



# SAGICOR FINANCIAL CORPORATION

## FINANCIAL RESULTS

### FOR THE YEAR ENDED DECEMBER 31, 2013

#### CHAIRMAN'S REVIEW

I am pleased to report to you on the 2013 performance of the Sagicor Group. The Group's financial statements in 2013, like 2012, have been presented with continuing operations being separated from the discontinued Sagicor Europe operations.

The Sagicor Group's continuing operations, comprising our businesses in the Caribbean and in the USA, continued to perform well. Net income from continuing operations of US \$79.6 million was realised for the year ended December 31, 2013, (US \$75.3 million for 2012); after accounting for capital losses of US \$22.0 million incurred through the Group's participation in the Government of Jamaica National Debt Exchange (NDX), and impairment provisions on Government of Grenada bonds.

Net income from continuing operations attributable to shareholders was US \$39.1 million. Before accounting for the shareholders' portion of the above mentioned capital loss (US \$9.3 million), net income from continuing operations attributable to shareholders was US \$48.4 million compared to US \$53.1 million for the prior year 2012. Earnings per common share from continuing operations was US 12.5¢ and represented an annualised return on common shareholders' equity of 7.7%. Recall that in 2012, there was a one-off gain of US \$20.9 million relating to the recapture of a reinsurance contract. When this one-off gain is excluded from 2012 net income, net income attributable to shareholders for the current year shows a 21% improvement in shareholder results.

Continuing operations generated total revenue of US \$1,039.5 million compared to the 2012 amount of US \$1,064.3 million. The reduction in total revenue is as a result of a decision to reinsure 90% (US \$271.4 million) in new annuity business written in 2013 in the USA. Other revenue in 2012 benefited from a gain of US \$32.0 million before tax (US \$20.9 million after tax), on the recapture of a previously reinsured block of policies.

Net investment income and other income were lower than previous year, at US \$279.4 million compared to US \$295.0 million for 2012. Net investment income for the current year was also impacted negatively by capital losses of US \$22.0 million (US \$9.3 million to shareholders) incurred on the Jamaica and Grenada government debt.

Total benefits incurred from continuing operations totalled US \$592.8 million, a reduction from the comparative amount of US \$639.4 million in 2012. This reduction is the result of a reinsurance programme introduced in the USA segment, where a significant percentage of the business is now being reinsured.

Expenses (including agents' and brokers' commissions) closed the year at US \$348.1 million compared to US \$325.1 million for the prior year. This increase in expenses is consistent with the growth in premium revenue.

On July 29, 2013, the Company entered into an agreement to sell Sagicor Europe (SEL) and its subsidiaries to AmTrust Financial Services, Inc. (AmTrust), subject to regulatory approvals. Final regulatory approvals were obtained on December 23, 2013, on which date the sale was completed. The operations of the Sagicor Europe operating segment are presented as discontinued operations in these financial statements. The terms of the sale required Sagicor to retain an interest in the run-off of the 2011, 2012 and 2013 underwriting years of account after the syndicate has been formally sold and is subject to a limit. The impact of this transaction and the performance of SEL for the financial years 2012 and 2013 are as follows:

	2013	2012
Operating loss for the year	33.9	31.8
Write-off of carrying value of the investment	21.1	10.2
Expenses incurred on disposal	2.9	-
Charged to shareholders' equity for the year	57.9	42.0

The results of Sagicor Europe were also impacted by previous year's currency translation loss of US \$17.6 million, which was recycled from reserves, and had no impact on the net assets of the Company.

Overall Group Net Income for the year 2013, including discontinued operations, was US \$4.1 million, compared to US \$33.3 million for 2012. Net Income attributable to shareholders, including discontinued operations, was a loss of US \$36.4 million in 2013 compared to a profit of US \$11.1 million in 2012.

Other comprehensive loss from continuing operations was US \$73.9 million compared to US \$23.9 million in 2012, and includes retranslation losses of foreign currency operations of US \$36.4 million, losses on defined benefit plans of US \$9.5 million and net movements related to investment assets of US \$31.8 million.

In the consolidated statement of financial position at December 31, 2013, assets amounted to US \$5.3 billion and liabilities totalled US \$4.6 billion. Sagicor's Group equity totalled US \$725.2 million. The Group's debt, which is included in other liabilities, increased to US \$290.2 million from US \$241.6 million in 2012. On December 18, 2013, the company issued 18-month US \$43.4 million in notes which are repayable in 2015. This, together with the reduction in total equity, increased the debt to equity ratio to 40.0% (2012 - 30.1%).

The Sagicor Group's experience during our ownership of Sagicor at Lloyds was particularly challenging. Weak operating results from this segment over the years and a protracted sales process combined to impact shareholders' equity negatively. On the positive side, despite a challenging economic environment, the Caribbean and USA operations continue to grow and to produce positive results for shareholders.

On January 29, 2014, Sagicor Group Jamaica Limited signed a Sale and Purchase Agreement to acquire all of the issued shares of RBC Royal Bank (Jamaica) Limited and RBTT Securities Jamaica Limited (collectively "RBC Jamaica") from Royal Bank of Canada. The acquisition is subject to regulatory approvals. At December 2013, RBC Jamaica had total assets of US \$509 million.

The Board has declared dividends of US 3.25 cents per preference share and US 2.0 cents per common share, payable on May 15.

On January 15, 2014, Director Joyce Dear retired from the Board of Sagicor Financial Corporation, having attained the mandatory age of retirement. On behalf of the Board, I wish to thank Joyce for her many years of valuable contributions, and I wish her well in her retirement. Mr Richard Young was appointed to serve the unexpired term until the AGM, at which time he becomes eligible for election.

On behalf of the Board of Sagicor, I wish to thank our Shareholders, Policyholders, Clients, Staff, Advisors and Business Partners for their continued support.

Stephen McNamara  
Chairman  
March 29, 2014.

FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Year ended December 31	
	2013	2012
Total revenue	\$1,039.5m	\$1,064.3m
Group net income from continuing operations	\$79.6m	\$75.3m
Group net loss from discontinued operations	( \$75.5)m	( \$42.0)m
Overall Group net income	\$4.1m	\$33.3m
Shareholders' net income from continuing operations	\$39.1m	\$53.1m
Shareholders' net loss from discontinued operations	( \$75.5)m	( \$42.0)m
Overall Shareholders' net (loss)/income	(\$36.4)m	\$11.1m
Net income allocated to non-controlling interest	\$35.5m	\$34.7m
Total equity	\$725.2m	\$803.1m
Ratio of Debt to Equity	40.0%	30.1%
Earnings per common share from continuing operations	12.5¢	17.1¢
Annualised return of continuing operations on common shareholders' equity	7.7%	9.8%

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As of December 31, 2013	2013	2012 restated
<i>Amounts expressed in US \$000</i>		
<b>ASSETS</b>		
Investment property	98,369	115,224
Property, plant and equipment	151,539	145,818
Associates and joint ventures	44,202	42,433
Intangible assets	71,893	79,612
Financial investments	4,191,766	4,041,326
Reinsurance assets	336,427	102,686
Income tax assets	29,035	33,073
Miscellaneous assets and receivables	148,151	99,157
Cash resources	226,370	183,996
Assets of discontinued operation	-	705,732
<b>Total assets</b>	<b>5,297,752</b>	<b>5,549,057</b>
<b>LIABILITIES</b>		
Actuarial liabilities	2,324,319	2,040,907
Other insurance liabilities	194,434	187,199
Investment contract liabilities	367,001	346,196
Total policy liabilities	2,885,754	2,574,302
Notes and loans payable	290,160	241,556
Deposit and security liabilities	1,106,083	1,092,429
Provisions	75,083	58,621
Income tax liabilities	29,225	33,613
Accounts payable and accrued liabilities	131,237	114,425
Liabilities of discontinued operation	55,024	630,977
<b>Total liabilities</b>	<b>4,572,566</b>	<b>4,745,923</b>
<b>EQUITY</b>		
Share capital	295,450	296,058
Reserves	(4,825)	16,411
Retained earnings	221,472	274,565
Total shareholders' equity	512,097	587,034
Participating accounts	(5,662)	(10,333)
Minority interest in subsidiaries	218,751	226,433
<b>Total equity</b>	<b>725,186</b>	<b>803,134</b>
<b>Total liabilities and equity</b>	<b>5,297,752</b>	<b>5,549,057</b>

These financial statements have been approved for issue by the Board of Directors on March 29, 2014.



Director



Director

**CONSOLIDATED STATEMENT OF INCOME**

Year ended December 31, 2013	2013	2012 restated
<i>Amounts expressed in US \$000</i>		
<b>REVENUE</b>		
Premium revenue	1,016,538	757,223
Reinsurance premium expense	(359,510)	(92,220)
Net premium revenue	657,028	665,003
Net investment income	279,350	295,026
Fees and other revenue	103,105	104,253
Total revenue	1,039,483	1,064,282
<b>BENEFITS</b>		
Policy benefits and change in actuarial liabilities	797,743	599,758
Policy benefits and change in actuarial liabilities reinsured	(262,564)	(28,840)
Net policy benefits and change in actuarial liabilities	535,179	570,918
Interest expense	57,611	68,465
Total benefits	592,790	639,383
<b>EXPENSES</b>		
Administrative expenses	203,959	190,749
Commissions and related compensation	99,821	88,626
Premium and asset taxes	11,988	11,956
Finance costs	17,143	17,897
Depreciation and amortisation	15,230	15,901
Total expenses	348,141	325,129
<b>INCOME BEFORE TAXES</b>	98,552	99,770
Income taxes	(18,924)	(24,450)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	79,628	75,320
Net loss from discontinued operation	(75,508)	(42,034)
<b>NET INCOME FOR THE YEAR</b>	4,120	33,286
<b>Net income / (loss) is attributable to:</b>		
Common shareholders:		
From continuing operations	39,138	53,101
From discontinued operation	(75,508)	(42,034)
	(36,370)	11,067
Participating policyholders	5,005	(12,525)
Minority interests	35,485	34,744
	4,120	33,286
<b>Basic earnings / (loss) per common share:</b>		
From continuing operations	12.5 cents	17.1 cents
From discontinued operation	(25.1) cents	(13.9) cents
	(12.6) cents	3.2 cents
<b>Fully diluted earnings / (loss) per common share:</b>		
From continuing operations	12.2 cents	16.2 cents
From discontinued operation	(24.8) cents	(13.1) cents
	(12.6) cents	3.1 cents

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended December 31, 2013	2013	2012 restated	TOTAL COMPREHENSIVE INCOME	2013	2012 restated
<i>Amounts expressed in US \$000</i>					
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items net of tax that may be reclassified subsequently to income:</b>					
Available for sale assets:					
(Losses) / Gains on revaluation	(47,442)	38,023	Net income	4,120	33,286
(Gains) transferred to income	(14,769)	(13,128)	Other comprehensive income	(54,597)	(23,783)
Net change in actuarial liabilities	30,445	(22,278)	<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>	<b>(50,477)</b>	<b>9,503</b>
Retranslation of foreign currency operations	(36,441)	(18,402)	<b>Total comprehensive (loss) / income is attributable to:</b>		
Other items	-	(19)	Common shareholders:		
	(68,207)	(15,804)	From continuing operations	(515)	39,902
			From discontinued operation	(56,236)	(41,890)
				(56,751)	(1,988)
<b>Items net of tax that will not be reclassified subsequently to income:</b>					
Gains / (losses) on revaluation of owner-occupied property	3,813	(156)	Participating policyholders	4,913	(12,286)
(Losses) on defined benefit plans	(9,475)	(7,967)	Minority interests	1,361	23,777
	(5,662)	(8,123)		(50,477)	9,503
<b>OTHER COMPREHENSIVE (LOSS) / INCOME FROM CONTINUING OPERATIONS</b>	<b>(73,869)</b>	<b>(23,927)</b>			
Other comprehensive income from discontinued operation	19,272	144			
<b>OTHER COMPREHENSIVE (LOSS) FOR THE YEAR</b>	<b>(54,597)</b>	<b>(23,783)</b>			

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**Year ended December 31, 2013**
*Amounts expressed in US \$000*

	Share Capital	Reserves	Retained Earnings	Total Shareholders' Equity	Participating Accounts	Minority Interests	Total Equity
<b>2013</b>							
Balance, beginning of year as restated	296,058	16,411	274,565	587,034	(10,333)	226,433	803,134
Total comprehensive income from continuing operations	-	(36,413)	35,898	(515)	4,913	1,361	5,759
Total comprehensive income from discontinued operation	-	19,272	(75,508)	(56,236)	-	-	(56,236)
Transactions with holders of equity instruments:							
Movements in treasury shares	(608)	-	-	(608)	-	-	(608)
Changes in reserve for equity compensation benefits	-	2,123	-	2,123	-	55	2,178
Dividends declared	-	-	(19,836)	(19,836)	-	(9,182)	(29,018)
Transfers and other movements	-	(6,218)	6,353	135	(242)	84	(23)
Balance, end of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186
<b>2012</b>							
Balance, beginning of year as restated	296,048	20,865	281,425	598,338	2,201	188,476	789,015
Total comprehensive income from continuing operations	-	(6,713)	46,615	39,902	(12,286)	23,777	51,393
Total comprehensive income from discontinued operation	-	144	(42,034)	(41,890)	-	-	(41,890)
Transactions with holders of equity instruments:							
Movements in treasury shares	10	-	-	10	-	-	10
Changes in reserve for equity compensation benefits	-	4,494	-	4,494	-	(41)	4,453
Changes in ownership of subsidiaries	-	1,028	4,862	5,890	-	27,351	33,241
Dividends declared	-	-	(19,835)	(19,835)	-	(13,264)	(33,099)
Transfers and other movements	-	(3,407)	3,532	125	(248)	134	11
Balance, end of year	296,058	16,411	274,565	587,034	(10,333)	226,433	803,134

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**Year ended December 31, 2013**
*Amounts expressed in US \$000*

	2013	2012 restated
<b>OPERATING ACTIVITIES</b>		
Income before taxes	98,552	99,770
Adjustments for non-cash items, interest and dividends	(75,741)	(46,747)
Interest and dividends received	258,552	256,676
Interest paid	(73,683)	(81,080)
Income taxes paid	(28,063)	(20,130)
Net increase in investments and operating assets	(351,404)	(193,557)
Net increase in operating liabilities	183,379	13,984
Acquisition of insurance portfolio, net of cash and cash equivalents	30,699	-
Recapture of reinsurance contract held	-	3,826
<b>Net cash flows - operating activities</b>	42,291	32,742
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment, net	(18,284)	(19,843)
Associates and joint ventures, net	1,082	(5,275)
Intangible assets, net	(1,015)	(2,025)
Acquisition of subsidiary, net of cash and cash equivalents	-	(9,461)
Sale of subsidiaries net of disposal costs	86,697	-
<b>Net cash flows - investing activities</b>	68,480	(36,604)
<b>FINANCING ACTIVITIES</b>		
Movement in treasury shares	(622)	(249)
Shares issued to minority interests	(18)	(38)
Change in ownership of subsidiaries	-	35,416
Other notes and loans payable, net	42,432	2,055
Dividends paid to common shareholders	(11,849)	(11,846)
Dividends paid to preference shareholders	(7,810)	(7,790)
Dividends paid to minority interests	(9,007)	(12,130)
<b>Net cash flows - financing activities</b>	13,126	5,418
<b>Effects of exchange rate changes</b>	21	(643)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS</b>	123,918	913
Net change in cash and cash equivalents - discontinued operation	(78,882)	(52,008)
Cash and cash equivalents, beginning of year	213,564	264,659
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	258,600	213,564

**NOTE TO THE FINANCIAL STATEMENTS**

These summary financial statements have been extracted from the Company's audited financial statements for the year ended December 31, 2013.

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**
**To the Shareholders of Sagicor Financial Corporation**

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as of December 31, 2013, the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and related notes are derived from the audited consolidated financial statements of Sagicor Financial Corporation for the year ended December 31, 2013. We expressed an unqualified audit opinion on those consolidated financial statements in our report dated March 29, 2014.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Sagicor Financial Corporation.

**Management's Responsibility for the Summary Financial Statements**

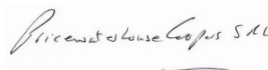
Management is responsible for the preparation of the summary of the audited consolidated financial statements.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

**Opinion**

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Sagicor Financial Corporation for the year ended December 31, 2013, are consistent, in all material respects, with those consolidated financial statements.



**PricewaterhouseCoopers SRL**  
**Bridgetown, Barbados**  
**March 29, 2014**