\$'000     | 2013<br>\$'000     | 2014<br>\$'000   | 2013<br>\$'000 |
| <b>Short term deposits</b>                                     | 985,281            | 1,334,809          | 867              | -              |
| <b>Financial assets at fair value through profit or loss -</b> |                    |                    |                  |                |
| Government of Jamaica securities                               | 4,694,047          | 5,870,792          | 982,498          | -              |
| Corporate bonds  | 3,312,337          | 2,395,010          | -                | -              |
| Quoted equity  | 2,382,693          | 2,148,361          | -                | -              |
| Unquoted preference shares                                     | 330,201            | 312,904            | -                | -              |
| Interest receivable  | 136,160            | 122,640            | 25,360           | -              |
| Foreign governments securities                                 | 57,045             | 18,412             | -                | -              |
| Unit trust   | 10,415,716         | 8,160,732          | -                | -              |
|  | <u>21,328,199</u>  | <u>19,028,851</u>  | <u>1,007,858</u> | <u>-</u>       |
| <b>Available-for-sale -</b>                                    |                    |                    |                  |                |
| Government of Jamaica securities                               | 62,112,631         | 49,729,099         | 771,806          | -              |
| Foreign governments securities                                 | 10,608,315         | 7,925,715          | -                | -              |
| Corporate bonds  | 40,252,050         | 33,968,672         | 478,765          | -              |
| Credit Linked notes  | 2,763,247          | 2,494,253          | -                | -              |
| Quoted equities  | 1,452,004          | 2,887,785          | -                | -              |
| Unquoted equities  | 106,459            | 76,648             | -                | -              |
| Unit trust shares  | 646,722            | 579,007            | -                | -              |
| Interest receivable  | 1,701,849          | 1,414,279          | 29,982           | -              |
|  | <u>119,643,277</u> | <u>99,075,458</u>  | <u>1,280,553</u> | <u>-</u>       |
| <b>Loans and receivables -</b>                                 |                    |                    |                  |                |
| Government of Jamaica securities                               | 37,835,160         | 35,165,270         | 3,101,721        | -              |
| Foreign governments securities                                 | 88,156             | 81,696             | -                | -              |
| Corporate bonds  | 1,343,177          | -                  | -                | -              |
| Securities purchased under resale agreement                    | 3,587,204          | 4,315,409          | 25,499           | -              |
| Mortgage loans   | 2,189,363          | 2,350,710          | -                | -              |
| Promissory notes   | 498,000            | 48,000             | -                | -              |
| Policy loans   | 906,489            | 891,007            | -                | -              |
| Interest receivable  | 765,332            | 635,207            | 49,602           | -              |
|  | <u>47,212,881</u>  | <u>43,487,299</u>  | <u>3,176,822</u> | <u>-</u>       |
| <b>Held to maturity investments -</b>                          |                    |                    |                  |                |
| Credit Linked notes  | 2,328,071          | 2,141,115          | -                | -              |
|  | <u>(8,402,683)</u> | <u>(3,278,856)</u> | <u>-</u>         | <u>-</u>       |
| <b>Total Financial Investments</b>                             | <u>183,095,026</u> | <u>161,788,676</u> | <u>5,466,100</u> | <u>-</u>       |

### 9. Financial Investments (Continued)

Included in quoted equities classified as available-for-sale are investments in Exchange Traded Funds (ETFs) by the Group totaling \$2,093,018,000 (2013 - \$3,477,175,000).

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.

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 Group has also entered into a cross currency swap to mitigate the currency risk associated with this security (Note 11).

The Group holds certain Government of Jamaica debt securities which were issued in February 2014 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 40. The value of these options is \$504,213,000 for the Group.

The Group recognised impairment charges totaling \$738,183,000 (2013 - \$7,851,000) on equity securities (Note 40).

Included in financial investments are the following amounts which are pledged as collateral:

- (i) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of \$9,000,000 (2013 - \$9,000,000) which have been pledged by the company as security for uncleared effects with the National Commercial Bank Jamaica Limited by one of the company's subsidiaries, Sagicor Life Jamaica Limited.
- (ii) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of \$90,000,000, (2013 - \$90,000,000) which have been pledged by the company with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001 by one of the company's subsidiaries, Sagicor Life Jamaica Limited.
- (iii) Kingdom of Bahrain bond with a carrying value of US\$1,068,880, a Republic of Italy bond with a carrying value of US\$1,272,550, a Government of Bermuda bond with a carrying value of US\$1,101,470, a Commonwealth of Bahamas bond with a carrying value of US\$7,750,080, a Government of Cayman Islands bond with a carrying value of US\$7,757,470, Government of Trinidad and Tobago bonds with a carrying value of US\$11,278,428, Government of Jamaica Global bonds with a carrying value of US\$17,031,623, Petroleum Company of Trinidad & Tobago Limited Corporate bonds with a carrying value of US\$3,453,195, a First Citizen Bank of Trinidad & Tobago bond with a carrying value of US\$5,169,450 and Cash totalling US\$466,667 have been pledged by the company as security for a loan facility of US\$40,000,000 with Credit Suisse NY by one of the company's subsidiaries, Sagicor Life Jamaica Limited.

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### 9. Financial Investments (Continued)

- (iv) The company has International Corporate bonds with a carrying value of US\$46,283,285, a government of Trinidad and Tobago corporate bond with a carrying value of US\$818,448 and a Government of Barbados Corporate bonds with carrying value of US\$1,728,540 pledged as security with Goldman Sachs International to secure a US\$32,631,196 loan facility by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.
- (v) The company has International Corporate bonds with carrying value of US\$22,948,676, a Petroleum Company Trinidad and Tobago Corporate bond with carrying value of US\$4,431,175, a Government of Barbados Corporate bond with carrying value of US\$261,076, a Preferred Shares with carrying value of US\$109,013, Equities with a carrying value of US\$2,685,885 and an Agency bond with carrying value of US\$532,186 pledged as security for margin loans of US\$30,211,561 with Morgan Stanley Smith Barney by one of the company's subsidiaries, Sagicor Life of the Cayman Islands Ltd.
- (vi) International Corporate bonds with a carrying value of US\$85,822,682, an Equity with a carrying value of US\$1,324,642, International Municipal bonds with a carrying value of US\$2,320,580 and a Federal Republic of Brazil bond with a carrying value of US\$107,875, a Government Republic of Panama bond with a carrying value of US\$63,813 and a Government of Jamaica bond with a carrying value of US\$300,000 have been pledged as security for margin loans of US\$46,129,711 with Morgan Stanley Smith Barney by the company, Sagicor Life Jamaica Limited

#### Reclassification of Financial Investments

In the financial year ended 31 December 2008, the Group reclassified certain investments from available-for-sale to loans and receivables due to the market for these securities becoming inactive in October 2008 and as allowed by the amendment to IAS 39. The market was deemed to be active again in December 2010, however the Group opted to retain the classification of these securities as loans and receivables.

Fair value reserve (Note 28) includes fair value losses in relation to the reclassified securities not yet derecognised as at the date of the statement of financial position amounting to \$341,689,000 (2013 – \$359,937,000).

### 9. Financial Investments (Continued)

#### Reclassification of Financial Investments (continued)

The carrying value (excluding accrued interest) and fair value of these securities as at the date of the statement of financial position were as follows:

|                                  | The Group        |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
|                                  | Carrying Value   | Fair Value       | Carrying Value   | Fair Value       |
|                                  | 2014             | 2014             | 2013             | 2013             |
|                                  | \$'000           | \$'000           | \$'000           | \$'000           |
| Government of Jamaica securities | 5,545,922        | 6,373,157        | 5,360,285        | 5,183,005        |
| Other securities                 | 88,156           | 55,946           | 81,696           | 47,230           |
|                                  | <u>5,634,079</u> | <u>6,429,103</u> | <u>5,441,981</u> | <u>5,230,235</u> |

|   | The Group      |                  |
|---|----------------|------------------|
|   | 2014           | 2013             |
|   | \$'000         | \$'000           |
| Cumulative net fair value losses at beginning of year | (713,105)      | (357,229)        |
| Net fair value gains/(losses) for the year            | 1,015,166      | (303,839)        |
| Disposals   | 25,354         | -                |
| Effect of exchange rate changes                       | (54,106)       | (52,037)         |
| Cumulative net fair value losses at end of year       | <u>273,309</u> | <u>(713,105)</u> |

There was no reclassification of financial assets during the year.

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

|                        | The Group      |                  |
|------------------------|----------------|------------------|
|                        | 2014           | 2013             |
|                        | \$'000         | \$'000           |
| Interest income        | 509,614        | 462,881          |
| Foreign exchange gains | 399,658        | 648,386          |
|                        | <u>909,272</u> | <u>1,111,267</u> |

Fair value gains of \$1,015,166,000 (2013 – (\$303,839,000)) for the Group would have been recognised in other comprehensive income during the year had these securities not been reclassified.

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### 10. Derivative Financial Instruments and Hedging Activity

Derivatives are carried 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 was 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      |                  |
|----------------------------------|----------------|------------------|
|                                  | 2014           | 2013             |
|                                  | \$'000         | \$'000           |
| <b>Derivatives - Assets</b>      |                |                  |
| (i) Currency forwards            | -              | 284,407          |
| (ii) Cross currency swap         | 574,149        | 2,646,127        |
| (iii) Equity indexed options     | 187,583        | 89,063           |
|                                  | <u>761,732</u> | <u>3,019,597</u> |
| <b>Derivatives - Liabilities</b> |                |                  |
| (i) Currency forwards            | -              | 292,854          |
| (ii) Cross currency swap         | 528,783        | 2,789,049        |
| (iii) Equity indexed options     | 187,403        | 89,038           |
|                                  | <u>716,186</u> | <u>3,170,941</u> |

## (i) Currency forwards

Currency forwards represented commitments to buy US dollars and sell Euro dollars totalling €Nil (2013 - €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 currency forward contracts are settled on a gross basis. The contract expired in November 2014.

## (ii) Cross currency swap

The Sagicor Investments Jamaica Group 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.

## (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 33). The Sagicor Investments Jamaica Group is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

### 11. Loans and Leases, after Allowance for Credit Losses

|                                   | The Group          |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | 2014               | 2013              |
|                                   | \$'000             | \$'000            |
| Gross loans and advances          | 40,798,047         | 10,847,164        |
| Less: Allowance for credit losses | <u>(2,305,325)</u> | <u>(236,632)</u>  |
|                                   | 38,492,722         | 10,610,532        |
| Loan interest receivable          | 195,880            | 99,795            |
|                                   | <u>38,688,602</u>  | <u>10,710,327</u> |
| Lease receivables                 | 119,447            | 110,874           |
|                                   | <u>38,808,049</u>  | <u>10,821,201</u> |

The current portion of loans and advances amounted to \$10,832,066,000 (2013 - \$4,064,858,000) for the Group.

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

|  | The Group        |                |                 |               |
|--|------------------|----------------|-----------------|---------------|
|  | Loans            |                | Leases          |               |
|  | 2014             | 2013           | 2014            | 2013          |
|  | \$'000           | \$'000         | \$'000          | \$'000        |
| Total non-performing loans/leases      | <u>3,515,775</u> | <u>522,510</u> | <u>13,767</u>   | <u>27,387</u> |
| Balance at beginning of year           | 236,632          | 215,902        | 15,721          | 24,024        |
| On acquisition of subsidiary           | 1,791,095        | -              | -               | -             |
| Movement during the year -             |                  |                |                 |               |
| Charged against profit during the year | 281,064          | 64,546         | -               | (8,303)       |
| Recoveries of bad debts                | <u>(55,957)</u>  | <u>(5,387)</u> | <u>(13,461)</u> | <u>-</u>      |
| Charged in the income statement        | 225,107          | 59,159         | (13,461)        | (8,303)       |
| Write-offs/recoveries                  | (21,371)         | (42,362)       | -               | -             |
| Currency revaluation adjustment        | 73,862           | 3,933          | -               | -             |
| Balance at end of year                 | <u>2,305,325</u> | <u>236,632</u> | <u>2,260</u>    | <u>15,721</u> |

The provision for credit losses determined under Central Bank regulatory requirements was as follows:

|  | The Group        |                |
|--|------------------|----------------|
|  | 2014             | 2013           |
|  | \$'000           | \$'000         |
| Specific provision   | 457,454          | 394,814        |
| General provision  | 2,817,008        | 114,916        |
|  | <u>3,274,462</u> | <u>509,730</u> |
| Excess of regulatory provision over IFRS provision recognised in non-distributable loan loss reserve (Note 30 (b)) | 1,004,327        | 257,377        |

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### 11. Loans and Leases, after Allowance for Credit Losses (Continued)

Lease receivables:

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Gross investment in finance leases -              |                |                |
| Not later than one year                           | 86,054         | 108,982        |
| Later than one year and not later than five years | 62,000         | 53,783         |
|   | 148,054        | 162,765        |
| Less: Unearned income                             | (34,953)       | (37,497)       |
| Net investment in finance leases                  | 113,101        | 125,268        |
| Net investment in finance leases -                |                |                |
| Not later than one year                           | 51,101         | 64,234         |
| Later than one year and not later than five years | 62,000         | 61,034         |
|   | 113,101        | 125,268        |
| Less: Provision for credit losses                 | (2,260)        | (15,721)       |
| Interest receivable                               | 8,606          | 1,327          |
|   | 119,447        | 110,874        |

### 12. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with the regulators, the Bank of Jamaica and the Financial Services Commission.

|   | The Group      |                |                   |                |
|---|----------------|----------------|-------------------|----------------|
|   | Asset          |                | Related Liability |                |
|   | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000    | 2013<br>\$'000 |
| Placements with other banks pledged as collateral for letters of credit | -              | -              | -                 | -              |
| Balance with regulators   | 127,066        | 124,363        | -                 | -              |
| Investment securities and securities sold under repurchase agreements   | 99,479,746     | 90,695,442     | 82,418,361        | 75,846,825     |
|   | 99,606,812     | 90,819,805     | 82,418,361        | 75,846,825     |

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      |                |
|-----------------------|----------------|----------------|
|                       | 2014<br>\$'000 | 2013<br>\$'000 |
| Investment securities | 8,402,683      | 3,278,856      |

### 13. Investment Properties

|                           | The Group      |                |
|---------------------------|----------------|----------------|
|                           | 2014<br>\$'000 | 2013<br>\$'000 |
| At beginning of year      | 782,345        | 2,400,826      |
| Acquired during the year  | 181,054        | 142,035        |
| Disposed during the year  | -              | (1,799,595)    |
| Fair value (losses)/gains | (114,454)      | 2,000          |
| Foreign exchange gains    | 22,943         | 37,079         |
| At end of year            | 871,888        | 782,345        |

The investment properties as at 31 December 2014 were valued at current market value by Clinton Cunningham & Associates, qualified property appraisers and valuers.

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

|                           | The Group      |                |
|---------------------------|----------------|----------------|
|                           | 2014<br>\$'000 | 2013<br>\$'000 |
| Rental income             | 18,486         | 3,093          |
| Direct operating expenses | (40,503)       | (38,045)       |

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, *Fair Value Measurement*. The valuations have been performed using a sales comparison approach but, as there have been a limited number of similar sales in the local market, incorporate unobservable inputs determined based on the valuers' judgment regarding size, age, condition and state of the local economy.

### 14. Investment in Joint Venture

|                            | The Group      |                |
|----------------------------|----------------|----------------|
|                            | 2014<br>\$'000 | 2013<br>\$'000 |
| At 1 January               | 639,235        | 544,115        |
| Capital injection          | 41,106         | 26,512         |
| Share of losses            | 6,310          | (10,021)       |
| Movement in other reserves | 52,067         | 78,629         |
| At 31 December             | 738,718        | 639,235        |

At the end of 2014, the company's share of capital invested was US\$6.62 million (2013-US\$6.25 million).

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### 14. Investment in Joint Venture (Continued)

The joint venture has share capital consisting solely of common and nominative shares, which is held directly by the Group.

Sagicor Costa Rica, S.A. is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint venture.

#### Summarised Financial Information of Joint Venture

Set out below are the summarized financial information for Sagicor Costa Rica, S. A. which is accounting for using the equity method.

#### Summarised Balance Sheet

|                                 | <b>The Group</b> |                  |
|---------------------------------|------------------|------------------|
|                                 | <b>2014</b>      | <b>2013</b>      |
|                                 | <b>\$'000</b>    | <b>\$'000</b>    |
| Current assets                  |                  |                  |
| Cash and cash equivalents       | 127,730          | 92,685           |
| Other current assets            | 139,529          | 77,626           |
|                                 | <u>267,259</u>   | <u>170,311</u>   |
| Non-current assets              |                  |                  |
| Investments                     | 1,190,628        | 1,105,287        |
| Other non-current asset         | 17,158           | 25,769           |
|                                 | <u>1,207,786</u> | <u>1,131,056</u> |
| Total Assets                    | <u>1,475,045</u> | <u>1,301,367</u> |
| Current liabilities             |                  |                  |
| Provision for unearned premiums | 104,072          | 18,220           |
| Other liabilities               | 143,980          | 5,773            |
|                                 | <u>248,051</u>   | <u>23,993</u>    |
| Non current liabilities         |                  |                  |
| Other liabilities               | -                | 3,845            |
| Total Liabilities               | <u>248,051</u>   | <u>27,838</u>    |
| Net Assets                      | <u>1,226,994</u> | <u>1,273,529</u> |

### 14. Investment in Joint Venture (Continued)

#### Summarised Financial Information of Joint Venture (Continued)

#### Summarised statement of comprehensive income

|                            | <b>The Group</b> |                 |
|----------------------------|------------------|-----------------|
|                            | <b>2014</b>      | <b>2013</b>     |
|                            | <b>\$'000</b>    | <b>\$'000</b>   |
| Insurance revenue          | 183,029          | 93,125          |
| Insurance expenses         | (20,116)         | (55,465)        |
| Underwriting profit        | 162,913          | 37,660          |
| Other income               | 92,957           | 54,482          |
| Operating expenses         | (243,251)        | (122,624)       |
| Net profit/(loss)          | 12,619           | (30,482)        |
| Taxation                   | -                | 10,440          |
|                            | <u>12,619</u>    | <u>(20,042)</u> |
| Other comprehensive income | 28,272           | 218,982         |
| Total comprehensive income | <u>40,891</u>    | <u>198,940</u>  |

#### Reconciliation of summarised financial information

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Opening net assets at 1 January  | 1,278,470        | 1,088,230        |
| Capital injection                | 41,106           | 54,952           |
| Net profit/(loss) for the period | 12,619           | (20,042)         |
| Other comprehensive income       | 28,272           | 155,330          |
| Closing net assets               | <u>1,360,467</u> | <u>1,278,470</u> |
| Interest in joint venture at 50% | <u>738,718</u>   | <u>639,235</u>   |
| Carrying value                   | <u>738,718</u>   | <u>639,235</u>   |

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### 15. Interest in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 3(a) (ii).

#### Consolidated Structured Entity

The Group has no consolidated structured entity.

#### Unconsolidated Structured Entity

The Group established the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund Limited and Sagicor Sigma Unit Trust (ten funds) to provide customers and pension funds with several investment opportunities.

#### (i) Sagicor Real Estate X Fund Limited

Sagicor Real Estate X Fund Limited has independent directors. The company is 67.71% owned by the Sagicor Pooled Investment Fund Limited, which is administered by the Group, through one of its subsidiaries, Sagicor Life Jamaica Limited. The company's only investment is units in one of the ten portfolios managed by Sagicor Sigma Unit Trust, the Sagicor Sigma Real Estate Portfolio. The fund manager for the ten funds operated by Sagicor Sigma Unit Trust is one of the Group subsidiaries, Sagicor Investments Jamaica Limited.

The company main business activity is to invest in real estate activities.

The table below shows the total assets of the company, the Group's interest in and income arising from involvement with the company as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the company regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

|  | The Group      |                |
|--|----------------|----------------|
|  | 2014<br>\$'000 | 2013<br>\$'000 |
| Total assets of the company  | 14,614,375     | 8,418,157      |
| The Group's interest – Carrying value of shares held (included in available-for-sale investment securities – Note 9) | 1,309,148      | 1,059,086      |
| Maximum exposure to loss   | 1,754,230      | 1,059,086      |
| Total income from the Group's interests  | -              | -              |

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

### 15. Interest in Structured Entities (Continued)

#### Unconsolidated Structured Entity (continued)

#### (ii) Sagicor Pooled Investment Fund

Sagicor Pooled Investment Fund Limited administers assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has independent trustees. The administration of the assets in trust is done by one of the Group's subsidiaries, Sagicor Life Jamaica Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Investment Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Group to receive management fees based on the assets under management.

The table below shows the total assets of the company, the Group's interest in and income arising from involvement with the company as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the company regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Total assets of the company             | 73,650,002     | 63,950,608     |
| Maximum exposure to loss                | 8,150,172      | 7,125,256      |
| Total income from the Group's interests | 823,325        | 776,704        |

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

#### (iii) Sagicor Sigma Unit Trust

The Group established the Sagicor Sigma Unit Trust to provide customers with investment opportunities. The Unit Trust comprises ten portfolios.

The Unit Trust has an independent trustee. One of the Group's subsidiaries, Sagicor Investment Jamaica Limited is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

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### 15. Interest in Structured Entities (Continued)

#### Unconsolidated Structured Entity (continued)

(iii) Sagicor Sigma Unit Trust (continued)

|  | The Group      |                |
|--|----------------|----------------|
|  | 2014<br>\$'000 | 2013<br>\$'000 |
| Total assets of the Unit Trust   | 46,364,806     | 30,954,556     |
| The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 10)   | 11,062,439     | 8,739,739      |
| Maximum exposure to loss   | 11,062,439     | 8,739,739      |
| Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position) | 12,776,172     | 2,980,592      |
| Total income from the Group's interests  | 552,944        | 361,282        |

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

### 16. Investment in Associated Company

St. Andrew Developers Limited was liquidated in 2013 and there was a loss on disposal, the Group's share being \$1,716,000.

|                                   | 2013<br>\$'000 |
|-----------------------------------|----------------|
| Investment in Associates          | 2,725          |
| Amount received on liquidation    | (1,009)        |
| Net loss on disposal of Associate | 1,716          |

### 17. Investment in Subsidiaries

(a) Investment in subsidiaries

|   | 2014<br>\$'000 | 2013<br>\$'000 |
|---|----------------|----------------|
| <i>Shares in:</i>                                 |                |                |
| Sagicor Life Jamaica Limited (i)                  | 34,257,354     | 34,257,354     |
| Sagicor St. Lucia Limited (ii)                    | 604,286        | 563,181        |
| Sagicor Insurance Brokers Limited (ii)            | 33,181         | 32,181         |
| Sagicor International Administrators Limited (ii) | 5,783          | 5,783          |
| Sagicor Property Services Limited (ii)            | 100,000        | -              |
| Sagicor Pooled Investments Limited (ii)           | 1              | 1              |
| Sagicor Investments Jamaica Limited (iii)         | 10,742,300     | -              |
| Sagicor Bank Jamaica Limited (iii)                | 11,701,558     | -              |
| Sagicor Securities Jamaica Limited                | 1              | -              |
|   | 57,444,464     | 34,858,500     |

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### 17. Investment in Subsidiaries (Continued)

- (i) Acquisition of Sagicor Life Jamaica Limited (SLJ) shares via share swap  
As part of the Group's re-organisation (Note 1(b)) in December 2013, the shareholders of SLJ exchanged their shareholdings for shares in Sagicor Group Jamaica Limited (SGJ) of same quantity and value. These SLJ shares were cancelled and new shares issued in the name of SGJ. SLJ therefore became a wholly owned subsidiary of SGJ.
- (ii) Subsidiary shares acquired  
As part of the Group's re-organisation on December 31, 2013, SGJ acquired all the outstanding shares of the subsidiaries formally under SLJ excluding Sagicor Investments Jamaica Limited and its subsidiaries.
- (iii) Acquisition of Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited  
As part of the second phase of the Group's re-organization (Note 1(b)) in May 2014, shares held in Sagicor Investments Jamaica Limited were transferred to Sagicor Group Jamaica Limited and \$144,643,138 of Sagicor Group Jamaica Limited shares were issued to acquire the 14.55% minority shareholdings. Full ownership of Sagicor Investment Jamaica Limited and Sagicor Bank Jamaica Limited were therefore transferred to Sagicor Group Jamaica Limited.

### 18. Intangible Assets

|                              | The Group |                                   |             |                   |           |
|------------------------------|-----------|-----------------------------------|-------------|-------------------|-----------|
|                              | Goodwill  | Contractual Customer Relationship | Trade Names | Computer Software | Total     |
|                              | \$'000    | \$'000                            | \$'000      | \$'000            | \$'000    |
| <b>Cost -</b>                |           |                                   |             |                   |           |
| At 1 January 2013            | 2,060,634 | 3,414,499                         | 473,433     | 811,797           | 6,760,363 |
| Additions                    | -         | -                                 | -           | 33,600            | 33,600    |
| Translation adjustment       | 71,356    | -                                 | -           | 48                | 71,404    |
| At 31 December 2013          | 2,131,990 | 3,414,499                         | 473,433     | 845,445           | 6,865,367 |
| Additions                    | -         | -                                 | -           | 164,623           | 164,623   |
| On acquisition of subsidiary | -         | 1,139,000                         | -           | -                 | 1,139,000 |
| Translation adjustment       | 44,008    | -                                 | -           | 304               | 44,312    |
| At 31 December 2014          | 2,175,998 | 4,553,499                         | 473,433     | 1,010,372         | 8,213,302 |
| <b>Amortisation -</b>        |           |                                   |             |                   |           |
| At 1 January 2013            | -         | 1,488,887                         | 473,433     | 633,308           | 2,595,628 |
| Amortisation charge          | -         | 206,468                           | -           | 47,752            | 254,220   |
| Translation adjustment       | -         | -                                 | -           | 10                | 10        |
| At 31 December 2013          | -         | 1,695,355                         | 473,433     | 681,070           | 2,849,858 |
| Amortisation charge          | -         | 234,947                           | -           | 74,869            | 309,816   |
| Impairment Charge            | -         | 427,683                           | -           | -                 | 427,683   |
| Translation adjustment       | -         | 8,646                             | -           | 298               | 8,944     |
| At 31 December 2014          | -         | 2,366,631                         | 473,433     | 756,237           | 3,596,301 |
| <b>Net Book Value -</b>      |           |                                   |             |                   |           |
| 31 December 2013             | 2,131,990 | 1,719,144                         | -           | 164,375           | 4,015,509 |
| 31 December 2014             | 2,175,998 | 2,186,868                         | -           | 254,135           | 4,617,001 |

Amortisation charges of \$309,816,000 (2013 - \$254,220,000) have been included in expense for the Group.

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### 18. Intangible Assets (Continued)

The allocation of goodwill to the Group's and the company's Cash Generating Units (CGUs) is as follows:

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2014             | 2013             |
|   | \$000            | \$000            |
| Sagicor Life Jamaica Individual Lines Division  | 855,191          | 855,191          |
| Sagicor Life Jamaica Employee Benefits Division   | 530,126          | 530,126          |
| Sagicor Life of the Cayman Islands Individual Lines Division                            | 570,688          | 529,066          |
| Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services Limited) | 186,066          | 186,066          |
| Sagicor Insurance Managers Ltd.   | 33,927           | 31,541           |
|   | <u>2,175,998</u> | <u>2,131,990</u> |

For the year ended 31 December 2014, management tested goodwill allocated to Sagicor Group Jamaica Individual Lines Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Individual Lines Division, Sagicor Insurance Managers Ltd. and Sagicor Investments Jamaica Limited for impairment.

The recoverable amounts of Sagicor Group Jamaica Individual Lines Division, Sagicor Group Jamaica Employee Benefits Division and Sagicor Life of the Cayman Islands Individual Lines Division CGUs are determined on the Capitalised Earnings Approach. These calculations use projected sustainable earnings based on audited earnings and financial budgets approved by management covering a three year period and the earnings multiples stated below.

The recoverable amounts of the non-life CGUs, Sagicor Investments Jamaica Limited and Sagicor Insurance Managers Ltd. are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

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

Key assumptions used for the impairment calculations are as follows:

|   | Earnings Multiple | Earnings Growth Rate | Capital Expenditure to EBT | Discount Rate |
|---|-------------------|----------------------|----------------------------|---------------|
| Sagicor Life Jamaica Individual Life Division               | 7.00              | -                    | -                          | -             |
| Sagicor Life Jamaica Employee Benefits Division             | 7.60              | -                    | -                          | -             |
| Sagicor Life of the Cayman Islands Individual Life Division | 8.10              | -                    | -                          | -             |
| Sagicor Investments Jamaica Limited                         | -                 | 6.00%                | 9.00%                      | 21.61%        |
| Sagicor Insurance Managers Ltd.                             | -                 | 2.00%                | -                          | 13.51%        |

### 19. Property, Plant and Equipment

|                                   | The Group                          |                           |                       |                |             |
|-----------------------------------|------------------------------------|---------------------------|-----------------------|----------------|-------------|
|                                   | Leasehold Buildings & Improvements | Freehold Land & Buildings | Furniture & Equipment | Motor Vehicles | Total       |
|                                   | \$'000                             | \$'000                    | \$'000                | \$'000         | \$'000      |
| <b>Cost or Valuation -</b>        |                                    |                           |                       |                |             |
| At 1 January 2013                 | 572,032                            | 879,590                   | 1,408,274             | 131,291        | 2,991,187   |
| Additions                         | 37,330                             | 15,539                    | 131,049               | 7,478          | 191,396     |
| Revaluation adjustments           | -                                  | 97,617                    | -                     | -              | 97,617      |
| Disposals                         | -                                  | (96,000)                  | (10,114)              | (34,460)       | (140,574)   |
| Reclassification                  | -                                  | -                         | 287                   | (287)          | -           |
| Translation adjustment            | 1,417                              | -                         | 2,169                 | 318            | 3,904       |
| At 31 December 2013               | 610,779                            | 896,746                   | 1,531,665             | 104,340        | 3,143,530   |
| Additions                         | 109,263                            | 8,855                     | 326,142               | 39,601         | 483,860     |
| On acquisition of subsidiary      | 107,837                            | 1,492,687                 | 1,519,560             | 23,545         | 3,143,629   |
| Revaluation adjustments           | -                                  | 76,439                    | -                     | -              | 76,439      |
| Disposals                         | -                                  | -                         | (1,143,464)           | (4,550)        | (1,148,014) |
| Translation adjustment            | 3,213                              | -                         | 3,993                 | 2,134          | 9,340       |
| At 31 December 2014               | 831,092                            | 2,474,727                 | 2,237,896             | 165,070        | 5,708,784   |
| <b>Accumulated Depreciation -</b> |                                    |                           |                       |                |             |
| At 1 January 2013                 | 216,030                            | 747                       | 1,020,241             | 70,090         | 1,307,108   |
| Charges for the year              | 56,584                             | 9,608                     | 125,320               | 18,388         | 209,900     |
| Relieved on revalued assets       | -                                  | (9,608)                   | -                     | -              | (9,608)     |
| Relieved on disposals             | -                                  | -                         | (9,769)               | (34,460)       | (44,229)    |
| Reclassification                  | -                                  | -                         | 91                    | (91)           | -           |
| Translation adjustment            | 1,918                              | -                         | 1,675                 | 193            | 3,786       |
| At 31 December 2013               | 274,532                            | 747                       | 1,137,558             | 54,120         | 1,466,957   |
| Charges for the year              | 67,872                             | 21,649                    | 165,555               | 21,842         | 276,918     |
| On acquisition of subsidiary      | 62,918                             | 214,027                   | 1,295,538             | 19,125         | 1,591,608   |
| Relieved on revalued assets       | -                                  | (9,251)                   | -                     | -              | (9,251)     |
| Relieved on disposals             | -                                  | -                         | (1,127,737)           | (3,355)        | (1,131,092) |
| Translation adjustment            | 1,530                              | -                         | 3,362                 | 2,016          | 6,908       |
| At 31 December 2014               | 406,852                            | 227,172                   | 1,474,276             | 93,749         | 2,202,248   |
| <b>Net Book Value -</b>           |                                    |                           |                       |                |             |
| 31 December 2013                  | 336,247                            | 895,999                   | 394,107               | 50,220         | 1,676,573   |
| 31 December 2014                  | 424,240                            | 2,247,555                 | 763,620               | 71,321         | 3,506,736   |

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### 19. Property, Plant and Equipment (Continued)

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuers. The excess of the carrying value of these property, plant and equipment over the revaluation on such date, amounting to \$931,378,372 (2013 - \$107,225,000), has been credited to investment and fair value reserves.

If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

|                                   | The Group        |                |
|-----------------------------------|------------------|----------------|
|                                   | 2014             | 2013           |
|                                   | \$'000           | \$'000         |
| Cost                              | 837,215          | 493,480        |
| Accumulated depreciation          | (174,029)        | (30,000)       |
| Net book value                    | <u>663,186</u>   | <u>463,480</u> |
| Carrying value of revalued assets | <u>2,037,080</u> | <u>895,999</u> |

### 20. Reinsurance Contracts

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014           | 2013           |
|   | \$'000         | \$'000         |
| Claims recoverable from reinsurers        | 211,973        | 131,801        |
| Unearned premiums ceded to reinsurers     | 118,081        | 116,987        |
| Reinsurers share of insurance liabilities | <u>50,768</u>  | <u>13,922</u>  |
|   | <u>380,822</u> | <u>262,710</u> |

The reinsurers' share of actuarial liabilities represents balances which are short-term and expected to be settled within one year.

### 21. Retirement Benefits

|   | The Group        |                  |
|---|------------------|------------------|
|   | 2014             | 2013             |
|   | \$'000           | \$'000           |
| <b>Retirement benefit assets -</b>        |                  |                  |
| Pension scheme                            | <u>58,913</u>    | <u>-</u>         |
| <b>Retirement benefit obligations -</b>   |                  |                  |
| Pension scheme                            | 702,611          | 1,151,189        |
| Other post-retirement benefits            | <u>2,658,486</u> | <u>1,508,079</u> |
|   | <u>3,361,097</u> | <u>2,659,268</u> |
| Pension schemes comprised the following – |                  |                  |
|   | The Group        |                  |
|   | 2014             | 2013             |
|   | \$'000           | \$'000           |
| Retirement benefit assets                 | (58,913)         | -                |
| Retirement benefit obligations            | <u>702,611</u>   | <u>1,151,189</u> |
|   | <u>643,698</u>   | <u>1,151,189</u> |

The Group operates the following pension plans:

- (i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and admin staff joining on or after August 1, 2009 and defined benefit plan for eligible administrative staff before August 1, 2009. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the DB plan are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2012) was 106%.
- (ii) Sagicor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.
- (iii) Sagicor Investments Jamaica Limited and former Sagicor Bank Jamaica Limited operate a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2010) was 93%.
- (iv) Sagicor Bank Jamaica Limited, formerly RBC Bank Jamaica Limited, has a defined contribution plan covering all permanent employees.

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 schemes ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile. Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are absorbed by the Group.

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### 21. Retirement Benefits (Continued)

#### (a) Pension schemes

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

|                                     | <u>The Group</u>    |                    |
|-------------------------------------|---------------------|--------------------|
|                                     | 2014                | 2013               |
|                                     | \$'000              | \$'000             |
| Present value of funded obligations | 13,006,849          | 9,453,057          |
| Fair value of plan assets           | <u>(12,363,151)</u> | <u>(8,301,868)</u> |
| Deficit of funded plan              | <u>643,698</u>      | <u>1,151,189</u>   |
| Liability in the balance sheet      | <u>643,698</u>      | <u>1,151,189</u>   |

Movement in the present value of the defined benefit obligations recognised in the statement of financial position:

|  | <u>The Group</u>  |                  |
|--|-------------------|------------------|
|  | 2014              | 2013             |
|  | \$'000            | \$'000           |
| Liability, as previously reported                    | <u>9,453,057</u>  | <u>7,376,028</u> |
| Liability assumed on acquisition of subsidiary       | <u>2,605,100</u>  | <u>-</u>         |
| Current service cost                                 | 487,966           | 302,442          |
| Interest cost  | <u>1,079,306</u>  | <u>691,373</u>   |
| Net expense recognised in income                     | 1,567,272         | 993,815          |
| Re-measurements:                                     |                   |                  |
| Losses from changes in demographic assumptions       | -                 | 557,899          |
| Losses/(gains) from changes in financial assumptions | -                 | 686,505          |
| (Gains)/losses from changes in experience            | <u>(817,508)</u>  | <u>(249,760)</u> |
| Net losses recognised in other comprehensive income  | (817,508)         | 994,644          |
| Contributions by the members                         | 444,289           | 289,956          |
| Value of purchased annuities                         | 257,483           | 70,225           |
| Benefits paid  | (980,247)         | (271,612)        |
| Past service cost                                    | <u>477,403</u>    | <u>-</u>         |
| Net Liability, end of year                           | <u>13,006,849</u> | <u>9,453,056</u> |

### 21. Retirement Benefits (Continued)

#### (a) Pension schemes (continued)

Movement in the fair value of plan assets recognised in the statement of financial position:

|   | <u>The Group</u>  |                  |
|---|-------------------|------------------|
|   | 2014              | 2013             |
|   | \$'000            | \$'000           |
| Balance, as previously reported                             | 8,301,868         | 7,251,378        |
| Assets assumed on acquisition of subsidiary                 | 2,545,713         | -                |
| Contributions made by the employer                          | 362,631           | 235,350          |
| Contributions by the members                                | 444,289           | 289,956          |
| Value of purchased annuities                                | 257,483           | 70,226           |
| Benefits paid   | (980,247)         | (271,612)        |
| Interest income on plan assets                              | 1,025,778         | 702,913          |
| Re-measurement:   |                   |                  |
| Losses from changes in demographic assumptions              | -                 | 123,744          |
| Losses/(gains) from changes in financial assumptions        | -                 | 56,254           |
| Gains from changes in experience                            | <u>405,636</u>    | <u>(156,341)</u> |
| Net losses/(gains) recognised in other comprehensive income | <u>405,636</u>    | <u>23,657</u>    |
| Balance, end of year  | <u>12,363,151</u> | <u>8,301,868</u> |

The amounts recognised in the income statements as follows:

|   | <u>The Group</u>   |                  |
|---|--------------------|------------------|
|   | 2014               | 2013             |
|   | \$'000             | \$'000           |
| Current service cost                    | 487,966            | 302,442          |
| Past service cost                       | 477,403            | -                |
| Interest cost on plan obligation        | 1,079,306          | 691,373          |
| Interest income on plan assets          | <u>(1,025,778)</u> | <u>(702,913)</u> |
| Total, included in staff cost (Note 44) | <u>1,018,897</u>   | <u>290,902</u>   |

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### 21. Retirement Benefits (Continued)

#### (a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

|                                   | The Group      |                |
|-----------------------------------|----------------|----------------|
|                                   | 2014<br>\$'000 | 2013<br>\$'000 |
| Change in demographic assumptions | -              | 434,155        |
| Change in financial assumptions   | -              | 630,251        |
| Experience adjustments            | (1,223,144)    | (93,419)       |
|                                   | (1,223,144)    | 970,987        |
| Deferred tax                      | 196,549        | (100,824)      |
|                                   | (1,026,595)    | 870,163        |

The principal actuarial assumptions used were as follows:

|  | The Group |       |
|--|-----------|-------|
|  | 2014      | 2013  |
| Discount rate - J\$ benefits                     | 9.50%     | 9.50% |
| Discount rate - US\$ Indexed benefits            | 6.50%     | 6.50% |
| Net discount rate                                | 9.50%     | 8.50% |
| Inflation  | 5.50%     | 5.00% |
| Administrative fees                              | 0.50%     | 1.00% |
| Expected return on plan assets                   | 9.50%     | 9.50% |
| Future salary increases                          | 6.00%     | 6.00% |
| Future pension increases                         | 2.00%     | 2.00% |
| Investment fees                                  | 1.00%     | 1.00% |
| Administrative expenses                          | 1.00%     | 1.00% |
| Minimum Funding Rate (MFR) as a % of payroll     | 0.25%     | 0.25% |
| Average expected remaining working lives (years) | 17        | 17    |

### 21. Retirement Benefits (Continued)

#### (a) Pension schemes (continued)

Pension plan assets are comprised as follows:

|                              | The Group      |     |                |     |
|------------------------------|----------------|-----|----------------|-----|
|                              | 2014<br>\$'000 | %   | 2013<br>\$'000 | %   |
| Equities                     | 2,266,663      | 20  | 1,671,276      | 20  |
| Mortgages and real estate    | 1,517,094      | 16  | 1,349,281      | 16  |
| Money market fund            | 596,882        | 12  | 999,809        | 12  |
| Fixed income fund            | 2,479,573      | 17  | 1,366,719      | 17  |
| Foreign currency fund        | 2,072,696      | 15  | 1,276,438      | 15  |
| Inflation-linked             | 697,146        | 5   | 426,883        | 5   |
|                              | 9,630,054      | 85  | 7,090,406      | 85  |
| Value of purchased annuities | 1,647,612      | 15  | 1,211,462      | 15  |
|                              | 11,277,666     | 100 | 8,301,868      | 100 |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

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### 21. Retirement Benefits (Continued)

#### (b) Other post-retirement benefits

In addition to pension benefits, the Group offers retiree 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.

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

|  | <u>The Group</u> |                  |
|--|------------------|------------------|
|  | 2014             | 2013             |
|  | \$'000           | \$'000           |
| Present value of unfunded obligations            | 2,796,881        | 1,634,467        |
| Fair value of plan assets                        | <u>(138,395)</u> | <u>(126,388)</u> |
| Liability in the statement of financial position | <u>2,658,486</u> | <u>1,508,079</u> |

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

|   | <u>The Group</u> |                  |
|---|------------------|------------------|
|   | 2014             | 2013             |
|   | \$'000           | \$'000           |
| Liability at beginning of year, as previously reported      | 1,634,467        | 964,197          |
| Liability assumed on acquisition of subsidiary              | 1,035,659        | -                |
| Current service cost  | 154,192          | 144,624          |
| Interest cost   | 281,412          | 99,741           |
| Net expense recognised in income                            | 435,604          | 244,365          |
| Re-measurement:   |                  |                  |
| Losses from changes in demographic assumptions              | -                | 163,409          |
| Losses/(gains) from changes in financial assumptions        | -                | 163,288          |
| Losses from changes in experience                           | <u>35,763</u>    | <u>128,514</u>   |
| Net losses/(gains) recognised in other comprehensive income | 35,763           | 455,211          |
| Benefits paid   | (45,983)         | (29,306)         |
| Curtailment loss/(gain)                                     | (157,335)        | -                |
| Post service cost   | <u>(141,294)</u> | <u>-</u>         |
| Net Liability, end of year                                  | <u>2,796,881</u> | <u>1,634,467</u> |

The principal actuarial assumption used was as follows:

|                           | <u>The Group</u> |           |
|---------------------------|------------------|-----------|
|                           | 2014             | 2013      |
| Rate of medical inflation | <u>8%</u>        | <u>8%</u> |

### 21. Retirement Benefits (Continued)

#### (b) Other post-retirement benefits (continued)

The amounts recognised in the income statements as follows:

|   | <u>The Group</u> |                 |
|---|------------------|-----------------|
|   | 2014             | 2013            |
|   | \$'000           | \$'000          |
| Current service cost                    | 154,192          | 144,624         |
| Curtailment (gain)                      | (157,335)        | -               |
| Past service cost                       | (141,294)        | -               |
| Interest cost                           | 281,412          | 99,741          |
| Benefits paid                           | <u>(12,007)</u>  | <u>(29,306)</u> |
| Total, included in staff cost (Note 44) | <u>124,968</u>   | <u>215,059</u>  |

The amounts recognised in other comprehensive income is as follows:

|                                   | <u>The Group</u> |                 |
|-----------------------------------|------------------|-----------------|
|                                   | 2014             | 2013            |
|                                   | \$'000           | \$'000          |
| Change in demographic assumptions | -                | 163,409         |
| Change in financial assumptions   | -                | 163,288         |
| Experience adjustments            | <u>35,763</u>    | <u>128,513</u>  |
|                                   | 35,763           | 455,210         |
| Deferred tax                      | <u>(13,516)</u>  | <u>(38,552)</u> |
|                                   | <u>22,247</u>    | <u>416,658</u>  |

Movement in the fair value of plan assets recognised in the statement of financial position:

|                                  | <u>The Group</u> |                |
|----------------------------------|------------------|----------------|
|                                  | 2014             | 2013           |
|                                  | \$'000           | \$'000         |
| Balance, as previously reported  | 126,388          | 114,378        |
| Interest income on plan assets   | 12,007           | 12,010         |
| Re-measurement:                  |                  |                |
| Gains from changes in experience | -                | -              |
| Balance, end of year             | <u>138,395</u>   | <u>126,388</u> |

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### 21. Retirement Benefits (Continued)

(c) 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:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

### 21. Retirement Benefits (Continued)

(d) Sensitivity tests

(i) The effect of a 1% increase/decrease in the medical inflation rate assumption:

|                                     | Decrease<br>by 1%<br>Increase/<br>(Decrease) in<br>Health & Life<br>benefits<br>\$'000 | Increase<br>by 1%<br>Increase/<br>(Decrease) in<br>Health & Life<br>benefits<br>\$'000 |
|-------------------------------------|--|--|
| Sagicor Life Jamaica Limited        | (231,825)  | 298,678  |
| Sagicor Property Services Limited   | (6,857)  | 8,942  |
| Sagicor Investments Jamaica Limited | (21,950)   | 30,003   |
| Sagicor Bank Jamaica Limited        | (27,822)   | 37,541   |
| RBC Portfolio                       | <u>(174,682)</u>   | <u>235,229</u>   |
| Total Group                         | <u>(463,136)</u>   | <u>610,393</u>   |

(ii) Impact of a 1% increase/decrease in the discount rate assumption:

|                                     | Decrease<br>by 1%<br>Increase/<br>(Decrease) in<br>Pension<br>benefits<br>\$'000 | Decrease<br>by 1%<br>Increase/<br>(Decrease) in<br>Health & Life<br>benefits<br>\$'000 | Total<br>\$'000  |
|-------------------------------------|--|--|------------------|
| Sagicor Life Jamaica Limited        | 639,300  | 318,236  | 957,536          |
| Sagicor Property Services Limited   | 27,717   | 9,293  | 37,010           |
| Sagicor Investments Jamaica Limited | 59,379   | 31,015   | 90,394           |
| Sagicor Bank Jamaica Limited        | 66,908   | 39,018   | 105,926          |
| RBC Portfolio                       | <u>54,265</u>  | <u>241,456</u>   | <u>295,721</u>   |
| Total Group                         | <u>847,569</u>   | <u>639,018</u>   | <u>1,486,587</u> |

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### 21. Retirement Benefits (Continued)

#### (d) Sensitivity tests (continued)

(iii) Impact of a 1% increase/decrease in the discount rate assumption (Continued):

|                                     | Increase<br>by 1%<br>Increase/<br>(Decrease) in<br>Pension<br>benefits<br>\$'000 | Increase<br>by 1%<br>Increase/<br>(Decrease) in<br>Health & Life<br>benefits<br>\$'000 | Total<br>\$'000    |
|-------------------------------------|--|--|--------------------|
| Sagicor Life Jamaica Limited        | (499,933)  | (244,460)  | (744,393)          |
| Sagicor Property Services Limited   | (21,636)   | (7,043)  | (28,679)           |
| Sagicor Investments Jamaica Limited | (45,111)   | (22,441)   | (67,552)           |
| Sagicor Bank Jamaica Limited        | (52,911)   | (28,630)   | (81,541)           |
| RBC Portfolio                       | (47,686)   | (177,214)  | (224,900)          |
| Total Group                         | <u>(667,277)</u>   | <u>(479,788)</u>   | <u>(1,106,465)</u> |

(iv) Impact of a 1% increase/decrease in salary assumption:

|                                     | Decrease<br>by 1%<br>Increase/<br>(Decrease) in<br>Pension<br>benefits<br>\$'000 | Decrease<br>by 1%<br>Increase/<br>(Decrease) in<br>Health & Life<br>benefits<br>\$'000 | Total<br>\$'000  |
|-------------------------------------|--|--|------------------|
| Sagicor Life Jamaica Limited        | (220,227)  | (9,565)  | (229,792)        |
| Sagicor Property Services Limited   | (10,143)   | (200)  | (10,343)         |
| Sagicor Investments Jamaica Limited | (23,177)   | (669)  | (23,846)         |
| Sagicor Bank Jamaica Limited        | (19,122)   | (782)  | (19,904)         |
| Total Group                         | <u>(272,669)</u>   | <u>(11,216)</u>  | <u>(283,885)</u> |

### 21. Retirement Benefits (Continued)

#### (d) Sensitivity tests (continued)

(iv) Impact of a 1% increase/decrease in salary assumption (Continued):

|                                     | Increase<br>by 1%<br>Increase/<br>(Decrease) in<br>Pension<br>benefits<br>\$'000 | Increase<br>by 1%<br>Increase/<br>(Decrease) in<br>Health & Life<br>benefits<br>\$'000 | Total<br>\$'000 |
|-------------------------------------|--|--|-----------------|
| Sagicor Life Jamaica Limited        | 678,804  | 11,014   | 689,818         |
| Sagicor Property Services Limited   | 11,647   | 228  | 11,875          |
| Sagicor Investments Jamaica Limited | 26,742   | 789  | 27,531          |
| Sagicor Bank Jamaica Limited        | <u>21,766</u>  | <u>906</u>   | <u>22,672</u>   |
| Total Group                         | <u>738,959</u>   | <u>12,937</u>  | <u>751,896</u>  |

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.

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 fixed interest securities 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. The Bank has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of bonds and equities.

The weighted average duration of the defined benefit obligation range from 32 years to 35 years (2013 – 34 years to 42 years).

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### 22. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

- (a) 25% for the company;
- (b) 15% for Sagicor Life Jamaica Limited
- (c) 33½% for Sagicor Investments Jamaica Limited
- (d) 33½% for Sagicor Bank Jamaica Limited and
- (e) 25% for Sagicor Property Services Limited

The subsidiaries incorporated in Grand Cayman operate under a zero tax regime.

Deferred tax assets and liabilities, net recognized on the statement of financial position are as follows:

|                                      | <u>The Group</u>   |                  |
|--------------------------------------|--------------------|------------------|
|                                      | 2014<br>\$'000     | 2013<br>\$'000   |
| Deferred income tax assets, net      | (3,018,293)        | (298,107)        |
| Deferred income tax liabilities, net | -                  | 1,144            |
|                                      | <u>(3,018,293)</u> | <u>(296,963)</u> |

The movement on the deferred income tax account is as follows:

|   | <u>The Group</u>   |                  |
|---|--------------------|------------------|
|   | 2014<br>\$'000     | 2013<br>\$'000   |
| Balance as at 1 January   | (296,963)          | 338,593          |
| On acquisition of subsidiary  | (2,707,682)        |                  |
| Charged/(credited) to the income statement (Note 46(a))                         | (366,225)          | (188,072)        |
| Tax charged/(credited) to components in other comprehensive income (Note 46(c)) | 352,577            | (421,514)        |
| Prior year adjustment   |                    | (25,970)         |
| Balance as at 31 December   | <u>(3,018,293)</u> | <u>(296,963)</u> |

### 22. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position included the following:

|  | <u>The Group</u> |                |
|--|------------------|----------------|
|  | 2014<br>\$'000   | 2013<br>\$'000 |
| Deferred tax assets to be recovered after more than 12 months    | (3,592,350)      | (300,819)      |
| Deferred tax liabilities to be settled after more than 12 months | <u>1,603,445</u> | <u>191,487</u> |

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

|   | <u>The Group</u>   |                  |
|---|--------------------|------------------|
|   | 2014<br>\$'000     | 2013<br>\$'000   |
| Deferred income tax assets -                |                    |                  |
| Property, plant and equipment               | (4,940)            | (3,167)          |
| Investment securities - available-for-sale  | (159,456)          | (247,342)        |
| Trading Securities                          | (63,891)           | -                |
| Pensions and other post-retirement benefits | (787,138)          | (268,118)        |
| Interest payable                            | (17,725)           | (329)            |
| Tax losses unused                           | (2,772,092)        | (16,921)         |
| Derivatives                                 | -                  | (49,853)         |
| Other                                       | <u>(242,749)</u>   | <u>(22,559)</u>  |
|   | <u>(4,047,991)</u> | <u>(608,289)</u> |
| Deferred income tax liabilities -           |                    |                  |
| Property, plant and equipment               | 118,552            | 37,657           |
| Trading securities                          | 16,543             | 12,419           |
| Investment securities - available-for-sale  | 34,486             | -                |
| Impairment losses on loans                  | 586,236            | 47,487           |
| Pensions and other post-retirement benefits | 14,684             | -                |
| Interest receivable                         | 117,978            | 52,196           |
| Unrealised foreign exchange gains           | 130,793            | 161,567          |
| Other                                       | 10,426             | -                |
|   | <u>1,029,698</u>   | <u>311,326</u>   |
| Net deferred tax (asset) / liability        | <u>(3,018,293)</u> | <u>(296,963)</u> |

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### 22. Deferred Income Taxes (Continued)

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

|  | Property,<br>plant and<br>equipment | Fair<br>value<br>gains | Unused tax<br>losses | Unrealised<br>foreign<br>exchange<br>gains | Loan loss<br>provision | Post-<br>employment<br>benefits | Other     | Total       |
|--|-------------------------------------|------------------------|----------------------|--|------------------------|---------------------------------|-----------|-------------|
|  | \$'000                              | \$'000                 | \$'000               | \$'000                                     | \$'000                 | \$'000                          | \$'000    | \$'000      |
| At 1 January 2013  | 73,458                              | 86,927                 | -                    | 145,907                                    | 50,682                 | (74,277)                        | 55,896    | 338,593     |
| Prior year adjustment<br>(Credited)/charged to<br>income statement | -                                   | -                      | -                    | -  | -                      | 6,033                           | (32,003)  | (25,970)    |
| Credited to other<br>comprehensive<br>income                       | (42,121)                            | (86,288)               | -                    | 8,887                                      | -                      | (60,497)                        | (8,053)   | (188,072)   |
|  | 3,153                               | (388,911)              | -                    | -  | -                      | (35,756)                        | -         | (421,514)   |
| At 31 December 2013  | 34,490                              | (388,272)              | -                    | 154,794                                    | 50,682                 | (164,497)                       | 15,840    | (296,963)   |
| Acquisition<br>(Credited)/charged to<br>income statement           | (271,278)                           | (1,372)                | (2,247,667)          | -  | (385,360)              | 403,683                         | (205,688) | (2,707,682) |
| Credited to other<br>comprehensive<br>income                       | 345,258                             | 100,272                | (524,425)            | (24,001)                                   | 920,914                | (1,194,673)                     | 10,430    | (366,225)   |
|  | 5,142                               | 164,402                | -                    | -  | -                      | 183,033                         | -         | 352,577     |
| At 31 December 2014  | 113,612                             | (124,970)              | (2,772,092)          | 130,793                                    | 586,236                | (772,454)                       | (179,418) | (3,018,293) |

### 23. Taxation Recoverable

Taxes are withheld at 25% from interest payments on Government of Jamaica securities and other local bonds. The Group makes monthly filings to Tax Administration of Jamaica (TAJ) for recovery. Amounts approved by TAJ are refunded as cash flows allow. The amounts are expected to be recovered within one year of the financial statements date.

### 24. Other Assets

|  | The Group      |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| Due from sales representatives   | 526,322        | 340,712        | -              | -              |
| Real estate developed for resale -   |                |                |                |                |
| Opening balance  | 887,328        | 1,014,286      | -              | -              |
| Cost of sales  | (212,728)      | (147,219)      | -              | -              |
| Additions during the year  | 15,251         | 20,261         | -              | -              |
|  | 689,851        | 887,328        | -              | -              |
| Premiums due and unpaid  | 1,803,437      | 1,700,066      | -              | -              |
| Due from related parties (Note 24)   | 603,388        | 212,772        | 3,181          | -              |
| Due from Government Employees<br>Administrative Scheme Only Fund<br>and Government Pensioners<br>Administrative Scheme Only Fund | 351,542        | 282,448        | -              | -              |
| Prepayments  | 1,164,556      | 536,120        | 501,432        | -              |
| Customer settlements accounts/unsettled<br>trades  | 450,076        | 36,835         | -              | -              |
| Legal Claim  | 3,906,830      | -              | -              | -              |
| Other receivables  | 1,010,328      | 559,285        | 263,340        | 116,559        |
|  | 10,506,330     | 4,555,566      | 767,953        | 116,559        |
| Provision against doubtful receivables   | (230,960)      | (231,163)      | -              | -              |
|  | 10,275,370     | 4,324,403      | 767,953        | 116,559        |

Real estate developed for sale relates to the construction of residential and commercial complexes.



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### 25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies (continued):

|   | <u>The Group</u> |                |
|---|------------------|----------------|
|   | <b>2014</b>      | <b>2013</b>    |
|   | <b>\$'000</b>    | <b>\$'000</b>  |
| Directors' emoluments -                           |                  |                |
| Fees  | 52,169           | 87,354         |
| Other expenses                                    | 28,363           | 3,796          |
| Management remuneration (included above)          | 113,483          | 127,881        |
|   | <u>194,015</u>   | <u>219,031</u> |
| Party with significant influence over the group - |                  |                |
| Fee income earned                                 | -                | 1,875          |
| Rent and net lease                                | (226,452)        | (118,220)      |
| Interest expense paid                             | (11,322)         | (3,670)        |
| Interest income earned                            | <u>1,451</u>     | <u>1,516</u>   |

### 26. Share Capital

|  | <u>The Group</u> |                  |
|--|------------------|------------------|
|  | <b>2014</b>      | <b>2013</b>      |
|  | <b>\$'000</b>    | <b>\$'000</b>    |
| Authorised:                            |                  |                  |
| 13,598,340,000 (2013 – 13,598,340,000) |                  |                  |
| Ordinary shares                        |                  |                  |
| Issued and fully paid:                 |                  |                  |
| 3,905,634,920 (2013 – 3,760,992,000)   |                  |                  |
| Ordinary shares at no par              | <u>9,161,065</u> | <u>7,854,938</u> |

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 27. Equity Reserves

| Note  | Attributable to owners of the parent |                                       |  |                              |                            |                            |                   |                           | Grand Total      |
|---|--------------------------------------|---------------------------------------|--|------------------------------|----------------------------|----------------------------|-------------------|---------------------------|------------------|
|   | Investment and Fair Value Reserves   |                                       |  | Other Reserves               |                            |                            |                   |                           |                  |
|   | Stock Options Reserve                | Available-for-sale fair value reserve | Owner occupied properties fair value reserve | Currency Translation Reserve | Capital redemption reserve | Special investment reserve | Loan Loss Reserve | Retained earnings reserve |                  |
|   | \$'000                               | \$'000                                | \$'000                                       | \$'000                       | \$'000                     | \$'000                     | \$'000            | \$'000                    | \$'000           |
| <b>Balance at 1 January 2013</b>  | 88,230                               | 452,784                               | 431,151                                      | 1,897,731                    | 1,086,018                  | 166,673                    | 82,388            | 1,529,311                 | 5,734,286        |
| Net gains recycled to revenue on disposal and maturity of available-for-sale securities | -                                    | (1,062,870)                           | -  | -                            | -                          | -                          | -                 | -                         | (1,062,870)      |
| Net unrealised gains on available-for-sale securities                                   | -                                    | (983,298)                             | -  | -                            | -                          | -                          | -                 | -                         | (983,298)        |
| Net unrealised losses on revaluation of owner occupied properties                       | -                                    | -                                     | 111,427                                      | -                            | -                          | -                          | -                 | -                         | 111,427          |
| Deferred tax on unrealised capital gains  | -                                    | 30,520                                | (3,153)                                      | -                            | -                          | -                          | -                 | -                         | 27,367           |
| Impairment of equities  | -                                    | 7,851                                 | -  | -                            | -                          | -                          | -                 | -                         | 7,851            |
| Currency translation  | -                                    | 47,463                                | 35,025                                       | 1,345,070                    | -                          | -                          | -                 | -                         | 1,427,568        |
| <b>Total comprehensive income for the year</b>  | -                                    | <b>(1,960,334)</b>                    | <b>143,299</b>                               | <b>1,345,070</b>             | -                          | -                          | -                 | -                         | <b>(471,965)</b> |

## Notes to the Financial Statements

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### 27. Equity Reserves (Continued)

|   |                       | \-----Attributable to owners of the parent-----\ |  |                              |                            |                            |                   |                           |                  |  |
|---|-----------------------|--|--|------------------------------|----------------------------|----------------------------|-------------------|---------------------------|------------------|--|
|   |                       | Investment and Fair Value Reserves               |  |                              | Other Reserves             |                            |                   |                           |                  |  |
| Note  | Stock Options Reserve | Available-for-sale fair value reserve            | Owner occupied properties fair value reserve | Currency Translation Reserve | Capital redemption reserve | Special investment reserve | Loan Loss Reserve | Retained earnings reserve | Grand Total      |  |
|   | \$'000                | \$'000   | \$'000                                       | \$'000                       | \$'000                     | \$'000                     | \$'000            | \$'000                    | \$'000           |  |
| <b>Total comprehensive income for the year</b>            | -                     | (1,960,334)                                      | 143,299                                      | 1,345,070                    | -                          | -                          | -                 | -                         | (471,965)        |  |
| Transactions with owners -                                |                       |  |  |                              |                            |                            |                   |                           |                  |  |
| Employee share option scheme - value of services provided | 34,529                | -  | -  | -                            | -                          | -                          | -                 | -                         | 34,529           |  |
| Employee stock grants and options exercised/expired       | (6,196)               | -  | -  | -                            | -                          | -                          | -                 | -                         | (6,196)          |  |
| Total transactions with owners                            | 28,333                | -  | -  | -                            | -                          | -                          | -                 | -                         | 28,333           |  |
| Transfers between reserves -                              |                       |  |  |                              |                            |                            |                   |                           |                  |  |
| To special investment reserve                             | 2(r)                  | -  | -  | -                            | -                          | -                          | -                 | 65,820                    | 65,820           |  |
| To retained earnings                                      | 2(s)                  | -  | (17,863)                                     | -                            | -                          | -                          | 4,822             | -                         | (13,041)         |  |
| Adjustment between regulatory loan provisioning and IFRS  | 30(b)                 | -  | -  | -                            | -                          | -                          | -                 | -                         | -                |  |
| Total transfers between reserves                          | -                     | (17,863)   | -  | -                            | -                          | -                          | 4,822             | 65,820                    | 52,779           |  |
| <b>Balance at 31 December 2013</b>                        | <b>116,563</b>        | <b>(1,525,413)</b>                               | <b>574,450</b>                               | <b>3,242,801</b>             | <b>1,086,018</b>           | <b>166,673</b>             | <b>87,210</b>     | <b>1,595,131</b>          | <b>5,343,433</b> |  |

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 27. Equity Reserves (Continued)

| Note  | -----Attributable to owners of the parent----- |                                       |  |                              |                            |                            |                   |                           | Grand Total      |
|---|--|---------------------------------------|--|------------------------------|----------------------------|----------------------------|-------------------|---------------------------|------------------|
|   | Investment and Fair Value Reserves             |                                       |  | Other Reserves               |                            |                            |                   |                           |                  |
|   | Stock Options Reserve                          | Available-for-sale fair value reserve | Owner occupied properties fair value reserve | Currency Translation Reserve | Capital redemption reserve | Special investment reserve | Loan Loss Reserve | Retained earnings reserve |                  |
|   | \$'000   | \$'000                                | \$'000                                       | \$'000                       | \$'000                     | \$'000                     | \$'000            | \$'000                    | \$'000           |
| <b>Balance at 1 January 2014</b>  | 116,563  | (1,525,413)                           | 574,450                                      | 3,242,801                    | 1,086,018                  | 166,673                    | 87,210            | 1,595,131                 | 5,343,433        |
| Net gains recycled to revenue on disposal and maturity of available-for-sale securities | -  | (844,394)                             | -  | -                            | -                          | -                          | -                 | -                         | (844,394)        |
| Net unrealised gains on available-for-sale securities                                   | -  | 824,618                               | -  | -                            | -                          | -                          | -                 | -                         | 824,618          |
| Net unrealised losses on revaluation of owner occupied properties                       | -  | -                                     | 85,690                                       | -                            | -                          | -                          | -                 | -                         | 85,690           |
| Deferred tax on unrealised capital gains  | -  | (164,402)                             | (5,141)                                      | -                            | -                          | -                          | -                 | -                         | (169,543)        |
| Impairment of equities  | -  | 738,183                               | -  | -                            | -                          | -                          | -                 | -                         | 738,183          |
| Currency translation  | -  | -                                     | -  | 570,118                      | -                          | -                          | -                 | -                         | 570,118          |
| <b>Total comprehensive income for the year</b>  | -  | <b>554,005</b>                        | <b>80,549</b>                                | <b>570,118</b>               | -                          | -                          | -                 | -                         | <b>1,204,672</b> |

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 27. Equity Reserves (Continued)

| -----Attributable to owners of the parent-----            |                                    |                                       |  |                              |                            |                            |                   |                           |                  |
|---|------------------------------------|---------------------------------------|--|------------------------------|----------------------------|----------------------------|-------------------|---------------------------|------------------|
| Note  | Investment and Fair Value Reserves |                                       |  | Other Reserves               |                            |                            |                   |                           | Grand Total      |
|   | Stock Options Reserve              | Available-for-sale fair value reserve | Owner occupied properties fair value reserve | Currency Translation Reserve | Capital redemption reserve | Special investment reserve | Loan Loss Reserve | Retained earnings reserve |                  |
|   | \$'000                             | \$'000                                | \$'000                                       | \$'000                       | \$'000                     | \$'000                     | \$'000            | \$'000                    | \$'000           |
| <b>Total comprehensive income for the year</b>            | -                                  | 554,005                               | 80,549                                       | 570,118                      | -                          | -                          | -                 | -                         | 1,204,672        |
| Transactions with owners -                                |                                    |                                       |  |                              |                            |                            |                   |                           |                  |
| Employee share option scheme - value of services provided | 23,677                             | -                                     | -  | -                            | -                          | -                          | -                 | -                         | 23,677           |
| Employee stock grants and options exercised/expired       | (6,693)                            | -                                     | -  | -                            | -                          | -                          | -                 | -                         | (6,693)          |
| Total transactions with owners                            | 16,984                             | -                                     | -  | -                            | -                          | -                          | -                 | -                         | 16,984           |
| Transfers between reserves -                              |                                    |                                       |  |                              |                            |                            |                   |                           |                  |
| To special investment reserve                             | 2(r)                               | -                                     | -  | -                            | -                          | 202,736                    | -                 | -                         | 202,736          |
| To retained earnings                                      | 2(s)                               | -                                     | (92,906)                                     | -                            | -                          | -                          | -                 | -                         | (92,906)         |
| Adjustment between regulatory loan provisioning and IFRS  | 30(b)                              | -                                     | -  | -                            | -                          | -                          | (261,383)         | -                         | (261,383)        |
| Total transfers between reserves                          |                                    | -                                     | (92,906)                                     | -                            | -                          | 202,736                    | (261,383)         | -                         | (151,553)        |
| <b>Balance at 31 December 2014</b>                        | <b>133,547</b>                     | <b>(1,064,314)</b>                    | <b>654,999</b>                               | <b>3,812,919</b>             | <b>1,086,018</b>           | <b>369,409</b>             | <b>(174,173)</b>  | <b>1,595,131</b>          | <b>6,413,536</b> |

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### 28. Stock Options Reserve

#### Long-term Incentive plan

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares of \$0.10 each for the stock grants and stock options.

In January 2007, the Group introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the combined share options outstanding are as follows:

|                                      | Sagicor Group Jamaica Limited |   |                        |   |
|--------------------------------------|-------------------------------|---|------------------------|---|
|                                      | 2014                          |   | 2013                   |   |
|                                      | Options<br>(thousands)        | Weighted<br>Average<br>exercise<br>price in \$<br>per share | Options<br>(thousands) | Weighted<br>Average<br>exercise<br>price in \$<br>per share |
| At beginning of year                 | 72,148                        | 8.22  | 44,590                 | 6.39  |
| Granted - 2012                       |                               |   | 9,611                  | 10.75   |
| 2013                                 | 19,077                        | 7.11  |                        |   |
| Converted options                    |                               |   | 21,307                 | 10.51   |
| Expired                              | (7,374)                       | 10.56   | (1,836)                | 6.50  |
| Exercised                            | (13,826)                      | 5.68  | (1,524)                | 4.82  |
| At end of year                       | <u>70,025</u>                 | <u>8.19</u>   | <u>72,148</u>          | <u>8.22</u>   |
| Exercisable at the end of the period | <u>49,959</u>                 | <u>9.69</u>   | <u>55,885</u>          | <u>7.92</u>   |

### 28. Stock Options Reserve (Continued)

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

| Expiry Date | Converted Options |                |                   |                |
|-------------|-------------------|----------------|-------------------|----------------|
|             | Exercise<br>Price | 2014<br>\$'000 | Exercise<br>Price | 2013<br>\$'000 |
| March 2014  | -                 | -              | 11.14             | 3,650          |
| March 2015  | 11.84             | 2,860          | 11.84             | 3,322          |
| March 2015  | 7.92              | 5,016          | 7.92              | 5,496          |
| March 2016  | 7.66              | 4,331          | 7.66              | 5,070          |
| March 2016  | 7.92              | 3,744          | 7.92              | 4,016          |
| March 2017  | 10.45             | 3,324          | 10.45             | 4,039          |
| March 2017  | 4.20              | 3,270          | 4.20              | 10,217         |
| March 2018  | 10.96             | 2,965          | 10.96             | 3,413          |
| March 2018  | 6.51              | 9,448          | 6.51              | 13,737         |
| March 2019  | 14.10             | 1,621          | 14.10             | 1,813          |
| March 2019  | 7.52              | 6,510          | 7.52              | 7,852          |
| March 2020  | 10.75             | 8,674          | 10.75             | 9,523          |
| March 2021  | 7.11              | 18,265         | -                 | -              |
|             | <u>8.19</u>       | <u>70,025</u>  | <u>8.22</u>       | <u>72,148</u>  |

For options outstanding at the end of the year, exercise prices range from \$4.20 to \$14.10 (2013 - \$4.20 to \$14.10). The remaining contractual terms range from 3 months to 7 years (2013 - 3 months to 7 years).

The weighted average share price for options exercised during the year was \$9.93 (2013 - \$4.82) and the Group's share of the cost of these options was \$38,827,455 (2013 - \$6,790,000).

The stock options reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was \$135,638,000. The significant inputs into the model were share price of \$7.11, dividend yield of 5.89%, standard deviation of the expected share price returns of 27%, and annual risk free interest rate of 9.19%. The expected volatility is based on statistical analysis of month end share prices over the preceding seven years.

The Group recognized cumulative expenses of \$115,984,000 in the Stock Option Reserves (2013 - 116,559,000) and share options expense of \$86,971,000 (2013 - \$102,939,000) in the income statement.

The Group also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2014, the Staff Share Purchase Plan Trust purchased 1,829,486 shares over the Stock Exchange for a total value of \$18,245,000. There is no cost to the Group as the discounted shares will be transferred in 2015. At the point at which the shares are transferred to staff, the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

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### 29. Investment and Fair Value Reserve

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities, the revaluation of property, plant and equipment, an adjustment for gains or losses on investments in subsidiaries, an adjustment for equity investments deemed impaired and an adjustment for gains or losses on available-for-sale securities which have matured or have been disposed. An analysis of the investment and fair value reserves is as follows:

|   | The Group        |                  | The Company  |          |
|---|------------------|------------------|--------------|----------|
|   | 2014             | 2013             | 2014         | 2013     |
|   | \$000            | \$000            | \$000        | \$000    |
| Owner-occupied properties                         | 664,243          | 574,450          | -            | -        |
| Unrealised gains on available-for-sale securities | (980,652)        | (1,525,413)      | 6,039        | -        |
|   | <u>(316,409)</u> | <u>(950,963)</u> | <u>6,039</u> | <u>-</u> |

### 30. Currency Translation Reserve

This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries with functional currencies other than the Jamaican dollar.

### 31. Other Reserves

- Special Investment Reserve - This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(s)).
- Loan Loss Reserve - This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.
- 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.
- Reserve fund (included as a part of retained earnings reserve) - This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of xx% 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 xx% 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

### 32. Dividends Declared

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2014             | 2013             |
|  | \$'000           | \$'000           |
| First interim dividend – 35 cents per share (2013 – 19 cents per share)  | 1,316,347        | 714,588          |
| Second interim dividend – 28 cents per share (2013 – 21 cents per share) | <u>1,093,578</u> | <u>789,808</u>   |
|  | <u>2,409,925</u> | <u>1,504,396</u> |

The dividends paid for 2014 and 2013 represented a dividend per stock unit of \$0.63 and \$0.40 respectively.

### 33. Net Profit and Retained Earnings

|   | 2014              | 2013              |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| (i) Net profit / (losses) dealt with in the financial statements of:      |                   |                   |
| The company   | 3,180,900         | (19,488)          |
| The subsidiaries  | <u>5,382,218</u>  | <u>6,562,178</u>  |
|   | <u>8,563,118</u>  | <u>6,452,690</u>  |
| (ii) Retained earnings / (Accumulated deficit) reflected in the financial |                   |                   |
| The company   | 15,490,757        | (19,488)          |
| The subsidiaries  | <u>14,645,349</u> | <u>22,746,958</u> |
|   | <u>30,490,757</u> | <u>22,727,470</u> |

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### 34. Deposit and Security Liabilities

|   | The Group                |                        | The Company        |                    |
|---|--------------------------|------------------------|--------------------|--------------------|
|   | 2014<br>\$'000           | 2013<br>\$'000         | 2014<br>\$'000     | 2013<br>\$'000     |
| Securities sold under repurchase agreements               | 76,002,302               | 55,630,546             | -                  | -                  |
| Due to banks and other financial institutions (i)         | 19,698,839               | 16,716,280             | -                  | -                  |
| Customer deposits and other accounts                      | 53,589,012               | 11,881,676             | -                  | -                  |
| Structured products (ii)                                  | 2,294,229                | 1,841,222              | -                  | -                  |
| Promissory notes (iii)                                    | -                        | -                      | 11,525,678         | 601,145            |
|   | <u>151,584,382</u>       | <u>86,069,724</u>      | <u>11,525,678</u>  | <u>601,145</u>     |
|   | <b>Interest Rate (%)</b> | <b>Maturity Period</b> | <b>2014 \$'000</b> | <b>2013 \$'000</b> |
| <b>(i) Due to banks and other financial institutions:</b> |                          |                        |                    |                    |
| Long term loans:  |                          |                        |                    |                    |
| Development Bank of Jamaica Limited                       | various                  | 2018                   | 1,056,951          | 820,799            |
| European Investment Bank                                  | various                  | 2015                   | -                  | 90,808             |
| The National Export-Import Bank of Jamaica Limited        | 8-13                     | various                | 8,098              | 23,914             |
| National Housing Trust NHT                                | various                  | various                | 818,979            | 751,713            |
| Credit Suisse NY  | 7.25                     | 2014                   | -                  | 853,646            |
| Short term loans:   |                          |                        |                    |                    |
| National Commercial Bank Jamaica Limited                  | 6.5                      | 2014                   | -                  | 600,107            |
| Citibank N.A.   | 1.75                     | 2014                   | -                  | 530,261            |
| UBS AG London   | 3.452 - 3.714            | 2014                   | -                  | 3,923,743          |
| Goldman Sachs International                               | 1.95                     | 2015                   | 3,732,683          | -                  |
| Credit Suisse NY  | Various                  | 2015                   | 4,595,598          | -                  |
| Oppenheimer & Co. Inc.                                    | 1.85                     | 2015                   | 590,726            | 1,336,064          |
| Morgan Stanley Smith Barney                               | 1.06- 1.12               | 2015                   | 8,732,678          | 7,586,239          |
| Bank overdraft:   |                          |                        |                    |                    |
| National Commercial Bank Jamaica Limited                  |                          |                        | 163,126            | 197,893            |
| Sagicor Bank Jamaica Limited                              |                          |                        | -                  | 1,093              |
|   |                          |                        | <u>19,698,839</u>  | <u>16,716,280</u>  |

### 34. Deposit and Security Liabilities (Continued)

#### (i) Due to banks and other financial institutions

- a) Development Bank of Jamaica Limited (DBJ)  
The agreement allows DBJ, at its absolute discretion, to approve J\$ financing to Sagicor Investments Jamaica Limited (SIJL) for on-lending to customers for developmental projects which meet the criteria of DBJ and on such terms and conditions as DBJ may stipulate.  
  
Funds disbursed to SIJL bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise carried by DBJ and extended to the client at a maximum spread as stipulated by DBJ.
- b) European Investment Bank (EIB)  
A facility was established in the amount €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 SIJL in tranches. The drawdowns may be done in US\$ or J\$. The loan is repayable in the Euro equivalent of the outstanding loan balance by 7 equal installments commencing 5 December 2008.
- c) *The National Export-Import Bank of Jamaica Limited (EXIM)*  
SIJL and its subsidiary Sagicor Bank Jamaica Ltd. (SBJL) 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 term and medium term loans are offered to customers engaged in manufacturing, agriculture, tourism and export trading. The loans to customers are not varying terms and at a maximum spread as stipulated by EXIM.
- d) *National Housing Trust (NHT)*  
This is a third party financing agreement between the company and the National Housing Trust, and attracts interest at rates ranging from 0.759 to 7%.
- e) *Bank Overdrafts*  
The bank overdraft balance represents book overdraft at year end. The actual balances at bank were positive at year end.
- f) *Credit Suisse NY*  
This represents loan facilities received from Credit Suisse NY in the amounts of US\$40,000,000 by Sagicor Life Jamaica Limited. The loan attached interest of 2.25% plus 6 months USD Libor-BBA. In addition, the loan facility matures on April 29, 2015 and is secured by a Kingdom of Bahrain bond totalling US\$1,068,880, a Republic of Italy bond totalling US\$1,272,550 a Government of Bermuda bond totalling US\$1,101,470, a Common Wealth of Bahamas bond totalling US\$7,750,080, a Government of Cayman Islands bond totalling US\$7,757,470, Government of Trinidad and Tobago bonds totalling US\$11,278,428, Government of Jamaica Global bonds totalling US\$17,031,623, Petroleum Company of Trinidad & Tobago Limited Corporate bonds totalling US\$3,453,195, a First Citizen Bank of Trinidad and Tobago bond totalling US\$5,169,450 and Cash totalling \$466,667. This loan is repayable in one installment on 29 April 2015.

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### 34. Deposit and Security Liabilities (Continued)

#### (i) Due to banks and other financial institutions (continued)

##### g) Goldman Sachs International

This represents a fixed rate loan at interest rate of 1.95% per annum and is secured by International Corporate bonds totalling US\$46,283,285, a Government of Trinidad and Tobago Corporate bond totalling US\$818,448 and a Government of Barbados Corporate bond totalling US\$1,728,540. This loan is repayable in one instalment on July 14, 2015.

##### h) Morgan Stanley Smith Barney

This represents amounts due to the broker for securities purchased by Sagicor Life Jamaica Limited (SLJ) and Sagicor Life of the Cayman Islands Limited (SLC) under margin loan facilities. The facilities with SLJ attract interest rates of 1.06% to 1.12%. These loans are repayable on demand and secured by International Corporate bonds totalling US\$85,822,682, an Equity totalling US\$1,324,642, International Municipal bonds totalling US\$2,320,580, a Federal Republic of Brazil bond totalling US\$107,875, a Government Republic of Panama bond totalling US\$63,813 and a Government of Jamaica bond totalling US\$300,000.

The facilities with SLC attract interest rates ranging from 1.07% to 1.12%; these loans are repayable on demand and secured by International Corporate bonds totalling US\$22,948,676, a Petroleum Company Trinidad and Tobago Corporate bond totalling US\$4,431,175, a Government of Barbados Corporate bond totalling US\$261,076, a Preferred Shares totalling US\$109,013, Equities totaling US\$2,685,885 and an Agency bond totalling US\$532,186.

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

#### (ii) Structured products

|                                  | 2014             | 2013             |
|----------------------------------|------------------|------------------|
|                                  | \$'000           | \$'000           |
| Principal protected notes -      |                  |                  |
| With no interest guaranteed      | 307,062          | 267,424          |
| With interest guaranteed         | 1,966,130        | 1,478,898        |
| 7.15% US dollar amortising notes | <u>21,037</u>    | <u>94,900</u>    |
|                                  | <u>2,294,229</u> | <u>1,841,222</u> |

### 34. Deposit and Security Liabilities (Continued)

#### 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 9. 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 in the notes with no interest guarantee and principal plus interest for the notes with an interest guarantee. The maturity of these notes range from 2013 to 2017.

#### US Dollar Amortizing Notes

The 7.15% US dollar amortizing notes are structured securities whereby the principal is amortised quarterly with the final repayment by February 2015.

#### (iii) Promissory notes

|  | <u>The Company</u> |                |
|--|--------------------|----------------|
|  | 2014               | 2013           |
|  | \$'000             | \$'000         |
| Sagicor Life Jamaica Limited                 | 10,383,543         | -              |
| Sagicor Insurance Brokers Limited            | -                  | 32,181         |
| Sagicor International Administrators Limited | -                  | 5,783          |
| Sagicor Investment Jamaica Limited           | 1,142,135          | -              |
| Sagicor St. Lucia Limited                    | -                  | 563,181        |
|  | <u>11,525,678</u>  | <u>601,145</u> |

The above represent promissory notes that have been issued with respect to the reorganization of the Group, see Note 1 (b) for further details. The promissory notes have been issued to one of the Group's subsidiaries, Sagicor Life Jamaica Limited, for consideration for the value of the above subsidiaries whose ownership has been transferred from the previous parent company, Sagicor Life Jamaica Limited to the new holding company, Sagicor Group Jamaica Limited. Also, a promissory note was issued to Sagicor Investment Jamaica Limited for the consideration for the value of Sagicor Bank Jamaica Limited whose ownership has been transferred from Sagicor Investment Jamaica Limited to Sagicor Group Jamaica Limited; see Note 1 (b) for further details. The promissory notes are unsecured and attract interest at 5% per annum and mature June 2016.

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### 35. Other Liabilities

|   | The Group         |                  | The Company    |                |
|---|-------------------|------------------|----------------|----------------|
|   | 2014<br>\$'000    | 2013<br>\$'000   | 2014<br>\$'000 | 2013<br>\$'000 |
| Accounts payable and accruals               | 708,128           | 570,008          | -              | -              |
| Accrued vacation                            | 105,478           | 87,973           | -              | -              |
| Annuities payable                           | 1,973             | 722              | -              | -              |
| Dividends payable                           | 107,757           | 81,811           | 28,154         | -              |
| Due to related parties (Note 24)            | 81,553            | 196,128          | 645,192        | -              |
| Due to brokers and agents                   | 350,054           | 151,257          | -              | -              |
| Bonus payable                               | 349,079           | 323,466          | -              | -              |
| Premiums not applied                        | 1,217,088         | 1,147,418        | -              | -              |
| Reinsurance payable                         | 209,186           | 131,556          | -              | -              |
| Mortgage principal and real estate payables | 300,983           | 272,076          | -              | -              |
| Customer settlement accounts                | 325,276           | 207,407          | -              | -              |
| Regulatory fees and Statutory payables      | 500,759           | 123,765          | -              | -              |
| Items in course of payment                  | 1,109,433         | 68,364           | -              | -              |
| Cheques issued but uncashed                 | 330,499           | 175,320          | -              | -              |
| Legal claim payable                         | 3,906,830         | -                | -              | -              |
| Fees received in advance                    | -                 | 12,864           | -              | -              |
| Unearned reinsurance commissions            | 7,926             | 8,177            | -              | -              |
| Miscellaneous                               | 1,019,299         | 297,244          | 4,644          | 19,489         |
|   | <u>10,631,301</u> | <u>3,855,556</u> | <u>677,990</u> | <u>19,489</u>  |

### 36. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

|                      | The Group         |                   |
|----------------------|-------------------|-------------------|
|                      | 2014<br>\$'000    | 2013<br>\$'000    |
| Group annuities      | 31,490,107        | 27,975,080        |
| Group insurance      | 4,918,357         | 4,105,167         |
| Individual insurance | 19,417,847        | 16,485,484        |
| Total                | <u>55,826,311</u> | <u>48,565,731</u> |

### 36. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

|   | The Group                    |                                   |                              |                   |
|---|------------------------------|-----------------------------------|------------------------------|-------------------|
|   | 2014                         |                                   |                              |                   |
|   | Group<br>Annuities<br>\$'000 | Individual<br>Insurance<br>\$'000 | Group<br>Insurance<br>\$'000 | Total<br>\$'000   |
| Balance at the beginning of the year                      | 27,975,080                   | 16,485,484                        | 4,105,167                    | 48,565,731        |
| Normal changes in policyholders' liabilities (Note 35(d)) | 2,345,403                    | 2,548,759                         | 629,051                      | 5,523,213         |
| Changes as a result of revaluation                        | 1,169,624                    | 383,604                           | 184,139                      | 1,737,367         |
| Balance at end of year                                    | <u>31,490,107</u>            | <u>19,417,847</u>                 | <u>4,918,357</u>             | <u>55,826,311</u> |
|   | The Group                    |                                   |                              |                   |
|   | 2013                         |                                   |                              |                   |
|   | Group<br>Annuities<br>\$'000 | Individual<br>Insurance<br>\$'000 | Group<br>Insurance<br>\$'000 | Total<br>\$'000   |
| Balance at the beginning of the year                      | 20,742,390                   | 14,711,650                        | 3,869,405                    | 39,323,445        |
| Normal changes in policyholders' liabilities (Note 35(d)) | 5,577,931                    | 1,669,820                         | 229,088                      | 7,476,839         |
| Changes as a result of revaluation                        | 1,654,759                    | 104,014                           | 6,674                        | 1,765,447         |
| Balance at end of year                                    | <u>27,975,080</u>            | <u>16,485,484</u>                 | <u>4,105,167</u>             | <u>48,565,731</u> |

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### 36. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

|                         | The Group         |                        |                    |                     |                    |
|-------------------------|-------------------|------------------------|--------------------|---------------------|--------------------|
|                         | 2014              |                        |                    |                     |                    |
|                         | Insurance         | Pensions and Annuities | Other Liabilities  | Capital and Surplus | Total              |
|                         | \$'000            | \$'000                 | \$'000             | \$'000              | \$'000             |
| Quoted equities         | 18,365,657        | -                      | -                  | 5,929,454           | 24,295,111         |
| Investment properties   | -                 | -                      | -                  | 871,888             | 871,888            |
| Fixed income securities | 28,809,362        | 40,088,784             | 135,339,853        | 621,267             | 204,859,266        |
| Mortgages               | -                 | 66,118                 | -                  | 1,846,995           | 1,913,113          |
| Other assets            | 1,255,295         | -                      | 14,225,393         | 36,795,747          | 52,276,435         |
|                         | <u>48,430,314</u> | <u>40,154,902</u>      | <u>149,565,246</u> | <u>46,065,351</u>   | <u>284,215,813</u> |

|                         | The Group         |                        |                   |                     |                    |
|-------------------------|-------------------|------------------------|-------------------|---------------------|--------------------|
|                         | 2013              |                        |                   |                     |                    |
|                         | Insurance         | Pensions and Annuities | Other Liabilities | Capital and Surplus | Total              |
|                         | \$'000            | \$'000                 | \$'000            | \$'000              | \$'000             |
| Quoted equities         | 15,754,421        | -                      | -                 | 3,145,914           | 18,900,335         |
| Investment properties   | -                 | -                      | -                 | 782,345             | 782,345            |
| Fixed income securities | 26,314,177        | 34,097,781             | 81,325,345        | 1,748,589           | 143,485,888        |
| Mortgages               | 365,216           | 1,037,732              | -                 | 947,762             | 2,350,710          |
| Other assets            | 1,021,093         | -                      | 773,375           | 30,996,553          | 32,791,020         |
|                         | <u>43,455,226</u> | <u>35,135,513</u>      | <u>82,098,716</u> | <u>37,620,843</u>   | <u>198,310,297</u> |

### 36. Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

|  | The Group        |                      |                 |                  |
|--|------------------|----------------------|-----------------|------------------|
|  | 2014             |                      |                 |                  |
|  | Group Annuities  | Individual Insurance | Group Insurance | Total            |
|  | \$'000           | \$'000               | \$'000          | \$'000           |
| Change in assumed investment yields and inflation rate                             | (555,563)        | (288,324)            | 3,642           | (840,245)        |
| Change due to the issuance of new policies and the decrements on in-force policies | 3,039,772        | 3,573,507            | 562,546         | 7,175,825        |
| Change due to other actuarial assumptions  | (138,806)        | (736,424)            | 62,863          | (812,367)        |
|  | <u>2,345,403</u> | <u>2,548,759</u>     | <u>629,051</u>  | <u>5,523,213</u> |

|  | The Group        |                      |                 |                  |
|--|------------------|----------------------|-----------------|------------------|
|  | 2013             |                      |                 |                  |
|  | Group Annuities  | Individual Insurance | Group Insurance | Total            |
|  | \$'000           | \$'000               | \$'000          | \$'000           |
| Change in assumed investment yields and inflation rate                             | 60,247           | 245,338              | 36,772          | 342,357          |
| Change due to the issuance of new policies and the decrements on in-force policies | 7,073,916        | 3,354,263            | 46,724          | 10,474,903       |
| Change due to other actuarial assumptions  | (1,556,232)      | (1,929,783)          | 145,594         | (3,340,421)      |
|  | <u>5,577,931</u> | <u>1,669,818</u>     | <u>229,090</u>  | <u>7,476,839</u> |

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### 36. Insurance Contract Liabilities (Continued)

#### (e) Policy assumptions

At each date for valuation of actuarial liabilities, the Appointed Actuary of each insurer reviews the assumptions made at the last valuation date. The Appointed Actuary tests the validity of each assumption by reference to current data, the Group's experience and where appropriate, changes the assumptions for the current valuation.

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

#### Life Insurance and Annuity Contracts

##### (i) Best estimate assumptions

Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

##### (ii) Mortality and morbidity

The assumptions are based on past group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 86-92 male and female aggregate mortality tables which are 15 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2013 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2013 for improvements in mortality.

##### (iii) Investment yields

The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses, investment income taxes and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 0.6% and 1.8%.

##### (iv) Lapses and persistency

Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 7% and 30% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% of insurance amounts in force. Partial withdrawal rates average about 16% of fund values available from policies in force.

### 36. Insurance Contracts Liabilities (Continued)

#### (e) Policy assumptions (continued)

#### Life Insurance and Annuity Contracts (continued)

##### (v) Policy expenses

Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 3 years and declines over the life of the policies such that real returns after 30 years are between 0.7% and 1.8%.

##### (vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions. The Group uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.

##### (vii) Asset default

The Appointed Actuary of each insurer includes a provision for asset default in the modeling of the cash flows. The provision is based on industry and the Group's experience and includes a specific margin for equity securities and combined margin for debt securities, mortgage loans and deposits.

##### (viii) Changes in assumptions

Every financial year, the expectations of the Group with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Group.

#### Health Insurance Contracts

The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No material claim settlements are anticipated after one year from the balance sheet date.

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### 37. Investment Contract Liabilities

|                             | <u>The Group</u>  |                   |
|-----------------------------|-------------------|-------------------|
|                             | 2014              | 2013              |
|                             | \$'000            | \$'000            |
| Amortised cost -            |                   |                   |
| Amounts on deposit          | 8,743,157         | 9,583,001         |
| Deposit administration fund | 3,126,468         | 3,150,075         |
| Other investment contracts  | <u>478,410</u>    | <u>527,217</u>    |
|                             | <u>12,348,035</u> | <u>13,260,293</u> |

All financial liabilities at fair value through profit or loss are designated by the Group to be in this measurement category. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Amounts on deposit comprise of Guaranteed Investor liabilities amounting to \$6,633,453 (2013 - \$5,958,667) and other policyholders' savings plans of \$2,109,704 (2013 - \$3,624,334).

Movement of the Deposit Administration Funds:

|                                      | <u>The Group</u> |                  |
|--------------------------------------|------------------|------------------|
|                                      | 2014             | 2013             |
|                                      | \$'000           | \$'000           |
| Balance at the beginning of the year | 3,150,075        | 3,271,323        |
| Deposits received                    | 274,784          | 384,246          |
| Interest earned                      | 185,341          | 200,345          |
| Service charges                      | (31,023)         | (29,493)         |
| Withdrawals                          | (453,621)        | (677,741)        |
| Revaluation adjustment               | <u>912</u>       | <u>1,395</u>     |
| Balance at the end of the year       | <u>3,126,468</u> | <u>3,150,075</u> |

These represent funds managed on behalf of pension plans administered by the Group and the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 168 (2013 - 187) clients in the company. The average interest rate paid by the company during the year was 5.85% (2013 - 5.97%).

### 38. Other Policy Liabilities

|   | <u>The Group</u> |                  |
|---|------------------|------------------|
|   | 2014             | 2013             |
|   | \$'000           | \$'000           |
| Insurance benefits payable                  | 2,056,864        | 1,821,228        |
| Provision for unearned premiums             | 125,719          | 124,216          |
| Policy dividends and other funds on deposit | <u>785,931</u>   | <u>766,980</u>   |
|   | <u>2,968,514</u> | <u>2,712,424</u> |

### 39. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to \$3,785,200,000 (2013 - \$3,178,180,000) are accrued to the account of the policyholders as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

### 40. Premium Income

(a) Gross premiums by line of business:

|                                | <u>The Group</u>  |                   |
|--------------------------------|-------------------|-------------------|
|                                | 2014              | 2013              |
|                                | \$'000            | \$'000            |
| Group insurance -              |                   |                   |
| Group creditor life            | 606,851           | 530,395           |
| Group health                   | 8,456,439         | 7,371,105         |
| Group life                     | <u>1,635,121</u>  | <u>1,660,004</u>  |
|                                | 10,698,411        | 9,561,504         |
| Individual insurance -         |                   |                   |
| Individual life -              |                   |                   |
| Insurance premium              | 10,246,016        | 9,475,163         |
| Segregated funds contributions | 4,905,570         | 4,216,834         |
| Individual health              | 384,232           | 358,043           |
| Individual annuities           | <u>83,308</u>     | <u>117,229</u>    |
|                                | 15,619,126        | 14,167,269        |
| Bulk annuities                 | 2,211,642         | 4,819,193         |
| Annuities                      | 1,284,382         | 1,291,602         |
| Property and casualty          | <u>321,612</u>    | <u>306,051</u>    |
|                                | <u>30,135,173</u> | <u>30,145,619</u> |

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### 40. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

|                       | The Group         |                   |
|-----------------------|-------------------|-------------------|
|                       | 2014<br>\$'000    | 2013<br>\$'000    |
| Group insurance -     |                   |                   |
| Group health          | 240,693           | 179,438           |
| Group life            | 63,927            | 90,213            |
|                       | <u>304,620</u>    | <u>269,651</u>    |
| Individual life       | 312,990           | 331,314           |
| Property and casualty | 348,775           | 320,158           |
|                       | <u>966,385</u>    | <u>921,123</u>    |
| Net premiums          | <u>29,168,788</u> | <u>29,224,496</u> |

(c) Net premiums by geography:

|                | The Group         |                   |
|----------------|-------------------|-------------------|
|                | 2014<br>\$'000    | 2013<br>\$'000    |
| Jamaica        | 27,287,169        | 27,664,892        |
| Cayman Islands | 1,881,619         | 1,559,604         |
|                | <u>29,168,788</u> | <u>29,224,496</u> |

### 41. Net Investment Income

|   | The Group          |                    |
|---|--------------------|--------------------|
|   | 2014<br>\$'000     | 2013<br>\$'000     |
| <b>Interest income -</b>                                |                    |                    |
| Short term deposits                                     | 22,545             | 10,831             |
| Financial assets at fair value through profit or loss   | 687,161            | 857,725            |
| Available-for-sale                                      | 6,981,119          | 5,696,269          |
| Loans and receivables                                   | 3,743,196          | 3,789,512          |
| Held to maturity  | -                  | 229,038            |
| Loans   | 2,929,674          | 1,117,757          |
| Policy loans  | 131,018            | 79,609             |
| Government securities purchased under resale agreements | 216,294            | 109,146            |
| Other   | 38,717             | 24,015             |
| Dividends   | 45,883             | 47,200             |
| Loss on debt exchange transactions                      | -                  | (1,038,817)        |
| Net foreign exchange gains                              | 1,063,552          | 443,371            |
| Net realised gains on investment securities             | 2,397,738          | 1,408,114          |
| Other investment (losses)/income                        | (92,019)           | (23,060)           |
|   | <u>18,164,878</u>  | <u>12,750,710</u>  |
| Impairment losses on equity investments                 | (738,183)          | (7,851)            |
| <b>Interest expense -</b>                               |                    |                    |
| Customer deposits and repurchase liabilities            | (3,798,155)        | (3,046,889)        |
| Due to banks and other financial institutions           | (238,063)          | (57,872)           |
| Investment contracts                                    | (558,628)          | (591,463)          |
| Other   | (279,533)          | (261,666)          |
|   | <u>(4,874,379)</u> | <u>(3,957,890)</u> |
| <b>Net investment income</b>                            | <u>12,552,316</u>  | <u>8,784,969</u>   |

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### 41. Net Investment Income (Continued)

|   | <u>The Company</u> |                |
|---|--------------------|----------------|
|   | 2014<br>\$'000     | 2013<br>\$'000 |
| <b>Interest income -</b>                                |                    |                |
| Financial assets at fair value through profit or loss   | 34,350             | -              |
| Available-for-sale                                      | 44,032             | -              |
| Loans and receivables                                   | 159,675            | -              |
| Government securities purchased under resale agreements | 6,266              | -              |
| Dividends from subsidiaries                             | 13,373,598         | -              |
| Dividend in specie from subsidiaries                    | 5,263,994          | -              |
| Net realised gains on investment securities             | (1,799)            | -              |
| <b>Interest expense -</b>                               |                    |                |
| Promissory notes  | (378,163)          | -              |
| <b>Net investment income</b>                            | <u>18,501,953</u>  | <u>-</u>       |

#### *Loss on debt exchange transactions*

In February 2013, the Group 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 \$60,651,448,000 for the Group 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 10).

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.

### 42. Fee and Other Income

|                          | <u>The Group</u> |                  |
|--------------------------|------------------|------------------|
|                          | 2014<br>\$'000   | 2013<br>\$'000   |
| Administration fees      | 1,443,886        | 1,285,968        |
| Other                    |                  |                  |
| Surrender charges        | 171,672          | 157,433          |
| Banking fees             | 591,201          | 74,760           |
| Credit related fees, net | 119,298          | 86,942           |
| Stockbrokerage fees      | 20,304           | 20,167           |
| Treasury fees            | 6,513            | 11,298           |
| Trust fees               | 54,728           | 43,967           |
| Corporate finance fees   | 37,772           | 21,977           |
| Foreign exchange gains   | 488,616          | 1,035,037        |
| Other operating income   | 901,195          | 1,571,733        |
| Miscellaneous fees       | 73,934           | 37,418           |
|                          | <u>3,909,119</u> | <u>4,346,700</u> |

### 43. Insurance Benefits and Claims

|                              | <u>The Group</u>                     |                             |                       | <u>2013</u>                  |
|------------------------------|--------------------------------------|-----------------------------|-----------------------|------------------------------|
|                              | <u>2014</u>                          |                             |                       |                              |
|                              | <b>Gross<br/>incurred<br/>\$'000</b> | <b>Reinsured<br/>\$'000</b> | <b>Net<br/>\$'000</b> | <b>Net Claims<br/>\$'000</b> |
| Death and disability         | 2,382,311                            | (43,367)                    | 2,338,944             | 2,238,505                    |
| Maturities                   | 29,740                               | -                           | 29,740                | 35,075                       |
| Surrenders and withdrawals   | 1,193,543                            | -                           | 1,193,543             | 1,101,281                    |
| Segregated funds withdrawals | 3,785,200                            | -                           | 3,785,200             | 3,178,100                    |
| Annuities payments           | 2,930,207                            | -                           | 2,930,207             | 2,523,396                    |
| Policy dividends and bonuses | 53,983                               | -                           | 53,983                | 55,987                       |
| Health insurance             | 6,598,362                            | (205,139)                   | 6,393,223             | 6,143,182                    |
| Other benefits               | 535,447                              | (13,584)                    | 521,863               | 478,971                      |
|                              | <u>17,508,793</u>                    | <u>(262,090)</u>            | <u>17,246,703</u>     | <u>15,754,497</u>            |

### 44. Finance Costs

Finance costs represent interest costs incurred on loans used for business development.

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### 45. Administration Expenses

|  | The Group         |                  | The Company    |                |
|--|-------------------|------------------|----------------|----------------|
|  | 2014<br>\$'000    | 2013<br>\$'000   | 2014<br>\$'000 | 2013<br>\$'000 |
| Auditors' remuneration -               |                   |                  |                |                |
| Current year                           | 72,430            | 65,716           | 7,000          | 3,500          |
| Prior year                             | 3,296             | 350              | 1,361          | -              |
| Office accommodation                   | 1,179,884         | 701,276          | -              | -              |
| Communication and technology           | 961,076           | 567,614          | -              | -              |
| Advertising and branding               | 480,578           | 241,123          | 3,750          | -              |
| Sales convention and incentives        | 136,313           | 135,229          | -              | -              |
| Postage, printing and office supplies  | 216,896           | 118,792          | 40             | -              |
| Policy stamp duties and reimbursements | 84,259            | 48,122           | -              | -              |
| Regulators fees                        | 166,982           | 183,511          | 3,425          | -              |
| Directors costs                        | 44,131            | 32,292           | 12,852         | -              |
| Legal and professional fees            | 289,183           | 127,134          | 42,357         | 12,500         |
| Legal claims                           | 30,310            | 216,676          | -              | -              |
| Services outsourced                    | 318,621           | 343,084          | -              | -              |
| Automated Service Fees                 | 92,735            | 15,466           | -              | -              |
| Commission and Fees                    | 135,353           | 115,341          | -              | -              |
| Insurance                              | 112,144           | 67,559           | -              | -              |
| Other expenses                         | 590,991           | 329,241          | -              | 3,488          |
| Staff cost (a)                         | 6,546,104         | 4,014,122        | 164,357        | -              |
|  | <u>11,461,285</u> | <u>7,322,648</u> | <u>235,142</u> | <u>19,488</u>  |

#### (a) Staff costs

|  | The Group        |                  |
|--|------------------|------------------|
|  | 2014<br>\$'000   | 2013<br>\$'000   |
| Salaries                                 | 3,748,255        | 2,899,444        |
| Payroll taxes                            | 444,056          | 299,086          |
| Pension costs (Note 21)                  | 1,018,898        | 290,902          |
| Other post-retirement benefits (Note 21) | 118,146          | 215,059          |
| Share based compensation                 | 124,179          | 111,449          |
| Restructuring costs                      | 525,555          | -                |
| Other                                    | 567,015          | 198,182          |
|  | <u>6,546,104</u> | <u>4,014,122</u> |

### 46. Commission and Sales Expense

Amount represents agents' commission and bonuses.

### 47. Taxation

(a) Tax is computed as follows:

|  | The Group      |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2014<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2013<br>\$'000 |
| Current year taxation -  |                |                |                |                |
| Investment income tax @ 15%  | 428,603        | 306,542        | -              | -              |
| Income tax at 33 1/3%  | 236,010        | 443,303        | -              | -              |
| Income tax at 25%  | 120            | -              | 60             | -              |
|  | 664,733        | 749,845        | 60             | -              |
| Deferred income tax (Note 22) -  |                |                |                |                |
| Deferred tax charge/(credit) relating to the origination and reversal of temporary differences | (366,225)      | (188,072)      | -              | -              |
| Taxation   | <u>298,508</u> | <u>561,773</u> | <u>60</u>      | <u>-</u>       |
| (b) Premium and other taxes:   |                |                |                |                |
| Premium tax @ 3%   | 461,232        | 426,007        | -              | -              |
| Asset tax @ 0.14%  | 177,114        | 189,292        | 100            | -              |
| Withholding tax  | 1,677          | 1,153          | -              | -              |
| Premium and other taxes  | <u>640,023</u> | <u>616,452</u> | <u>100</u>     | <u>-</u>       |

- (i) Investment tax applicable to the long term insurance business of the company is 15% on income, other than premium income, less certain expenses incurred in the generation of that income.
- (ii) Investment tax applicable to the health insurance business of the company is 15% of taxable profits of that line of business.
- (iii) Income tax at 33 1/3% is payable on taxable profits of Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Sagicor Group Jamaica Limited, Sagicor Property Services Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited and Sagicor International Administrators Limited.
- (iv) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of the company and certain subsidiary companies, available for set off against future taxable profits amount to approximately 738,313,000 (2013 - 19,488,000) and \$533,591,065 (2013 - \$19,488,000) respectively. No deferred tax asset has been calculated on the losses for the company, as these losses are not expected to be recovered in the foreseeable future.

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### 47. Taxation (Continued)

- (v) Premium tax charges for the company include tax on deposits relating to the segregated funds totalling \$4,374,543,000 (2013 - \$3,904,598,000). The income from these funds is not included in the financial statements of the company. The company recovers these charges through premium income charged to the funds for the provision of life insurance coverage.

In the prior year, a new asset tax was introduced at a rate of 0.14% of total assets less required capital and withholding taxes due from Tax Administration of Jamaica (TAJ).

In the current year, a minimum business tax of \$60,000 per annum was introduced for all companies.

- (c) Reconciliation of applicable tax charges to effective tax charge:

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Investment income tax -                             |                |                |
| Gross investment income                             | 18,164,878     | 12,750,710     |
| Tax at 15%  | 2,724,732      | 1,912,606      |
| Adjusted for:                                       |                |                |
| Deductible expenses                                 | (261,258)      | (241,303)      |
| Income not subject to tax                           | (619,457)      | (432,812)      |
| Net investment income not subject to investment tax | (1,646,559)    | (1,010,553)    |
| Expenses not deductible for tax purposes            | 119,484        | 44,176         |
| Net effect of other charges and allowances          | (14,441)       | (14,978)       |
|   | 302,501        | 257,136        |
| Income tax -  |                |                |
| Profit before taxation                              | 8,840,360      | 7,014,463      |
| Tax at 33½%   | 2,946,787      | 2,337,920      |
| Adjusted for:                                       |                |                |
| Investment income not subject to income tax         | (3,113,053)    | (2,009,460)    |
| Asset tax not deductible for tax purposes           | 1,256          | 52,002         |
| Prior year under provision                          | 24,718         | (1,744)        |
| Net effect of other charges and allowances          | 136,299        | (74,081)       |
|   | (3,993)        | 304,637        |
| Taxation expense                                    | 298,508        | 561,773        |

### 47. Taxation (Continued)

- (d) The tax (charge)/credit relating to components of other comprehensive income is as follows:

|   | The Group            |                                   |                     |                      |                                   |                     |
|---|----------------------|-----------------------------------|---------------------|----------------------|-----------------------------------|---------------------|
|   | 2014                 |                                   |                     | 2013                 |                                   |                     |
|   | Before tax<br>\$'000 | Tax (charge)/<br>credit<br>\$'000 | After tax<br>\$'000 | Before tax<br>\$'000 | Tax (charge)/<br>credit<br>\$'000 | After tax<br>\$'000 |
| Fair value (losses)/gains on available-for-sale investments | 783,724              | (164,402)                         | 619,322             | (2,327,694)          | 285,291                           | (2,042,403)         |
| Cash flow hedge   |                      |                                   |                     |                      | -                                 | -                   |
| Re-measurement of post-employment benefits                  | 1,330,557            | (183,033)                         | 1,147,524           | (1,426,197)          | 139,376                           | (1,286,821)         |
| Unrealised (losses)/gains on owner-occupied properties      | 85,691               | (5,142)                           | 80,549              | 146,452              | (3,153)                           | 143,299             |
| Retranslation of foreign operations                         | 537,832              |                                   | 537,832             | 1,345,070            | -                                 | 1,345,070           |
| Other comprehensive income                                  | 2,737,804            | (352,577)                         | 2,385,227           | (2,262,369)          | 421,514                           | (1,840,855)         |
| Deferred income taxes (Note 22)                             |                      | (352,577)                         |                     |                      | 421,514                           |                     |

### 48. Earnings per Stock Unit

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

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Net profit attributable to stockholders                         | 8,512,779      | 6,297,935      |
| Weighted average number of ordinary stock units in issue ('000) | 3,855,703      | 3,760,992      |
| Basic earnings per stock unit                                   | 2.21           | 1.67           |

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### 48. Earnings per Stock Unit (Continued)

- (ii) Diluted earnings per stock unit is calculated adjusting the weighted average number of ordinary stock unit outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

- (a) An Employee Share Ownership Plan.
- (b) Effective 1 May 2003, the Group instituted a share based compensation plan for Executives. A new long-term Incentive Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

The company adopted a policy not to issue new shares to satisfy the staff share ownership plans, options being exercised or grants being awarded. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Long-term Incentive Plan.

|   | The Group      |                |
|---|----------------|----------------|
|   | 2014<br>\$'000 | 2013<br>\$'000 |
| Net profit attributable to stockholders                         | 8,512,779      | 6,297,935      |
| Weighted average number of ordinary stock units in issue ('000) | 3,855,703      | 3,765,860      |
| Fully diluted earnings per stock unit                           | 2.21           | 1.67           |

- (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:

|  | The Group    |              |
|--|--------------|--------------|
|  | 2014<br>'000 | 2013<br>'000 |
| Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit   | 3,855,703    | 3,760,992    |
| Effect of dilutive potential ordinary stock units – stock options  | 3,420        | 4,868        |
| Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit | 3,859,123    | 3,765,860    |

### 49. Cash Flows

- (a) Operating activities

|   | The Group          |                |
|---|--------------------|----------------|
|   | 2014<br>\$'000     | 2013<br>\$'000 |
| Adjustments for non-cash items, interest and dividends:                   |                    |                |
| Depreciation and amortisation   | 586,734            | 464,120        |
| Impairment charge for customer relationship                               | 427,683            | -              |
| Interest income   | (14,906,113)       | (11,913,903)   |
| Interest expense and finance costs  | 40 4,874,395       | 3,957,890      |
| Income tax expense  | 46 298,508         | 561,773        |
| Premium and other tax expense   | 46 640,023         | 616,452        |
| Gain /(losses) on disposal of investment securities/investment properties | (2,847,252)        | 115,468        |
| Premium/discount amortised  | 226,039            | 203,432        |
| Fair value (gains)/losses on trading securities                           | (877,737)          | (517,212)      |
| Impairment charge on investments, loans and other assets                  | 777,128            | 56,233         |
| Share based compensation  | 31,941             | 28,992         |
| Gains/(losses) on revaluation of investment properties                    | 13 114,154         | (2,000)        |
| Gains on disposal of property, plant and equipment                        | (15,873)           | (1,399)        |
| (Decrease)/Increase in policyholders' funds                               | (657,651)          | 2,130,421      |
| Net movement in actuarial liabilities                                     | 5,523,213          | 7,476,839      |
| Retirement benefit obligations  | 618,448            | 378,354        |
| Effect of exchange gains on foreign currency balances                     | (488,616)          | (2,728,472)    |
| Gain on purchase of RBC Jamaica   | (3,211,180)        | -              |
| Share of (income)/loss from joint venture/gain on disposal of associate   | (6,309)            | 11,737         |
|   | <u>(8,892,465)</u> | <u>838,725</u> |

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### 49. Cash Flows (Continued)

(b) Changes in other operating assets and liabilities:

|  | <u>The Group</u>  |                  |
|--|-------------------|------------------|
|  | <b>2014</b>       | <b>2013</b>      |
|  | <b>\$'000</b>     | <b>\$'000</b>    |
| Changes in other operating assets and liabilities: |                   |                  |
| Statutory reserves at Bank of Jamaica              | (216,391)         | (231,992)        |
| Structured products and derivatives                | 2,001,748         | 1,050,597        |
| Stock grants                                       | 105,314           | 73,736           |
| Reinsurance contracts                              | (118,112)         | (17,714)         |
| Due from/(to) related parties                      | (10,595)          | 548,630          |
| Deposit and security liabilities                   | 23,531,240        | (628,940)        |
| Other assets, net                                  | (7,062,076)       | 1,754,358        |
| Other liabilities, net                             | <u>5,318,813</u>  | <u>455,604</u>   |
|  | <u>23,549,941</u> | <u>3,004,279</u> |

(c) Net investment purchases:

|   | <u>The Group</u>    |                     |
|---|---------------------|---------------------|
|   | <b>2014</b>         | <b>2013</b>         |
|   | <b>\$'000</b>       | <b>\$'000</b>       |
| Proceeds on sale of investment securities | 44,033,979          | 44,759,599          |
| Proceeds on sale of investment properties | -                   | 1,799,595           |
| Purchase of investment securities         | (59,993,253)        | (59,753,331)        |
| Purchase of investment property           | (181,054)           | (142,035)           |
| Loans                                     | (3,439,902)         | 22,355              |
| Lease receivables                         | <u>(8,573)</u>      | <u>(41,599)</u>     |
|   | <u>(19,588,803)</u> | <u>(13,355,416)</u> |

(d) Investing Activities

|   | <u>The Group</u> |                  |
|---|------------------|------------------|
| Note  | <b>2014</b>      | <b>2013</b>      |
|   | <b>\$'000</b>    | <b>\$'000</b>    |
| Property, plant and equipment, net                  |                  |                  |
| Purchase of property, plant and equipment           | 19 (483,861)     | (191,396)        |
| Proceeds from sale of property, plant and equipment | <u>32,795</u>    | <u>1,744</u>     |
|   | <u>(451,066)</u> | <u>(189,652)</u> |

### 50. Fair Values 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 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 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 prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or 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 year end date. The estimated fair value of fixed interest bearing deposits 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 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.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

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### 50. Fair Values 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's statement of financial position at their fair value:

|   | The Group         |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Carrying Value    | Fair Value        | Carrying Value    | Fair Value        |
|   | 2014              | 2014              | 2013              | 2013              |
|   | \$000             | \$000             | \$000             | \$000             |
| <b>Financial Assets</b>                           |                   |                   |                   |                   |
| Financial investments - held to maturity          | 2,328,071         | 2,412,449         | 2,141,145         | 2,169,269         |
| Financial investments – loans and receivables     | 47,212,880        | 49,091,761        | 43,487,299        | 42,932,371        |
| Loans & leases, after allowance for credit losses | <u>38,808,048</u> | <u>39,595,778</u> | <u>10,821,201</u> | <u>10,458,853</u> |
| <b>Financial Liabilities</b>                      |                   |                   |                   |                   |
| Securities sold under agreements to repurchase    | 76,002,302        | 75,168,115        | 55,630,546        | 55,740,253        |
| Customer deposits and other accounts              | 53,589,012        | 55,755,710        | 11,881,676        | 13,598,851        |
| Due to banks and other financial institutions     | <u>19,698,839</u> | <u>19,650,749</u> | <u>16,716,280</u> | <u>16,710,851</u> |

|   | The Company      |                  |                |            |
|---|------------------|------------------|----------------|------------|
|   | Carrying Value   | Fair Value       | Carrying Value | Fair Value |
|   | 2014             | 2014             | 2013           | 2013       |
|   | \$000            | \$000            | \$000          | \$000      |
| <b>Financial Assets</b>                       |                  |                  |                |            |
| Financial investments – loans and receivables | <u>3,176,822</u> | <u>3,144,775</u> | -              | -          |

### 50. Fair Values 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 2014, 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;
- (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<br>2014 |                   |                  |                    |
|---|-------------------|-------------------|------------------|--------------------|
|   | Level 1           | Level 2           | Level 3          | Total              |
| <b>Financial Assets</b>                                       |                   |                   |                  |                    |
| Financial investments   | 39,963,751        | 90,703,116        | 1,901,926        | 132,568,793        |
| Pledged assets  | -                 | 8,402,683         | -                | 8,402,683          |
| Derivative financial instruments                              | -                 | 761,732           | -                | 761,732            |
|   | <u>39,963,751</u> | <u>99,867,531</u> | <u>1,901,926</u> | <u>141,733,208</u> |
| <b>Financial Liabilities</b>                                  |                   |                   |                  |                    |
| Liabilities under annuity, investment and insurance contracts |                   |                   |                  |                    |
| Derivative financial instruments                              | -                 | 716,186           | -                | 716,186            |
| Structured products   | -                 | -                 | -                | -                  |
|   | <u>-</u>          | <u>716,186</u>    | <u>-</u>         | <u>716,186</u>     |

|   | The Group<br>2013 |                   |                  |                    |
|---|-------------------|-------------------|------------------|--------------------|
|   | Level 1           | Level 2           | Level 3          | Total              |
| <b>Financial Assets</b>                                       |                   |                   |                  |                    |
| Financial investments   | 36,912,188        | 76,253,943        | 1,659,427        | 114,825,452        |
| Pledged assets  | -                 | 3,278,856         | -                | 3,278,856          |
| Derivative financial instruments                              | -                 | 3,019,597         | -                | 3,019,597          |
|   | <u>36,912,188</u> | <u>82,552,396</u> | <u>1,659,427</u> | <u>121,123,905</u> |
| <b>Financial Liabilities</b>                                  |                   |                   |                  |                    |
| Liabilities under annuity, investment and insurance contracts |                   |                   |                  |                    |
| Derivative financial instruments                              | -                 | 3,170,941         | -                | 3,170,941          |
| Structured products   | -                 | -                 | -                | -                  |
|   | <u>-</u>          | <u>3,170,941</u>  | <u>-</u>         | <u>3,170,941</u>   |

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### 50. Fair Values of Financial Instruments (Continued)

Reconciliation of level 3 items -

|                                | <u>The Group</u> |                  |
|--------------------------------|------------------|------------------|
|                                | 2014             | 2013             |
|                                | \$'000           | \$'000           |
| Balance at beginning of year   | 1,659,427        | 3,635,521        |
| Total gains – income statement | 153,230          | 77,887           |
| Purchases                      | 89,269           | 53,099           |
| Transfer to level 2            | -                | (2,107,080)      |
| Settlements                    | -                | -                |
| Balance at end of year         | <u>1,901,926</u> | <u>1,659,427</u> |

The gains or losses recorded in the income statement are included in Note 40. The transfer from level 3 to 2 is attributable to changes in observability of market data.

The carrying value (excluding accrued interest) (Note 23) and fair value of investment securities classified as loans and receivables were as follows:

|                      | <u>The Group</u>  |                   |
|----------------------|-------------------|-------------------|
|                      | Carrying Value    | Fair Value        |
|                      | \$'000            | \$'000            |
| At December 31, 2014 | 46,447,548        | 48,326,429        |
| At December 31, 2013 | <u>42,852,092</u> | <u>42,297,164</u> |

Similar to debt securities classified as available-for-sale, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

### 51. Insurance and Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and 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 has a risk management framework with clear terms of reference. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Group's risk management, control and business conduct standards for the Group's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

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 risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as follows:

(i) Board Audit Committee

The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Group's risk management policies and adequacy of the risk management framework to risks faced by the Group;
- Reviews the Group's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements; and
- Reviews the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Board Investment Committee

The Board Investment Committee comprises independent directors. As part of its Terms of Reference, the Committee:

- Oversees the Group's financial risk management framework.
- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

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### 51. Insurance and Financial Risk Management (Continued)

(iii) Asset/Liability Management (ALM) Committee

The Group has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks including, interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

(iv) Anti-Money Laundering (AML)

The Group has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing required reports with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance

The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

(vi) Enterprise Risk Management

The Group utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

The most important types of risk facing the Group are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

### 51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk

The Group issues both short term and long term contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts

Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(i) Frequency and severity of claims

For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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### 51. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Long term insurance contracts

##### (i) Frequency and severity of claims (continued)

For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 50(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

| Individual Life Benefits Assured per Life ('000) | The Group                       |     |                                |     |
|--|---------------------------------|-----|--------------------------------|-----|
|  | Total Benefits Insured          |     |                                |     |
|  | Before<br>Reinsurance<br>\$'000 | %   | After<br>Reinsurance<br>\$'000 | %   |
| 2014   |                                 |     |                                |     |
| 0 - 200  | 111,403,881                     | 11  | 101,126,241                    | 11  |
| 200 - 400  | 439,341,621                     | 44  | 422,458,276                    | 45  |
| 400 - 800  | 66,218,105                      | 7   | 56,174,633                     | 6   |
| 800 - 1000                                       | 29,131,101                      | 3   | 24,261,084                     | 3   |
| More than 1,000                                  | 350,672,979                     | 35  | 328,668,889                    | 35  |
| Total  | 996,767,687                     | 100 | 932,689,123                    | 100 |

| Individual Life Benefits Assured per Life ('000) | The Group                       |     |                                |     |
|--|---------------------------------|-----|--------------------------------|-----|
|  | Total Benefits Insured          |     |                                |     |
|  | Before<br>Reinsurance<br>\$'000 | %   | After<br>Reinsurance<br>\$'000 | %   |
| 2013   |                                 |     |                                |     |
| 0 - 200  | 104,756,306                     | 11  | 94,156,740                     | 11  |
| 200 - 400  | 87,884,761                      | 10  | 76,714,883                     | 9   |
| 400 - 800  | 87,745,942                      | 10  | 78,290,241                     | 9   |
| 800 - 1000                                       | 83,395,507                      | 9   | 78,324,147                     | 9   |
| More than 1,000                                  | 544,341,338                     | 60  | 514,628,350                    | 62  |
| Total  | 908,123,854                     | 100 | 842,114,361                    | 100 |

### 51. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Long term insurance contracts (continued)

##### (i) Frequency and severity of claims (continued)

The table below represents the company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

| Group Life Benefits<br>Assured per Life ('000) | The Group                       |     |                                |     |
|--|---------------------------------|-----|--------------------------------|-----|
|  | Total Benefits Insured          |     |                                |     |
|  | Before<br>Reinsurance<br>\$'000 | %   | After<br>Reinsurance<br>\$'000 | %   |
| 2014   |                                 |     |                                |     |
| 0 - 200  | 27,128,290                      | 4   | 17,630,147                     | 3   |
| 200 - 400                                      | 3,824,031                       | 1   | 1,736,194                      | -   |
| 400 - 800                                      | 577,851                         | -   | 400,501                        | -   |
| 800 - 1,000                                    | 41,077                          | -   | 41,077                         | -   |
| More than 1,000                                | 559,822,986                     | 95  | 557,292,605                    | 97  |
|  | 591,394,235                     | 100 | 577,100,524                    | 100 |

| Group Life Benefits<br>Assured per Life ('000) | The Group                       |     |                                |     |
|--|---------------------------------|-----|--------------------------------|-----|
|  | Total Benefits Insured          |     |                                |     |
|  | Before<br>Reinsurance<br>\$'000 | %   | After<br>Reinsurance<br>\$'000 | %   |
| 2013   |                                 |     |                                |     |
| 0 - 200  | 26,168,381                      | 5   | 17,139,537                     | 4   |
| 200 - 400                                      | 3,178,065                       | 1   | 1,496,248                      | -   |
| 400 - 800                                      | 792,211                         | -   | 357,374                        | -   |
| 800 - 1,000                                    | 31,102                          | -   | 31,102                         | -   |
| More than 1,000                                | 462,380,854                     | 94  | 460,991,190                    | 96  |
|  | 492,550,613                     | 100 | 480,015,451                    | 100 |

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### 51. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Long term insurance contracts (continued)

##### (i) Frequency and severity of claims (continued)

The following tables for the company's annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

| Annuity Payable per annum per annuitant ('000) | The Group              |     |
|--|------------------------|-----|
|  | Total Benefits Insured |     |
| 2014   | \$'000                 | %   |
| 0 – 20   | 40,374                 | 2   |
| 20 - 40  | 60,701                 | 2   |
| 40 - 80  | 76,431                 | 3   |
| 80 - 100                                       | 34,420                 | 1   |
| More than 100                                  | 2,474,184              | 92  |
| Total  | 2,686,109              | 100 |

| Annuity Payable per annum per annuitant ('000) | The Group              |     |
|--|------------------------|-----|
|  | Total Benefits Insured |     |
| 2013   | \$'000                 | %   |
| 0 - 20   | 38,391                 | 2   |
| 20 - 40  | 57,608                 | 2   |
| 40 - 80  | 71,506                 | 46  |
| 80 - 100                                       | 44,437                 | -   |
| More than 100                                  | 2,281,276              | 50  |
| Total  | 2,493,218              | 100 |

### 51. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

##### (i) Frequency and severity of claims (continued)

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

##### (ii) Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

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### 51. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

Long term insurance contracts (continued)

##### (iii) Process used in deriving assumptions

The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Group determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 35(e) for detail policy assumptions.

##### Short-duration life and health insurance contracts

Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 50(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:

- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

### 51. Insurance and Financial Risk Management (Continued)

#### (a) Insurance risk (continued)

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

##### (i) Frequency and severity of claims

These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 50(b) for retention limits.

##### (ii) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

##### (iii) Process used in deriving assumptions

The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 35(e) for detail policy assumptions.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

##### Short-duration property and casualty insurance contracts

##### Casualty insurance risks

Certain casualty risks for the Group and its affiliates are covered through the subsidiary, Sagicor Re Insurance Company Limited.

The frequency and severity of casualty claims can be affected by several factors. The most significant casualty risks under the professional indemnity, directors and officers liability, medical malpractice, contractors all risk, employer's liability and public liability policies are slip and fall accidents at the insured premises, and damage to areas occupied or contents at the insured premises due to blocked drains or burst pipes. In addition, increasing level of awards, the increasing number of cases coming to court and inflation all impact on ultimate claims costs. The Group manages these risks through its underwriting strategy and proactive claims handling. The underwriting strategy concentrates on fully reinsuring the exposures to casualty risks.

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## 51. Insurance and Financial Risk Management (Continued)

### (a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

#### (ii) Property insurance risks

Property risks for the Group and its affiliates are covered through one of its subsidiaries, Sagicor Re Insurance Company Limited (Sagicor Re).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims). For certain contracts, there is a maximum amount payable for claims in any policy year.

The Sagicor Re has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

All of the property and casualty risks insured by Sagicor Re are reinsured with unrelated reinsurance companies. However, in the event that these reinsurers are unable to meet their obligations under the reinsurance agreements, Sagicor Re would be liable to pay the gross amount of settled claims, subject to a "catch all clause". Sagicor Re mitigates the risks associated with failure of its reinsurers by transacting only with well-established reinsurance companies. The reinsurers are primarily located in Europe, however, a portion of reinsurance is placed with reinsurers located in the Caribbean.

### (b) Reinsurance risk

To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

For its property risks, the Group uses facultative reinsurance on a quota share and layered basis to cover single events and multiple claims arising from catastrophes. The insurer may be required to pay an additional premium to reinstate the reinsurance coverage where a claim exhausts the reinsurance limit.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

## 51. Insurance and Financial Risk Management (Continued)

### (b) Reinsurance risk (continued)

Retention limits represent the level of risk retained by the insurer. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarised below:

| Type of insurance contract                | Retention by insurers   |
|---|---|
| Health insurance contracts with groups    | Retention per individual to a maximum J\$1,000,000.                     |
| Life insurance contracts with individuals | Retention per individual to a maximum of J\$35,000,000 and US\$500,000. |
| Life insurance contracts with groups      | Retention per individual to a maximum of J\$35,000,000 and US\$100,000. |

### (c) Cash flow and fair value interest rate risk

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 35(e) for further details).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

#### (i) Long term traditional insurance contracts and some investment contracts

Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

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### 51. Insurance and Financial Risk Management (Continued)

#### (c) Cash flow and fair value interest rate risk (continued)

- (ii) Long term insurance contracts and investment contracts without fixed terms  
For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to \$198,166,166 (2013 - \$185,910,000) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

- (iii) Short term contracts  
For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Group and company's interest rate gap based on earlier of contractual repricing or maturity dates.

The disclosures provided in this note are based on the Group and company's investment portfolio as at 31 December 2014 and 2013.

### 51. Insurance and Financial Risk Management (Continued)

#### (c) Cash flow and fair value interest rate risk (continued)

|   | The Group                        |                    |                  |                   |                   |                         | Total              |
|---|----------------------------------|--------------------|------------------|-------------------|-------------------|-------------------------|--------------------|
|   | 2014                             |                    |                  |                   |                   |                         |                    |
|   | Immediately<br>Rate<br>Sensitive | Within 3<br>months | 3-12<br>months   | 1-5<br>years      | Over 5<br>years   | Non-Interest<br>bearing |                    |
| \$000   | \$000                            | \$000              | \$000            | \$000             | \$000             | \$000                   |                    |
| <b>Assets</b>                                     |                                  |                    |                  |                   |                   |                         |                    |
| Cash resources                                    | 18,261,239                       | -                  | -                | -                 | -                 | 2,812,358               | 21,073,597         |
| Cash reserve at Bank of Jamaica                   | 5,492,491                        | -                  | -                | -                 | -                 | -                       | 5,492,491          |
| Financial investments and pledged assets          | -                                | 36,862,522         | 4,561,062        | 36,680,705        | 95,086,643        | 18,306,777              | 191,497,709        |
| Derivative financial instruments                  | -                                | 571,444            | -                | -                 | -                 | 190,288                 | 761,732            |
| Loans & leases, after allowance for credit losses | -                                | 29,838,875         | 1,820,060        | 4,650,087         | 2,294,542         | 204,485                 | 38,808,049         |
| Reinsurance contracts                             | -                                | -                  | -                | -                 | -                 | 380,822                 | 380,822            |
| Other assets                                      | -                                | -                  | -                | -                 | -                 | 9,024,788               | 9,024,788          |
| <b>Non-financial assets:</b>                      |                                  |                    |                  |                   |                   |                         |                    |
| Investment properties                             | -                                | -                  | -                | -                 | -                 | 871,888                 | 871,888            |
| Investment in joint venture                       | -                                | -                  | -                | -                 | -                 | 738,718                 | 738,718            |
| Intangible assets                                 | -                                | -                  | -                | -                 | -                 | 4,617,001               | 4,617,001          |
| Property, plant and equipment                     | -                                | -                  | -                | -                 | -                 | 3,506,736               | 3,506,736          |
| Deferred income taxes                             | -                                | -                  | -                | -                 | -                 | 3,018,293               | 3,018,293          |
| Taxation recoverable                              | -                                | -                  | -                | -                 | -                 | 3,114,495               | 3,114,495          |
| Retirement benefit Assets                         | -                                | -                  | -                | -                 | -                 | 58,912                  | 58,912             |
| Other assets                                      | -                                | -                  | -                | -                 | -                 | 1,250,582               | 1,250,582          |
| <b>Total assets</b>                               | <b>23,753,730</b>                | <b>67,272,841</b>  | <b>6,381,122</b> | <b>41,330,792</b> | <b>97,381,185</b> | <b>48,096,143</b>       | <b>284,215,813</b> |

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### 51. Insurance and Financial Risk Management (Continued)

#### (c) Cash flow and fair value interest rate risk (continued)

|  | The Group                        |                     |                     |                     |                   |                             |                   |
|--|----------------------------------|---------------------|---------------------|---------------------|-------------------|-----------------------------|-------------------|
|  | 2014                             |                     |                     |                     |                   |                             |                   |
|  | Immediately<br>Rate<br>Sensitive | Within 3<br>months  | 3-12<br>months      | 1-5 years           | Over 5<br>years   | Non-<br>Interest<br>bearing | Total             |
| \$000  | \$000                            | \$000               | \$000               | \$000               | \$000             | \$000                       |                   |
| <b>Liabilities</b>   |                                  |                     |                     |                     |                   |                             |                   |
| Deposit and security liabilities                                   | -                                | 113,421,654         | 32,728,772          | 3,448,755           | 763,722           | 1,221,479                   | 151,584,382       |
| Derivative financial instruments                                   | -                                | 525,854             | -                   | -                   | -                 | 190,332                     | 716,186           |
| Other liabilities  | -                                | -                   | -                   | -                   | -                 | 10,631,301                  | 10,631,301        |
| Insurance contracts liabilities                                    | -                                | 744,783             | 2,339,451           | 11,203,061          | 39,018,448        | 2,520,568                   | 55,826,311        |
| Investment contracts liabilities                                   | -                                | 7,638,002           | 2,271,288           | 2,438,745           | -                 | -                           | 12,348,035        |
| Other policy liabilities   | -                                | 785,931             | -                   | -                   | -                 | 2,182,583                   | 2,968,514         |
| <b>Non-financial liabilities:</b>                                  |                                  |                     |                     |                     |                   |                             |                   |
| Taxation payable   | -                                | -                   | -                   | -                   | -                 | 714,632                     | 714,632           |
| Retirement benefit obligations                                     | -                                | -                   | -                   | -                   | -                 | 3,361,094                   | 3,361,094         |
| Total liabilities  | -                                | 123,116,224         | 37,339,511          | 17,090,561          | 39,782,170        | 20,821,989                  | 238,150,455       |
| <b>On statement of financial position interest sensitivity gap</b> | <b>23,753,730</b>                | <b>(55,843,383)</b> | <b>(30,958,389)</b> | <b>24,240,231</b>   | <b>57,599,015</b> | <b>27,274,154</b>           | <b>46,065,358</b> |
| <b>Cumulative interest sensitivity gap</b>                         | <b>23,753,730</b>                | <b>(32,089,653)</b> | <b>(63,048,042)</b> | <b>(38,807,811)</b> | <b>18,791,204</b> | <b>46,065,358</b>           |                   |

### 51. Insurance and Financial Risk Management (Continued)

#### (c) Cash flow and fair value interest rate risk (continued)

|   | The Group                        |                    |                |              |                 |                         |             |
|---|----------------------------------|--------------------|----------------|--------------|-----------------|-------------------------|-------------|
|   | 2013                             |                    |                |              |                 |                         |             |
|   | Immediately<br>Rate<br>Sensitive | Within 3<br>months | 3-12<br>months | 1-5<br>years | Over 5<br>years | Non-Interest<br>bearing | Total       |
| \$000   | \$000                            | \$000              | \$000          | \$000        | \$000           | \$000                   |             |
| <b>Assets</b>                                     |                                  |                    |                |              |                 |                         |             |
| Cash resources                                    | 3,497,442                        | -                  | -              | -            | -               | 584,921                 | 4,082,363   |
| Cash reserve at Bank of Jamaica                   | 993,331                          | -                  | -              | -            | -               | -                       | 993,331     |
| Financial investments and pledged assets          | -                                | 28,961,031         | 2,544,125      | 32,614,674   | 84,231,439      | 16,716,263              | 165,067,532 |
| Derivative financial instruments                  | -                                | -                  | -              | 2,633,587    | -               | 386,010                 | 3,019,597   |
| Loans & leases, after allowance for credit losses | -                                | 2,951,244          | 1,017,503      | 5,056,208    | 1,695,124       | 101,122                 | 10,821,201  |
| Reinsurance contracts                             | -                                | -                  | -              | -            | -               | 262,710                 | 262,710     |
| Other assets                                      | -                                | -                  | -              | -            | -               | 2,705,409               | 2,705,409   |
| <b>Non-financial assets:</b>                      |                                  |                    |                |              |                 |                         |             |
| Investment properties                             | -                                | -                  | -              | -            | -               | 782,345                 | 782,345     |
| Investment in joint venture                       | -                                | -                  | -              | -            | -               | 639,235                 | 639,235     |
| Investment in associated companies                | -                                | -                  | -              | -            | -               | -                       | -           |
| Intangible assets                                 | -                                | -                  | -              | -            | -               | 4,015,509               | 4,015,509   |
| Property, plant and equipment                     | -                                | -                  | -              | -            | -               | 1,676,573               | 1,676,573   |
| Deferred income taxes                             | -                                | -                  | -              | -            | -               | 298,107                 | 298,107     |
| Taxation recoverable                              | -                                | -                  | -              | -            | -               | 2,327,391               | 2,327,391   |
| Other assets                                      | -                                | -                  | -              | -            | -               | 1,618,994               | 1,618,994   |
| Total assets                                      | 4,490,773                        | 31,912,275         | 3,561,628      | 40,304,469   | 85,926,563      | 32,114,589              | 198,310,297 |

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### 51. Insurance and Financial Risk Management (Continued)

#### (c) Cash flow and fair value interest rate risk (continued)

|  | The Group                        |                    |                |              |                 |                             |             |
|--|----------------------------------|--------------------|----------------|--------------|-----------------|-----------------------------|-------------|
|  | 2013                             |                    |                |              |                 |                             |             |
|  | Immediately<br>Rate<br>Sensitive | Within 3<br>months | 3-12<br>months | 1-5 years    | Over 5<br>years | Non-<br>Interest<br>bearing | Total       |
| \$000  | \$000                            | \$000              | \$000          | \$000        | \$000           | \$000                       |             |
| <b>Liabilities</b>   |                                  |                    |                |              |                 |                             |             |
| Deposit and security liabilities                                   | -                                | 67,030,553         | 12,856,198     | 4,581,343    | 816,072         | 785,558                     | 86,069,724  |
| Derivative financial instruments                                   | -                                | -                  | -              | 2,773,629    | -               | 397,312                     | 3,170,941   |
| Other liabilities  | -                                | -                  | -              | -            | -               | 3,855,556                   | 3,855,556   |
| Segregated funds   | -                                | -                  | -              | -            | -               | -                           | -           |
| Insurance contracts liabilities                                    | -                                | 671,801            | 2,044,642      | 12,087,868   | 31,825,080      | 1,936,340                   | 48,565,731  |
| Investment contracts liabilities                                   | -                                | 7,301,060          | 2,069,471      | 3,889,762    | -               | -                           | 13,260,293  |
| Other policy liabilities   | -                                | 766,979            | -              | -            | -               | 1,945,445                   | 2,712,424   |
| <b>Non-financial liabilities:</b>                                  |                                  |                    |                |              |                 |                             |             |
| Taxation payable   | -                                | -                  | -              | -            | -               | 394,373                     | 394,373     |
| Deferred income taxes  | -                                | -                  | -              | -            | -               | 1,144                       | 1,144       |
| Retirement benefit obligations                                     | -                                | -                  | -              | -            | -               | 2,659,268                   | 2,659,268   |
| Total liabilities  | -                                | 75,770,393         | 16,970,311     | 23,332,602   | 32,641,152      | 11,974,996                  | 160,689,454 |
| <b>On statement of financial position interest sensitivity gap</b> | 4,490,773                        | (43,858,118)       | (13,408,683)   | 16,971,867   | 53,285,411      | 20,139,593                  | 37,620,843  |
| <b>Cumulative interest sensitivity gap</b>                         | 4,490,773                        | (39,367,345)       | (52,776,028)   | (35,804,161) | 17,481,250      | 37,620,843                  |             |

### 51. Insurance and Financial Risk Management (Continued)

#### (c) Cash flow and fair value interest rate risk (continued)

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

|   | The Group                        |                    |                   |                 |                 |                     |
|---|----------------------------------|--------------------|-------------------|-----------------|-----------------|---------------------|
|   | 2014                             |                    |                   |                 |                 |                     |
|   | Immediately<br>rate<br>sensitive | Within 3<br>months | 3 to 12<br>months | 1 to 5<br>Years | Over 5<br>Years | Weighted<br>Average |
| %   | %                                | %                  | %                 | %               | %               |                     |
| Cash resources  | 0.07                             | -                  | -                 | -               | -               | 0.07                |
| Investments <sup>(1)</sup>                            | -                                | 7.98               | 4.25              | 6.99            | 7.81            | 6.74                |
| Loans   | 16.96                            | 10.77              | 8.49              | 11.68           | 9.86            | 11.63               |
| Mortgages <sup>(2)</sup>                              | -                                | 9.45               | 9.45              | 9.45            | 9.45            | 9.45                |
| Policy loans  | -                                | -                  | -                 | -               | 14.58           | 14.58               |
| Investment contracts                                  | -                                | 4.39               | 4.39              | 4.39            | 4.39            | 4.39                |
| Bank overdraft  | 19.00                            | -                  | -                 | -               | -               | 19.00               |
| Deposits  | -                                | 3.0                | 2.79              | 5.80            | -               | 3.04                |
| Amounts due to banks and other financial institutions | -                                | 4.67               | 6.95              | 6.74            | 4.76            | 5.80                |

|   | The Group                        |                    |                   |                 |                 |                     |
|---|----------------------------------|--------------------|-------------------|-----------------|-----------------|---------------------|
|   | 2013                             |                    |                   |                 |                 |                     |
|   | Immediately<br>rate<br>sensitive | Within 3<br>months | 3 to 12<br>months | 1 to 5<br>Years | Over 5<br>Years | Weighted<br>Average |
| %   | %                                | %                  | %                 | %               | %               |                     |
| Cash resources  | 0.17                             | -                  | -                 | -               | -               | 0.17                |
| Investments <sup>(1)</sup>                            | -                                | 7.15               | 6.93              | 11.28           | 9.01            | 9.90                |
| Loans   | 16.26                            | 10.63              | 28.61             | 24.70           | 8.93            | 18.94               |
| Mortgages <sup>(2)</sup>                              | -                                | 10.21              | 10.21             | 10.21           | 10.21           | 10.21               |
| Policy loans  | -                                | -                  | -                 | -               | 8.71            | 8.71                |
| Investment contracts                                  | -                                | 3.97               | 3.97              | 3.97            | 3.97            | 3.97                |
| Bank overdraft  | 22.87                            | -                  | -                 | -               | -               | 22.87               |
| Deposits  | -                                | 8.15               | 7.46              | 8.54            | 2.51            | 8.42                |
| Amounts due to banks and other financial institutions | -                                | 7.96               | 6.71              | 7.77            | 4.76            | 7.42                |

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

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## 51. Insurance and Financial Risk Management (Continued)

### (c) Cash flow and fair value interest rate risk (continued)

#### Sensitivity

Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 51.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

### (d) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. 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 which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes

Key areas where the Group is exposed to credit risk are:

- (i) Reinsurers' share of insurance liabilities – see Note 50(b) for details of reinsurance risk.
- (ii) Amounts due from reinsurers in respect of claims already paid.
- (iii) Loans, leases, mortgages and investments

#### **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:

| Group's rating | Description of the grade |
|----------------|--------------------------|
| 1              | Standard                 |
| 2              | Potential Problem Credit |
| 3              | Sub-Standard             |
| 4              | Doubtful                 |
| 5              | Loss                     |

## 51. Insurance and Financial Risk Management (Continued)

### (d) Credit risk (continued)

#### **Credit review process (continued)**

#### (i) Loans and leases (continued)

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. 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 and cash

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. It does not generally require collateral in respect of other financial assets, mainly premiums receivable. There is a credit policy in place to minimise the Group's exposure to credit risk. Limits may be placed on the amount of risk accepted in relation to one borrower. 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. At the year end date, the only significant concentration of credit risk related to the Group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

#### **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 implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – cash and near cash securities, mortgages over commercial and residential properties, charges over business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles.

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

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

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

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### 51. Insurance and Financial Risk Management (Continued)

#### (d) Credit risk (continued)

##### **Impairment loss provision methodology**

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 in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds 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 year end date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

In addition, collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

##### **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 recognized on the statement of financial position, they do not 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 recognized for financial reporting purposes only for losses that have been incurred at the year end 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 under IAS 39, 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 (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

### 51. Insurance and Financial Risk Management (Continued)

#### (d) Credit risk (continued)

The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two rating classes (doubtful and loss). The tables below show the Group's loans and leases and the associated impairment provision for each internal rating classes:

##### **Group and company's rating**

|                          | The Group                  |                                |                            |                                |
|--------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                          | 2014                       |                                | 2013                       |                                |
|                          | Loans and leases<br>\$'000 | Impairment Provision<br>\$'000 | Loans and leases<br>\$'000 | Impairment provision<br>\$'000 |
| Standard                 | 31,030,120                 | -                              | 10,238,316                 | -                              |
| Potential Problem Credit | 5,431,387                  | -                              | 322,604                    | -                              |
| Sub-Standard             | 757,296                    | 41,457                         | 127,152                    | 38,063                         |
| Doubtful                 | 615,952                    | 176,554                        | 113,305                    | 35,328                         |
| Loss                     | 3,280,878                  | 2,089,574                      | 272,177                    | 178,962                        |
|                          | <u>41,115,633</u>          | <u>2,307,585</u>               | <u>11,073,554</u>          | <u>252,353</u>                 |

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### 51. Insurance and Financial Risk Management (Continued)

#### (d) Credit risk (continued)

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

The following table represents a worst case scenario of credit risk exposure to the Group at 31 December 2014 and 2013, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

|   | The Group          |                    |
|---|--------------------|--------------------|
|   | Maximum exposure   |                    |
|   | 2014               | 2013               |
|   | \$'000             | \$'000             |
| <b>Credit risk exposures relating to on-statement of financial position are as follows:</b>               |                    |                    |
| Cash and balances due from other financial institutions (excluding cash on hand)                          | 19,727,083         | 5,233,139          |
| Investment securities   | 175,508,833        | 149,880,190        |
| Loans & leases, net of allowance for credit losses  | 38,808,049         | 10,821,201         |
| Reinsurance contracts   | 380,822            | 262,710            |
| Other assets  | 9,024,788          | 2,705,409          |
|   | <u>243,449,575</u> | <u>168,902,649</u> |
| <b>Credit risk exposures relating to items not on the statement of financial position are as follows:</b> |                    |                    |
| Loan commitments  | 7,372,301          | 2,136,244          |
| Guarantees and letters of credit  | 2,026,832          | 1,311,358          |
|   | <u>9,399,133</u>   | <u>3,447,602</u>   |

#### Loans and leases

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

|                                   | The Group         |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | 2014              | 2013              |
|                                   | \$'000            | \$'000            |
| Neither past due nor impaired -   |                   |                   |
| Standard                          | 30,490,103        | 9,289,608         |
| Past due but not impaired         | 7,080,188         | 1,231,799         |
| Impaired                          | 3,545,343         | 552,147           |
| <b>Gross</b>                      | 41,115,634        | 11,073,554        |
| Less: provision for credit losses | (2,307,585)       | (252,353)         |
| <b>Net</b>                        | <u>38,808,049</u> | <u>10,821,201</u> |

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.

### 51. Insurance and Financial Risk Management (Continued)

#### (d) Credit risk (continued)

##### Loans and leases (continued)

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

The majority of loans are made to customers in Jamaica. The following table summaries the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

|  | The Group         |                   |
|--|-------------------|-------------------|
|  | 2014              | 2013              |
|  | \$'000            | \$'000            |
| Agriculture                              | 1,300,903         | 1,304,747         |
| Construction and land development        | 5,545,212         | 2,004,948         |
| Distribution                             | 8,400,052         | 2,853,241         |
| Entertainment                            | 74,900            | -                 |
| Manufacturing                            | 1,654,919         | 255,881           |
| Personal                                 | 14,697,089        | 1,378,326         |
| Professional and other services          | 5,695,885         | 2,177,594         |
| Tourism                                  | 2,103,842         | 936,317           |
| Transportation storage and communication | 864,549           | 61,378            |
| Overseas residents                       | 573,799           | -                 |
| Total                                    | 40,911,150        | 10,972,432        |
| Total provision                          | (2,307,585)       | (252,353)         |
| Interest receivable                      | 204,484           | 101,122           |
| Net                                      | <u>38,808,049</u> | <u>10,821,201</u> |

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

|                   | The Group        |                  |
|-------------------|------------------|------------------|
|                   | 2014             | 2013             |
|                   | \$'000           | \$'000           |
| Less than 30 days | 5,320,462        | 226,637          |
| 31 to 60 days     | 871,452          | 950,290          |
| 61 to 90 days     | 886,507          | 53,105           |
| More than 90 days | 1,767            | 1,767            |
|                   | <u>7,080,188</u> | <u>1,231,799</u> |

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of \$16,256,000 (2013 - \$12,824,000).

The Group holds adequate collateral for past due not impaired loans and leases.

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### 51. Insurance and Financial Risk Management (Continued)

#### (d) 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:

|                  | <u>The Group</u> |                |
|------------------|------------------|----------------|
|                  | <u>2014</u>      | <u>2013</u>    |
|                  | <u>\$'000</u>    | <u>\$'000</u>  |
| Loans and leases | 3,545,343        | 552,147        |
| Mortgage loans   | <u>244,354</u>   | <u>238,490</u> |

There are no financial assets other than those listed above 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.

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

#### (v) Repossessed collateral

The Group can obtain assets by taking possession of collateral held as security.

Reposessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group do not occupy reposessed properties for business use.

The Group is in the process of reposseing collateral totaling \$56,270,000 (2013 - \$132,120,000).

### 51. Insurance and Financial Risk Management (Continued)

#### (d) Credit risk (continued)

##### Credit exposure

#### Investments and cash

The following table summarises the credit exposure of the Group to businesses and government by sectors in respect of investments and cash:

|                                  | <u>The Group</u>   |                    |
|----------------------------------|--------------------|--------------------|
|                                  | <u>2014</u>        | <u>2013</u>        |
|                                  | <u>\$'000</u>      | <u>\$'000</u>      |
| Government of Jamaica securities | 104,641,838        | 90,765,161         |
| Foreign government securities    | 10,753,516         | 8,025,824          |
| Corporate bonds                  | 50,329,083         | 41,311,954         |
| Financial institutions           | 23,314,287         | 9,548,548          |
| Mortgage loans                   | 2,189,363          | 2,350,710          |
| Policy loans                     | 906,489            | 891,007            |
| Promissory notes                 | <u>498,000</u>     | <u>48,000</u>      |
|                                  | 192,632,576        | 152,941,204        |
| Interest receivable              | <u>2,603,340</u>   | <u>2,172,128</u>   |
|                                  | <u>195,235,916</u> | <u>155,113,329</u> |

There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

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### 51. Insurance and Financial Risk Management (Continued)

#### (d) Credit risk (continued)

##### Credit exposure (continued)

The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by class are set out below:

|   | The Group   |            |
|---|-------------|------------|
|   | 2014        | 2013       |
|   | \$'000      | \$'000     |
| <b>Debt securities:</b>                     |             |            |
| Government of Jamaica debt securities       | 106,246,560 | 92,174,393 |
| <b>Deposits and cash:</b>                   |             |            |
| Bank of America                             | 3,431,176   | 1,358,908  |
| Citibank N.A.                               | 12,088,816  | 497,327    |
| Bank of Jamaica                             | 5,514,264   | 993,331    |
| National Commercial Bank Jamaica Limited    | 90,362      | 238,182    |
| The Bank of Nova Scotia Jamaica Limited     | 67,478      | 89,249     |
| <b>Reinsurance contracts:</b>               |             |            |
| Swiss Re - rated A+ (superior) by A.M Best  | 178,578     | 98,188     |
| Munich Re - rated A+ (superior) by A.M Best | 33,395      | 22,613     |

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans. For mortgage loans, the collateral is real estate property, and the approved loan is usually no more than 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to securities are transferred to the Group by agreement, and for the duration of the latter.

##### Past due and impaired financial investments

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Mortgages less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

### 51. Insurance and Financial Risk Management (Continued)

#### (e) 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 Department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit and optimising cash returns on investments;
- (iv) 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 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.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2014 and 2013.

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### 51. Insurance and Financial Risk Management (Continued)

#### (e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's financial and non-financial liabilities based on contractual repayment obligations. The Group expects that many policyholders/customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of financial assets and liabilities are based on estimates made by management as determined by retention history.

|  | The Group                   |                         |                    |                       |                                  | Total<br>\$000     |
|--|-----------------------------|-------------------------|--------------------|-----------------------|----------------------------------|--------------------|
|  | Within 3<br>months<br>\$000 | 3-12<br>months<br>\$000 | 1-5 years<br>\$000 | Over 5 years<br>\$000 | No specific<br>maturity<br>\$000 |                    |
| <b>Undiscounted Financial Liabilities - 31 December 2014</b> |                             |                         |                    |                       |                                  |                    |
| Deposit and security liability                               | 117,181,127                 | 30,727,202              | 4,601,466          | 1,317,801             | -                                | 153,827,596        |
| Derivative financial instruments                             | 662,445                     | 24,565                  | 162,838            | -                     | -                                | 849,848            |
| Other liabilities  | 5,670,479                   | 1,052,954               | -                  | 669                   | 3,907,199                        | 10,631,301         |
| Insurance contracts liabilities                              | 744,783                     | 2,339,451               | 11,203,061         | 41,539,016            | -                                | 55,826,311         |
| Investment contracts liabilities                             | 7,638,002                   | 2,271,288               | 2,500,106          | -                     | -                                | 12,409,396         |
| Other policy liabilities                                     | 785,931                     | 2,182,583               | -                  | -                     | -                                | 2,968,514          |
| <b>Total undiscounted liabilities</b>                        | <b>132,682,767</b>          | <b>38,598,043</b>       | <b>18,467,471</b>  | <b>42,857,486</b>     | <b>3,907,199</b>                 | <b>236,512,966</b> |
|  |                             |                         |                    |                       |                                  |                    |
|  | Within 3<br>months<br>\$000 | 3-12<br>months<br>\$000 | 1-5 years<br>\$000 | Over 5 years<br>\$000 | No specific<br>maturity<br>\$000 | Total<br>\$000     |
| <b>Undiscounted Financial Liabilities - 31 December 2013</b> |                             |                         |                    |                       |                                  |                    |
| Deposit and security liabilities                             | 67,846,057                  | 13,270,435              | 5,467,780          | 955,008               | -                                | 87,539,280         |
| Derivative financial instruments                             | 595,434                     | 2,449,734               | 622,858            | -                     | -                                | 3,668,026          |
| Other liabilities  | 3,581,715                   | 272,399                 | -                  | -                     | 1,442                            | 3,855,556          |
| Insurance contracts liabilities                              | 663,487                     | 2,013,146               | 11,721,381         | 34,167,717            | -                                | 48,565,731         |
| Investment contracts liabilities                             | 7,301,060                   | 2,069,471               | 3,945,890          | -                     | -                                | 13,316,421         |
| Other policy liabilities                                     | 766,979                     | 1,945,444               | -                  | -                     | -                                | 2,712,423          |
| <b>Total undiscounted liabilities</b>                        | <b>80,754,732</b>           | <b>22,020,629</b>       | <b>21,757,909</b>  | <b>35,122,725</b>     | <b>1,442</b>                     | <b>159,657,437</b> |

### 51. Insurance and Financial Risk Management (Continued)

#### (e) Liquidity risk (continued)

##### Off-balance sheet items

The tables below show the contractual expiry by maturity of commitments.

|  | The Group                         |                           |                           | Total<br>\$'000   |
|--|-----------------------------------|---------------------------|---------------------------|-------------------|
|  | No later than<br>1 year<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over 5<br>years<br>\$'000 |                   |
| <b>At December 31, 2014</b>                            |                                   |                           |                           |                   |
| Credit commitments                                     | 4,905,835                         | 875,182                   | 1,591,284                 | 7,372,301         |
| Guarantees, acceptances and other financial facilities | 1,401,687                         | 176,267                   | 284,158                   | 1,862,112         |
| Operating lease commitments                            | 344,125                           | 209,041                   | 99,131                    | 652,297           |
| Capital commitments                                    | 1,196,866                         | -                         | -                         | 1,196,866         |
|  | <b>7,848,513</b>                  | <b>1,260,490</b>          | <b>1,974,573</b>          | <b>11,083,576</b> |
| <b>At December 31, 2013</b>                            |                                   |                           |                           |                   |
| Credit commitments                                     | 1,135,650                         | 867,759                   | 132,835                   | 2,136,244         |
| Guarantees, acceptances and other financial facilities | 1,093,963                         | 203,180                   | 14,215                    | 1,311,358         |
| Operating lease commitments                            | 589,915                           | 1,155,262                 | 131,246                   | 1,876,423         |
|  | <b>2,819,528</b>                  | <b>2,226,201</b>          | <b>278,296</b>            | <b>5,324,025</b>  |

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing \$236,926,000 (2013 – \$259,041,000) for the Group has already been contracted for.

Lease payments, including maintenance, for Group during the year were \$666,519,000 (2013 - 129,226,000).





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### 51. Insurance and Financial Risk Management (Continued)

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group and the company's assets and liabilities at carrying amounts categorized by currency.

#### (f) Market risk (continued)

##### (ii) Currency risk (continued)

Concentrations of currency risk (continued)

|   | The Group             |                    |                    |                    |
|---|-----------------------|--------------------|--------------------|--------------------|
|   | 2014                  |                    |                    |                    |
|   | Jamaican \$<br>\$'000 | US\$<br>\$'000     | Other<br>\$'000    | Total<br>\$'000    |
| <b>Financial assets</b>                           |                       |                    |                    |                    |
| Cash resources                                    | 1,782,985             | 16,938,229         | 2,352,383          | 21,073,597         |
| Cash reserve at Bank of Jamaica                   | 3,669,453             | 1,649,832          | 173,206            | 5,492,491          |
| Financial investments and pledged assets          | 65,266,530            | 124,403,381        | 1,827,798          | 191,497,709        |
| Derivative financial instruments                  | -                     | 761,732            | -                  | 761,732            |
| Loans & leases, after allowance for credit losses | 28,316,958            | 10,491,091         | -                  | 38,808,049         |
| Reinsurance contracts                             | 104,231               | 276,591            | -                  | 380,822            |
| Other assets                                      | 8,145,785             | 709,585            | 169,418            | 9,024,788          |
| <b>Non-financial assets:</b>                      |                       |                    |                    |                    |
| Investment properties                             | 445,000               | 426,888            | -                  | 871,888            |
| Investment in joint venture                       | -                     | 738,718            | -                  | 738,718            |
| Intangible assets                                 | 4,616,396             | 605                | -                  | 4,617,001          |
| Property, plant and equipment                     | 3,479,315             | 27,421             | -                  | 3,506,736          |
| Retirement benefit assets                         | 58,912                | -                  | -                  | 58,912             |
| Deferred income taxes                             | 3,018,293             | -                  | -                  | 3,018,293          |
| Taxation recoverable                              | 3,114,495             | -                  | -                  | 3,114,495          |
| Other assets                                      | 1,191,472             | 59,110             | -                  | 1,250,582          |
| <b>Total assets</b>                               | <b>123,209,824</b>    | <b>156,483,184</b> | <b>4,522,805</b>   | <b>284,215,813</b> |
| <b>Financial liabilities</b>                      |                       |                    |                    |                    |
| Deposit and security liabilities                  | 59,673,089            | 88,815,756         | 3,095,537          | 151,584,382        |
| Derivative financial instruments                  | -                     | 276,179            | 440,007            | 716,186            |
| Other liabilities                                 | 9,052,472             | 1,538,397          | 40,432             | 10,631,301         |
| Insurance contracts liabilities                   | 30,882,533            | 23,012,289         | 1,931,489          | 55,826,311         |
| Investment contracts liabilities                  | 7,568,782             | 4,687,596          | 91,657             | 12,348,035         |
| Other policy liabilities                          | 2,154,839             | 298,328            | 515,347            | 2,968,514          |
| <b>Non-financial liabilities:</b>                 |                       |                    |                    |                    |
| Taxation payable                                  | 714,632               | -                  | -                  | 714,632            |
| Retirement benefit obligations                    | 3,361,094             | -                  | -                  | 3,361,094          |
| <b>Total liabilities</b>                          | <b>113,407,441</b>    | <b>118,628,545</b> | <b>6,114,469</b>   | <b>238,150,455</b> |
| <b>Net on statement of financial position</b>     | <b>9,802,383</b>      | <b>37,854,639</b>  | <b>(1,591,664)</b> | <b>46,065,358</b>  |

### 51. Insurance and Financial Risk Management (Continued)

#### (f) Market risk (continued)

##### (ii) Currency risk (continued)

Concentrations of currency risk (continued)

|   | The Group             |                    |                    |                    |
|---|-----------------------|--------------------|--------------------|--------------------|
|   | 2013                  |                    |                    |                    |
|   | Jamaican \$<br>\$'000 | US\$<br>\$'000     | Other<br>\$'000    | Total<br>\$'000    |
| <b>Financial assets</b>                           |                       |                    |                    |                    |
| Cash resources                                    | 858,745               | 2,619,325          | 604,293            | 4,082,363          |
| Cash reserve at Bank of Jamaica                   | 453,709               | 498,855            | 40,767             | 993,331            |
| Financial investments and pledged assets          | 65,814,091            | 94,809,098         | 4,444,343          | 165,067,532        |
| Derivative financial instruments                  | -                     | 3,019,597          | -                  | 3,019,597          |
| Loans & leases, after allowance for credit losses | 4,670,357             | 6,150,844          | -                  | 10,821,201         |
| Reinsurance contracts                             | 70,446                | 192,264            | -                  | 262,710            |
| Other assets                                      | 2,429,950             | 193,418            | 82,041             | 2,705,409          |
| <b>Non-financial assets:</b>                      |                       |                    |                    |                    |
| Investment properties                             | 490,718               | 291,627            | -                  | 782,345            |
| Investment in joint venture                       | -                     | 639,235            | -                  | 639,235            |
| Investment in associated companies                | -                     | -                  | -                  | -                  |
| Intangible assets                                 | 3,454,843             | 560,666            | -                  | 4,015,509          |
| Property, plant and equipment                     | 1,641,596             | 34,977             | -                  | 1,676,573          |
| Deferred income taxes                             | 298,107               | -                  | -                  | 298,107            |
| Taxation recoverable                              | 2,327,391             | -                  | -                  | 2,327,391          |
| Other assets                                      | 1,602,234             | 16,760             | -                  | 1,618,994          |
| <b>Total assets</b>                               | <b>84,112,187</b>     | <b>109,026,666</b> | <b>5,171,444</b>   | <b>198,310,297</b> |
| <b>Financial liabilities</b>                      |                       |                    |                    |                    |
| Deposit and security liabilities                  | 27,626,289            | 57,185,281         | 1,258,154          | 86,069,724         |
| Derivative financial instruments                  | -                     | 229,079            | 2,941,862          | 3,170,941          |
| Other liabilities                                 | 3,236,271             | 586,061            | 33,224             | 3,855,556          |
| Insurance contracts liabilities                   | 30,572,219            | 16,047,023         | 1,946,489          | 48,565,731         |
| Investment contracts liabilities                  | 7,406,960             | 5,762,324          | 91,009             | 13,260,293         |
| Other policy liabilities                          | 1,963,700             | 239,322            | 509,402            | 2,712,424          |
| <b>Non-financial liabilities:</b>                 |                       |                    |                    |                    |
| Taxation payable                                  | 394,373               | -                  | -                  | 394,373            |
| Deferred income taxes                             | 1,144                 | -                  | -                  | 1,144              |
| Retirement benefit obligations                    | 2,659,268             | -                  | -                  | 2,659,268          |
| <b>Total liabilities</b>                          | <b>73,860,224</b>     | <b>80,049,090</b>  | <b>6,780,140</b>   | <b>160,689,454</b> |
| <b>Net on statement of financial position</b>     | <b>10,251,963</b>     | <b>28,977,576</b>  | <b>(1,608,696)</b> | <b>37,620,843</b>  |

At December 2014, the Company had bank and financial investments in United States dollar currency totaling \$6,685,000 and \$490,809,000 (2013 - \$Nil and \$Nil).

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### 52. Sensitivity Analysis

Actuarial liabilities for the Group comprise 71.18% (2013 – 75.25%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 34(e).

#### (i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

- Mortality and morbidity
- Operating expenses and taxes
- Lapse rates

#### (ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

### 52. Sensitivity Analysis (Continued)

#### (ii) Dynamic capital adequacy testing (DCAT) (continued)

The results are as follows:

- (i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2014 and for the next five years.

- (ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2014 and for the next five years.
- (iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2014 and for the next five years.
- (iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for life insurance, health and critical illness products and decreased for annuity products. For life insurance, health and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2014 and for the next five years.
- (v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2014 and for the next five years.
- (vi) Level new business. New business planned for 2014 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2014 but produces favourable results for the next five years.
- (vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2014 liabilities, but will produce net lower liabilities over the next five years.

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### 52. Sensitivity Analysis (Continued)

#### (ii) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling \$55,826,311 for the Group at the year-end date.

| Variable   | Change in Variable | The Group                          |                                    |
|--|--------------------|------------------------------------|------------------------------------|
|  |                    | 2014 Change in Liability<br>\$'000 | 2013 Change in Liability<br>\$'000 |
| Worsening of mortality/morbidity                     | +3% for 5 yrs.     | 3,043,719                          | 2,742,223                          |
| Improvement in annuitant mortality                   | -3% for 5 yrs.     | 742,384                            | 650,767                            |
| Lowering of investment return                        | -0.5% for 10 yrs.  | 14,429,908                         | 12,396,143                         |
| Worsening of base renewal expense and inflation rate | +5% for 5 yrs.     | 1,927,442                          | 1,845,638                          |
| Worsening of lapse rate                              | x2 or x0.5         | 4,742,506                          | 4,549,411                          |
| High Interest  | +0.5% for 10 yrs.  | (11,266,347)                       | (9,545,827)                        |

#### (iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its financial assets at fair value through profit or loss and available for sale equity securities. The effects of an increase by 10% and a decrease by 10% in equity prices at the year end date are set out below.

|  | The Group                |  |
|--|--------------------------|--|
|  | Carrying Value<br>\$'000 | Effect of 10% change at<br>31 December<br>2014<br>\$'000 |
| <b>Financial assets at fair value through profit or loss and available for sale equity securities:</b> |                          |  |
| Listed on Jamaica Stock Exchange   | 1,687,200                | 168,720  |
| Listed on US stock exchanges   | 2,099,717                | 209,972  |
| Other  | 11,546,879               | 1,154,688  |
|  | <u>15,333,796</u>        | <u>1,533,380</u>   |

### 52. Sensitivity Analysis (Continued)

#### (iv) Sensitivity arising from currency risk

The Group is most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 15% (2013 – 15%) depreciation and a 1% (2013 – 1%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

|                                  | The Group   |   |  |   |   |  |
|----------------------------------|---|---|--|---|---|--|
|                                  | 2014  |   |  | 2013  |   |  |
|                                  | Balances<br>Denominated<br>in other than<br>JMD<br>\$'000 | Effect of a<br>15%<br>depreciation<br>at<br>31 December<br>2014<br>\$'000 | Effect of a<br>1%<br>appreciation<br>at<br>31 December<br>2014<br>\$'000 | Balances<br>denominated<br>in other than<br>JMD<br>\$'000 | Effect of a<br>15%<br>depreciation<br>at<br>31 December<br>2013<br>\$'000 | Effect of a<br>1%<br>appreciation<br>at<br>31 December<br>2013<br>\$'000 |
| Statement of financial position: |   |   |  |   |   |  |
| Assets                           | 161,005,989   | 185,156,887   | 159,395,929  | 114,198,110   | 131,327,827   | 113,056,129  |
| Liabilities                      | 124,743,014   | 143,454,466   | 123,495,583  | 86,829,230  | 99,853,615  | 85,960,938   |
| Net position                     | <u>36,262,975</u>   | <u>41,702,422</u>   | <u>35,900,345</u>  | <u>27,368,880</u>   | <u>31,474,212</u>   | <u>27,095,191</u>  |
| Income statement:                |   |   |  |   |   |  |
| Net income                       | -   | 5,803,175   | (386,878)  | -   | 998,312   | (66,554)   |
| Equity                           | <u>-</u>  | <u>(363,729)</u>  | <u>24,249</u>  | <u>-</u>  | <u>3,107,020</u>  | <u>(207,135)</u>   |

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(expressed in Jamaican dollars unless otherwise indicated)

### 52. Sensitivity Analysis (Continued)

#### (v) Development of Property and Casualty claims

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

|   | The Group |         |        |        |
|---|-----------|---------|--------|--------|
|   | 2012      | 2013    | 2014   | Total  |
|   | \$'000    | \$'000  | \$'000 | \$'000 |
| <b>Gross</b>  |           |         |        |        |
| <i>Estimate of ultimate claims incurred:</i>                |           |         |        |        |
| At the end of the reporting year                            | 3,505     | 5,835   | 48,325 | 57,665 |
| One year later  | 5,316     | 2,100   |        | 7,416  |
| Two years later   | 3,594     |         |        | 3,594  |
| Current estimate of cumulative claims                       | 3,594     | 2,100   | 48,325 | 54,019 |
| Cumulative payments to date                                 | (3,124)   | (3,124) | (80)   | 6,328  |
| Liability recognised in the statement of financial position | 470       | (1,024) | 48,245 | 47,691 |
| Liability in respect of prior years and ULAE                |           |         |        | 3,077  |
| Total liability   |           |         |        | 50,768 |

The reinsurers' share of the amounts in the following table is set out below.

| Reinsurers' share   | 2012    |  |  |  | 2013    |  |  |  | 2014   |  |  |  | Total  |  |  |  |
|---|---------|--|--|--|---------|--|--|--|--------|--|--|--|--------|--|--|--|
|   | \$'000  |  |  |  | \$'000  |  |  |  | \$'000 |  |  |  | \$'000 |  |  |  |
| <i>Estimate of ultimate claims incurred:</i>                  |         |  |  |  |         |  |  |  |        |  |  |  |        |  |  |  |
| At the end of the reporting year                              | 3,505   |  |  |  | 5,835   |  |  |  | 48,325 |  |  |  | 57,665 |  |  |  |
| One year later  | 5,316   |  |  |  | 2,100   |  |  |  | -      |  |  |  | 7,416  |  |  |  |
| Two years later   | 3,594   |  |  |  | -       |  |  |  | -      |  |  |  | 3,594  |  |  |  |
| Current estimate of cumulative claims                         | 3,594   |  |  |  | 2,100   |  |  |  | 48,325 |  |  |  | 54,019 |  |  |  |
| Cumulative payments to date                                   | (3,124) |  |  |  | (3,124) |  |  |  | (80)   |  |  |  | 6,328  |  |  |  |
| Recoverable recognised in the statement of financial position | 470     |  |  |  | (1,024) |  |  |  | 48,245 |  |  |  | 47,691 |  |  |  |
| Recoverable in respect of prior years                         |         |  |  |  |         |  |  |  |        |  |  |  | 3,077  |  |  |  |
| Total recoverable from reinsurers                             |         |  |  |  |         |  |  |  |        |  |  |  | 50,768 |  |  |  |

### 52. Sensitivity Analysis (Continued)

#### (vi) Interest rate sensitivity

For Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited, the following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statements and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets 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.

|                               | Sagicor Investments Jamaica Limited |             |            |             |
|-------------------------------|-------------------------------------|-------------|------------|-------------|
|                               | Effect on                           | Effect on   | Effect on  | Effect on   |
|                               | Net Profit                          | Equity      | Net Profit | Equity      |
|                               | 2014                                | 2014        | 2013       | 2013        |
|                               | \$'000                              | \$'000      | \$'000     | \$'000      |
| Change in percentage          |                                     |             |            |             |
| JS: -1%, US\$: -0.5%          |                                     |             |            |             |
| (2013 – JS: -1%, US\$: -0.5%) | 58,441                              | 1,020,797   | 73,338     | 670,016     |
| JS: +2.5%, US\$: +2%          |                                     |             |            |             |
| (2013 – JS: +4%, US\$: +2.5%) | (211,305)                           | (3,242,071) | (164,809)  | (2,139,719) |

|                               | Sagicor Bank Jamaica Limited |             |            |           |
|-------------------------------|------------------------------|-------------|------------|-----------|
|                               | Effect on                    | Effect on   | Effect on  | Effect on |
|                               | Net Profit                   | Equity      | Net Profit | Equity    |
|                               | 2014                         | 2014        | 2013       | 2013      |
|                               | \$'000                       | \$'000      | \$'000     | \$'000    |
| Change in percentage          |                              |             |            |           |
| JS: -1%, US\$: -0.5%          |                              |             |            |           |
| (2013 – JS: -1%, US\$: -0.5%) | (172,284)                    | 311,384     | 49,652     | 224,554   |
| JS: +2.5%, US\$: +2%          |                              |             |            |           |
| (2013 – JS: +4%, US\$: +2.5%) | 416,950                      | (1,030,849) | (104,216)  | (762,980) |

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 53. Capital Management

The Group manages its capital resources according to the following objectives:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;
- To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and
- To maintain a strong capital base which are sufficient for the future development of the Group's operations.

The principal capital resources of the Group comprise its stockholders' equity, its non-controlling interest equity, and its debt financing. The summary of these resources at the year end is as follows:

|   | 2014              | 2013              |
|---|-------------------|-------------------|
|   | \$'000            | \$'000            |
| Stockholders' equity                                    | 46,065,358        | 35,925,841        |
| Non-controlling interests                               | -                 | 1,695,002         |
| Total statement of financial position capital resources | <u>46,065,358</u> | <u>37,620,843</u> |

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is filed with the regulators in the countries in which the Group operates, Jamaica monthly; Cayman Islands annually.

### 53. Capital Management (Continued)

The capital adequacy of the principal operating entities within the Group is set out below.

#### (a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, The company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. The MCCSR for the Sagicor Life Jamaica Limited as at 31 December 2014 and 2013 is set out below.

|                              | 2014          | 2013          |
|------------------------------|---------------|---------------|
| Sagicor Life Jamaica Limited | <u>182.2%</u> | <u>179.6%</u> |

#### (b) Sagicor Life of the Cayman Islands Ltd.

During 2013, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement for a local Class A insurer was established as the greater of US\$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. As at the year-end date, the prescribed capital requirement was US\$18,262,000 (2013 - \$25,335,000) and available capital when expressed as a percentage of prescribed capital, was 294.1% (2013 – 359.70%).

The MCCSR for Sagicor Life of the Cayman Ltd., based on the Canadian Regulatory Standards, is set out below.

|   | 2014           | 2013           |
|---|----------------|----------------|
| Sagicor Life of the Cayman Islands Ltd. | <u>258.26%</u> | <u>384.48%</u> |

#### (c) Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited

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

- To comply with the capital requirements set by the regulators of the financial markets where the Banks within the Group operate;
- To safeguard the Banks' ability to continue as a going concern so that they can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 53. Capital Management (Continued)

Capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II 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 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.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The capital risk ratios for Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited at the year-end were as follows:

|                               | Sagicor Investments<br>Jamaica Limited |                | Sagicor Bank<br>Jamaica Limited |                |
|-------------------------------|--|----------------|---------------------------------|----------------|
|                               | 2014<br>\$'000                         | 2013<br>\$'000 | 2014<br>\$'000                  | 2013<br>\$'000 |
| Total regulatory capital      | 8,329,959                              | 8,765,515      | 9,858,057                       | 3,226,281      |
| Total required capital        | 6,178,035                              | 5,839,915      | 6,607,627                       | 1,951,544      |
| Actual capital base to risk   | 13%                                    | 15%            | 15%                             | 17%            |
| Required capital base to risk | 10%                                    | 10%            | 10%                             | 10%            |

- (i) During 2014 and 2013, both banking entities complied with all of the externally imposed capital requirements to which they are subject.
- (ii) Derivative products  
The Banks' derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the credit risk management procedures to assess and approve potential credit exposures are the same that are used for traditional lending.

### 54. Fiduciary Risk

Certain subsidiaries in the Group 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. These assets are not included in these financial statements. As at 31 December 2014, these subsidiaries had financial assets under administration of approximately \$164,591,072,000 (2013 - \$131,198,034,000).

### 55. Contingent Liabilities

Legal proceedings

The Group and the company are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, 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, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

### 56. Litigations

On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited).

This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited (now SGJ Holdings (St. Lucia) Limited). Though the judgement is being appealed, the amount computed as settlement has been recorded as payable to the claimant and correspondingly receivable from Finsac.

## Notes to the Financial Statements

31 December 2014

(expressed in Jamaican dollars unless otherwise indicated)

### 57. Acquisition of Subsidiary

Effective 27 June 2014, the group acquired 100% of the share capital of RBC Royal Bank (Jamaica) Limited and its subsidiary, RBC Securities (Jamaica) Limited.

The acquired business contributed post acquisition revenues of \$2,058,819,000 and losses of \$534,513,000 for the year ended 31 December 2014.

Details of the net assets acquired, purchase consideration and negative goodwill, determined on a provisional basis, were as follows:

|   | <b>Fair Values</b> |
|---|--------------------|
|   | <b>\$'000</b>      |
| Net assets arising on the acquisition:                    |                    |
| Cash  | 14,054,108         |
| Balances with Central Bank                                | 4,282,769          |
| Investment securities                                     | 3,703,815          |
| Loans, net of provision for credit losses                 | 24,487,533         |
| Securities purchased under resale agreements              | 1,424,960          |
| Intangibles assets  | 1,139,000          |
| Property, plant and equipment                             | 1,552,056          |
| Other assets  | 93,208             |
| Deferred tax assets                                       | 3,382,745          |
| Taxation recoverable                                      | 1,208,010          |
| Due to banks and other financial institutions             | (2,104,666)        |
| Customer deposits   | (37,251,948)       |
| Deferred tax liabilities                                  | (675,064)          |
| Taxation payable  | (467,347)          |
| Other liabilities   | (1,079,866)        |
| Post-retirement benefit obligations                       | (1,211,096)        |
|   | <u>12,538,217</u>  |
|   | <b>\$'000</b>      |
| Purchase consideration - Cash                             | 9,327,037          |
| Net assets acquired                                       | <u>12,538,217</u>  |
| Negative goodwill   | <u>3,211,180</u>   |
| Cash paid   | 9,327,037          |
| Cash and cash equivalents included in net assets acquired | 19,761,837         |
| Restricted cash   | (4,412,563)        |
| Net cash inflow on acquisition                            | <u>6,022,237</u>   |

## DISCLOSURE OF SHAREHOLDINGS

AT 31 DECEMBER 2014

### SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

| SHAREHOLDERS  | NO OF SHARES         | %              |
|---|----------------------|----------------|
| <b>1.a</b> Sagicor Life Inc                               | 650,663,398          | 49.11%         |
| LOJ Holdings Limited - connected company                  | 1,267,474,056        |                |
| <b>1.b</b> (Sagicor PIF Equiry Fund - connected company)  | 8,287,818            |                |
| (Trustee Sagicor Long-Term Incentive Plan - conn company) | 23,699,186           |                |
| (Sagicor Life Jamaica Share Purchase Plan 2003)           | 222,339              |                |
| (Trustee of the SLJ of Employee Share Purchase Plan)      | 2,864,884            |                |
| (Trustee SIJL of Employee Share Inv Trust )               | 2,318,141            | 0.96%          |
| <b>2</b> Pan-Jamaican Investment Trust Ltd                | 1,232,149,252        | 31.55%         |
| <b>3</b> SJIML 3119                                       | 49,647,846           | 1.27%          |
| <b>4</b> National Insurance Fund                          | 47,611,210           | 1.22%          |
| <b>5</b> Ideal Portfolio Services Ltd                     | 39,084,008           | 1.00%          |
| <b>6</b> GraceKennedy Ltd Pension Scheme                  | 24,792,329           | 0.63%          |
| <b>7</b> Donwis Ltd                                       | 19,567,360           |                |
| (Donovan Lewis - connected person)                        | 3,018,890            | 0.58%          |
| <b>8</b> Richard Byles                                    | 20,164,787           | 0.52%          |
| (Jacinth Byles - connected person)                        |                      |                |
| (Pavel Byles - connected person)                          | 44,366               |                |
| <b>9</b> NCB Insurance Company Ltd A/C WT109              | 15,344,201           | 0.39%          |
| <b>10</b> ATL Group Pension Fund Trustee Nominee Limited  | 13,731,383           | 0.35%          |
| <b>Total</b>  | <b>3,420,685,454</b> |                |
| <b>Others</b>   | <b>484,949,462</b>   | <b>12.42%</b>  |
| <b>Total Issued Shares</b>                                | <b>3,905,634,916</b> | <b>100.00%</b> |

### SHAREHOLDINGS OF DIRECTORS

| SHAREHOLDERS                                   | NO OF SHARES |
|--|--------------|
| <b>1</b> Dodridge Miller                       | 25,389       |
| <b>2</b> Richard Byles                         | 20,164,787   |
| (Jacinth Byles - connected person)             |              |
| (Pavel Byles - connected person)               | 44,366       |
| <b>3</b> R Danny Williams                      | Nil          |
| (Ravers Limited - connected company)           | 12,332,825   |
| <b>4</b> Jeffrey Cobham                        | 25,000       |
| <b>5</b> Marjorie Fyffe-Campbell               | 25,000       |
| <b>6</b> Paul Facey                            | 701,599      |
| (Heather Facey)                                |              |
| (Robert A Facey - connected person)            | 1,728,891    |
| <b>7</b> Stephen Facey                         | 1,027,791    |
| (Wendy Facey - connected person)               |              |
| (Alexander & Matthew Facey - connected person) | 107,463      |
| <b>8</b> Hilary McDonald Beckles               | 25,000       |
| <b>9</b> Paul Hanworth                         | 88,335       |
| <b>10</b> Richard Downer                       | 190,000      |
| <b>11</b> Jacqueline D Coke-Lloyd              | 25,000       |
| <b>12</b> Peter Clarke                         | Nil          |

### SHAREHOLDINGS OF EXECUTIVE MANAGEMENT

| SHAREHOLDERS                             | NO OF SHARES |
|--|--------------|
| <b>1</b> Richard Byles                   | 20,164,787   |
| (Jacinth Byles - connected person)       |              |
| (Pavel Byles connected person)           | 44,366       |
| <b>2</b> Errol D McKenzie                | 6,483,882    |
| (Annette McKenzie connected person)      |              |
| <b>3</b> Ivan Carter                     | 5,000,000    |
| <b>4</b> Janice A M Grant Taffe          | 1,814,098    |
| (Joseph Taffe - connected person)        |              |
| <b>5</b> Rohan Miller                    | 1,267,619    |
| (Debra Miller - connected person)        |              |
| (Jordan Miller - connected person)       |              |
| (Aaron Miller - connected person)        |              |
| <b>6</b> Mark Chisholm                   | 737,973      |
| (Te-Anne Chisholm - connected person)    |              |
| (Sharo Anne Chisholm - connected person) |              |
| (Jonel Chisholm - connected person)      |              |
| <b>7</b> Karl Williams                   | 183,392      |
| <b>8</b> Donovan Perkins                 | 10,936,741   |
| (Michele Perkins- connected person)      |              |
| <b>9</b> Philip Armstrong                | 1,803,628    |
| (Trevor Armstrong - connected person )   | 45,000       |
| (Nicola Armstrong - connected person)    |              |

## CORPORATE DIRECTORY

### EMPLOYEE BENEFITS DIVISION

**Carol Lawrence**  
Vice President - Group Insurance Services  
Sagicor Life Jamaica Ltd

**Nicola Leo-Rhynie**  
Vice President- EBD Marketing  
Sagicor Life Jamaica Ltd.

**Megan Irvine**  
Assistant Vice President- Pensions & Annuities  
Sagicor Life Jamaica Ltd.

### EMPLOYEE BENEFITS ADMINISTRATOR LIMITED

**Latoya Mayhew-Kerr**  
General Manager  
Employee Benefits Administrator Ltd.

**Corrinne Bellamy**  
Assistant Vice President -Actuarial Services  
Employee Benefits Administrator Ltd.

**Nadia Lewis**  
Assistant Vice President-EBD Underwriting,  
Sagicor Life Jamaica Ltd.

### INDIVIDUAL INSURANCE DIVISION

**Audrey Flowers-Clarke**  
Vice President- Insurance Operations  
Sagicor Life Jamaica Ltd.

**Merrick Plummer**  
Assistant Vice President- Sales & Distribution  
Sagicor Life Jamaica Ltd.

**Horace Johnson**  
Assistant Vice President & Risk Officer-  
Corporate Actuarial  
Sagicor Life Jamaica Ltd.

**Christopher King**  
Assistant Vice President- Corporate Actuarial  
Sagicor Life Jamaica Ltd.

### SAGICOR BANK JAMAICA LTD.

**Jeffrey Chevannes**  
Vice President- Credit Risk, Sagicor Bank  
Jamaica Ltd,

**Sabrina Cooper**  
Vice President- Retail Banking  
Sagicor Bank Jamaica Ltd

**Sean Parris**  
Vice President-Operations  
Sagicor Bank Jamaica Ltd.

**Eric Scott**  
Vice President- Accounting  
Sagicor Bank Jamaica Ltd.

**Michael Willacy**  
Vice President-Commercial Banking  
Sagicor Bank Jamaica Ltd.

**Tanya Allgrove**  
Assistant Vice President -Credit Risk  
Sagicor Bank Jamaica Ltd.

**Natasha O'Neill**  
Assistant Vice President -Small Medium  
Enterprise  
Sagicor Bank Jamaica Ltd.

**Annette Osborne**  
Assistant Vice President-Operations  
Sagicor Bank Jamaica Ltd.

**Colleen Yearde-Williams**  
Assistant Vice President- Accounting  
Sagicor Bank Jamaica Ltd.

### SAGICOR INVESTMENTS JAMAICA LTD.

**Brenda-Lee Martin**  
Vice President-Asset Management  
Sagicor Life Jamaica Ltd.

**Tara Nunes**  
Vice President-Investments Client Services  
Sagicor Investments Jamaica Ltd.

**Donnette Scarlett**  
Vice President- Treasury & Investment  
Services  
Sagicor Investments Jamaica Ltd.

### GROUP SHARED SERVICES

**Mark Clarke**  
Vice President-Group Infrastructure &  
Technical Services  
Sagicor Life Jamaica Ltd.

**Jacqueline Somers-King**  
Vice President- Finance  
Sagicor Life Jamaica Ltd.

**Hope Wint**  
Vice President- Enterprise Risk Management &  
Group Compliance  
Sagicor Investments Jamaica Ltd.

**Andrew Burke**  
Assistant Vice President-Group IT & Data  
Security  
Sagicor Bank Jamaica Ltd.

**Andrea Chung**  
Assistant Vice President-Group Project  
Management Office  
Sagicor Investments Jamaica Ltd.

**Jacqueline Donaldson**  
Assistant Vice President- Group Human  
Resources  
Sagicor Life Jamaica Ltd.

**Coretta Foster**  
Assistant Vice President-Group Human  
Resources  
Sagicor Bank Jamaica Ltd.

**Karen Fuller**  
Assistant Vice President-Compliance  
Sagicor Bank Jamaica Ltd.

**Vinnate Hall**  
Assistant Vice President-Group Internal Audit  
Sagicor Life Jamaica Ltd.

**Lorna Jamieson-Bond**  
Assistant Vice President-Group Management  
Accounting  
Sagicor Life Jamaica Ltd.

**Jacinth Kelly**  
Assistant Vice President- Insurance  
Accounting  
Sagicor Life Jamaica Ltd.

**Patrick Kelly**  
Assistant Vice President-Group Application  
Support &Development  
Sagicor Bank Jamaica Ltd

**Grace Royal-Bassaragh**  
Assistant Vice President-Legal Counsel  
Sagicor Life Jamaica Ltd.

**Camisha Sinanon**  
Assistant Vice President- Group Corporate  
Accounting  
Sagicor Life Jamaica Ltd.

## CORPORATE DIRECTORY (CONT'D)

## REGIONAL AND BRANCH MANAGERS

SAGICOR LIFE JAMAICA  
BRANCH LOCATIONS**Olivine Barnes**  
Branch Manager

## SPANISH TOWN

16 Burke Road,  
Spanish Town Business Centre  
Tele: 984-3027/9  
Fax: 984-8474

**Roan Brown**  
Branch Manager

## BELMONT DUKES

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Mavis Ferguson**  
Branch Manager

## OCHO RIOS

2 Newlin Street,  
Ocho Rios Business Centre  
Tele: 974-2389  
Fax: 974-1818

**Pete Forrest**Senior Branch Manager  
CORPORATE CIRCLE

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Dale Greaves-Smith**Branch Manager  
MANDEVILLE

59 Main Street,  
Mandeville Business Centre  
Tele: 962-2166/3333/5962  
Fax: 962-3788

**Christopher Lawe**Branch Manager  
HOLBORN

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Michael Lawe**Senior Branch Manager  
LIGUANEA

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Donovan McCalla**Branch Manager  
NEW KINGSTON

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Randolph McLean**Senior Branch Manager  
KNUTSFORD

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Patrick Sinclair**Branch Manager  
SAVANNA-LA-MAR

Shop 3b Hendon Mall,  
Hendon Circle,  
Beckford Street.  
Tele: 918-0503  
Fax: 955-2559

## MONTEGO BAY

Shop #10,  
17 Harbour Circle East,  
Montego Bay, St. James  
Tele: 952-4700-2  
Fax: 982-7578

**Marston Thomas**Branch Manager  
HALF WAY TREE

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

**Marvin Walters**Branch Manager  
SENATORS

35 Trafalgar Road,  
Kingston 5  
Tele: 929-6820  
Fax: 968-0762

## SAGICOR BANK JAMAICA

**Clinton Hunter**Regional Manager  
BANKING-CORPORATE**Lorraine Dunn**Branch Manager  
DUKE & TOWER STREET

17a Duke Street,  
Kingston  
Tele: 960-2340-55  
Fax: 922-2937

**Stephen Mair**Branch Manager  
LIGUANEA

106 Hope Road,  
Kingston 6  
Tele: 927-7524  
Fax: 978-7404

## HOPE ROAD

Block C, 85 Hope Road,  
Kingston 6  
Tele: 946-9490  
Fax: 978-1870

**Garfield Morgan**Branch Manager  
DOMINICA DRIVE

17 Dominica Drive,  
Kingston 5  
Tele: 960-2340  
Fax: 929-7234

**Tamara Waul-Douglas**Branch Manager  
KNUTSFORD

60 Knutsford Boulevard,  
Kingston 5  
Tele: 929-5583-4  
Fax: 926-4385

**Ingrid Wood**Branch Manager  
HALF WAY TREE

6C Constant Spring Road,  
Kingston 10  
Tele: 968-4193  
Fax: 968-5875

## TROPICAL PLAZA

DUKE & TOWER STREET  
Shop #25, 12 1/2 & 14  
Constant Spring Road,  
Kingston 10  
Tele: 960-4722  
Fax: 968-0870

**Oral Heaven**  
Regional Manager  
BANKING-NORTH

Unit 5 & 6 Eight Rivers  
Towne Center Buckfield  
Ocho Rios, St. Ann

2 Newlin Street,  
Ocho Rios, St. Ann

**Lloyd Duhaney**Branch Manager  
FAIRVIEW

Shop B8,  
21B Fairview Shopping Centre,  
Bogue Estates, Montego Bay  
Tele: 979-8810; 684-9733; 684-9935  
Fax: 953-6373

## MONTEGO BAY

Commercial Shopping Centre,  
Howard Cooke Boulevard,  
Montego Bay, St. James  
Tele: 952-4873-8  
Fax: 979-5274

**Simone Welham**  
Regional Manager  
BANKING-SOUTH**Vilma Barrett-Gunter**Branch Manager  
BLACK RIVER

Corner High and School Streets,  
Black River, St. Elizabeth  
Tele: 965-2778  
Fax: 965-2385

**Carla Drummond**Branch Manager  
SAVANNA-LA-MAR

56 Great George Street,  
Savanna-la-Mar, Westmoreland  
Tele: 955-2895  
Fax: 955-2972

**Loven McCook**Branch Manager  
MAY PEN

6b Manchester Avenue,  
May Pen, Clarendon  
Tele: 960-4722  
Fax: 986-9409

**Kavon Walker**Branch Manager  
MANDEVILLE

5-7 Ward Avenue, Mandeville,  
Manchester  
Tele: 962-7350-7  
Fax: 962-7361

SAGICOR INVESTMENTS  
LOCATIONS

**Karen Richards,**  
Regional Manager - Kingston  
HOPE ROAD- HEAD OFFICE  
85 Hope Rd, Kingston 6  
Tele: 946-9490  
Fax: 978-1870

## KNUTSFORD

60 Knutsford Blvd  
Kingston 5  
Tele: 929-5583-4  
Fax: 968-8194

## NEW KINGSTON

Sigma Building 63  
Knutsford Blvd  
Kingston 5  
Tele: 1-888-991-2825  
Fax: 929-3129

**Jacqueline Lambert**  
Manager

Wealth Management  
85 Hope Rd, Kingston 6  
Tele: 946-9490  
Fax: 978-1870

**Chevaughne Miller**Regional Manager -  
MANDEVILLE

3A Caledonia Road,  
Mandeville, Manchester  
Tele: 961-1210-11  
Fax: 961-2334

**Sancia Thompson**Regional Manager - OCHO RIOS  
Unit 5 & 6

Eight Rivers Town Centre,  
Buckfield, Ocho Rios, St. Ann  
Tele: 974-8833  
Fax: 974-7991

**Stephanie Vassell**Regional Manager - MONTEGO  
BAY

Shop B8,  
21B Fairview Shopping Centre,  
Bogue Estates,  
Montego Bay  
Tele: 684-9935  
Fax: 979-8693

# FORM OF PROXY



I \_\_\_\_\_ of \_\_\_\_\_ being a member of Sagicor Group Jamaica Limited hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him of \_\_\_\_\_ as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Tuesday, the 16th day of June, 2015 at 3:00p.m. and at any adjournment thereof.

The Proxy will vote on the under-mentioned resolutions as indicated:

| Resolutions   | For | Against |
|---|-----|---------|
| 1. To receive the Directors' Report and Accounts for the year ended December 31, 2014 |     |         |
| 2. To elect Directors   |     |         |
| <b>In accordance with Article 98</b>  |     |         |
| Peter Clarke  |     |         |
| Jacqueline Coke Lloyd   |     |         |
| Paul Hanworth   |     |         |
| <b>In accordance with Article 97(f)</b>   |     |         |
| Dr. the Hon. R. D. Williams   |     |         |
| <b>In accordance with Article 96</b>  |     |         |
| Peter Melhado   |     |         |
| Stephen McNamara  |     |         |
| 3. To fix the remuneration of Directors   |     |         |
| 4. To authorise the Directors to fix the remuneration of the Auditors                 |     |         |
| 5. To ratify interim dividends and declare them final                                 |     |         |

\$100.00  
Stamp to be  
affixed

NOTE: If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

As witness my hand this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Signature \_\_\_\_\_

NOTE: (1) If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.  
 (2) To be valid, this proxy must be lodged with the Secretary of the Company, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting.  
 A proxy need not be a member of the Company.



# Connect with us!

We welcome your feedback. Please use these convenient channels to keep up to date on developments at your company or to send us your comments, concerns and questions.

| SHAREHOLDERS  | Connection Points  |
|---|--|
| <p><b>Contact our Registrar for:</b></p> <ul style="list-style-type: none"> <li>• Dividends</li> <li>• Change in share registration and address</li> <li>• Lost share certificates</li> <li>• Estate transfers</li> <li>• General shareholder requests</li> </ul> | <p>Corporate Trust<br/>Ground Floor<br/>R. Danny Williams Building<br/>28-48 Barbados Avenue<br/>Kingston 5</p> <p> <a href="mailto:sbj_registrar@sagicor.com">sbj_registrar@sagicor.com</a><br/> (876) 929-5583 ext. 2215 - 7 and 2221-2</p> <p> (876) 764-0356<br/> (876) 920-5804</p> |
| <p>To obtain additional printed copies of the Annual Report or make enquiries about company news and initiatives</p>  | <p><b>Investor Relations</b></p> <p> <a href="mailto:sbj_InvestorRelations@sagicor.com">sbj_InvestorRelations@sagicor.com</a><br/> (876) 929-5583</p>   |

| CUSTOMERS  | Connection Points   |
|--|---|
| <p>Get general information on the company's activities, policies, products and services.</p> | <p><b>Client Relations</b></p> <p> <a href="mailto:infoja@sagicor.com">infoja@sagicor.com</a><br/> 1-888-SAGICOR (724-4267)</p> |
| <p>View information on Sagicor Group Jamaica online</p>                                      | <p><b>Website</b></p> <p> <a href="http://www.sagicorjamaica.com">www.sagicorjamaica.com</a></p>   |
| <p>Receive the latest company news or learn more about Sagicor Group Jamaica</p>             | <p><b>Public Relations</b></p> <p> <a href="mailto:groupmarketing@sagicor.com">groupmarketing@sagicor.com</a></p>  |
| <p><b>Call toll free</b></p>   | <p>Within Jamaica - 1-888-SAGICOR (724-4267)<br/>From Canada &amp; USA - 1-800-SAGICOR<br/>From Canada 1-800-947-7886<br/>From U.S.A 1-800-550-7886<br/>From the U.K. 1-800-895-903</p>   |

## Don't forget to:



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Follow us on Twitter

<http://twitter.com/SagicorJa>



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[www.sagicorjamaica.com](http://www.sagicorjamaica.com)