



## SAGICOR FINANCIAL CORPORATION

### FINANCIAL RESULTS

### FOR THE QUARTER ENDED MARCH 31, 2013

#### CHAIRMAN'S REVIEW

The Sagicor Group recorded net income from continuing operations of US\$ 14.3 million for the current period, a modest reduction from US\$ 16.5 million achieved for the comparative period in 2012. This result was achieved after accounting for the impact of the Jamaica National Debt Exchange (NDX) of US\$ 11.8 million.

Net income from continuing operations attributable to shareholders increased to US\$ 11.5 million from the corresponding amount of US\$ 9.0 million in 2012. Earnings per common share from continuing operations was US 3.6¢ and represented an annualised return on common shareholders' equity of 8.3%.

These results are generally encouraging. Our operations in the Caribbean and in the USA provided strong results. In Jamaica, Sagicor's local operations participated in the NDX as part of our contribution to the national economy. In February, the Group exchanged over US\$ 600 million of Government of Jamaica (GOJ) debt securities for new debt securities with lower market values, lower coupon rates and extended maturities. This exchange resulted in a one-time capitalised investment loss of \$11.8 million for the Group; US\$ 5.7 million to shareholders. This resulted in a reduced contribution to Group net income from the Sagicor Jamaica operating segment. Notwithstanding this, Sagicor considers that the NDX is in the national interest, and together with the other measures being taken by the GOJ and the Extended Fund Facility now approved by the International Monetary Fund, these measures enhance greatly the prospects for sustainable national economic growth and stable government finances in the future.

Revenue from continuing operations totalled US\$ 249.8 million and represented an increase of US\$ 9.7 million over the 2012 corresponding amount. Net premium revenue recorded was US\$ 164.4 million, increasing significantly by US\$ 17.3 million, or 11.7%, from 2012's total. Net investment income and other income declined by US\$ 7.6 million and reflects the capital loss on GOJ debt securities referred to in the preceding paragraph. Consistent with the growth in premium revenue, benefits and expenses (including agents and brokers' commissions) increased by US\$ 14.1 million from 2012 to US\$ 232.0 million for the current period.

As mentioned in my December 31, 2012 review, I informed shareholders of our decision to offer the operations of Sagicor Europe for sale and to present them as a discontinued operation. This presentation has been maintained for the current period during which these operations incurred an overall loss of US\$ 6.2 million, attributable mainly to reductions in premium revenue, and to finance costs. We are in the final stage of a sales process and remain confident that the sale will be completed in the current quarter. Consistent with what obtains within the Lloyd's market, while the sale will eliminate our exposure to any catastrophe losses in the 2013 and future underwriting years, any

movement in the claims reserves of prior underwriting years will be for the account of Sagicor. These will be reflected as part of the discontinued operations within the financial statements.

Overall, after including the results from the discontinued operation and accounting for the impact of the NDX, the net income attributable to shareholders was US\$ 5.3 million for the current period and US\$ 9.2 million for the comparative period in 2012.

In the statement of financial position as of March 31, 2013, assets totalled to US\$ 5.7 billion and liabilities totalled US\$ 4.9 billion. During the quarter under review, Sagicor completed the acquisition of the traditional life insurance policies of British American Insurance Company Limited in the Eastern Caribbean.

Sagicor's Group equity in the statement of financial position totalled US\$ 782.4 million. The Group's debt, which is included in other liabilities, totalled US\$ 245.9 million. The resulting debt to equity ratio was 31.4%.

2013 has started reasonably well for Sagicor. The first quarter results were impacted adversely by the one-time capital loss in Jamaica, but otherwise, our continuing operations recorded favourable results. We anticipate that the current economic environment will present specific challenges from time to time. The Board and Management remain focused on maintaining good results and enhancing shareholder value.

On behalf of the Board of Sagicor, I wish to thank our Shareholders and Customers for their continued support.

Stephen McNamara  
Chairman  
May 8, 2013

FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Three months ended March 31	
	2013	2012
Group net income from continuing operations	\$14.3m	\$16.5m
Shareholders' net income from continuing operations	\$11.5m	\$9.0m
Earnings per common share from continuing operations	3.6¢	2.7¢
Annualised return of continuing operations on common shareholders' equity	8.3%	6.4%
Revenue	\$249.8m	\$240.1m
Overall Group net income	\$8.1m	\$16.6m
Overall Shareholders' net income	\$5.3m	\$9.2m
Total equity	\$782.4m	\$802.6m
Ratio of Debt to Equity	31.4%	29.6%

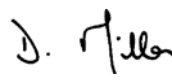
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Amounts expressed in US\$ 000	March 31	March 31	December 31
	2013	2012	2012
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
Financial investments	4,124,090	4,195,510	4,041,326
Other investments and assets	822,408	1,310,579	802,297
Assets of discontinued operation	733,697	-	705,732
Total assets	<u>5,680,195</u>	<u>5,506,089</u>	<u>5,549,355</u>
<b>LIABILITIES</b>			
Policy liabilities	2,673,803	3,018,326	2,574,302
Other liabilities	1,566,797	1,685,185	1,525,436
Liabilities of discontinued operation	657,154	-	630,977
Total liabilities	<u>4,897,754</u>	<u>4,703,511</u>	<u>4,730,715</u>
<b>EQUITY</b>			
Shareholders' equity	576,642	604,469	601,605
Participating accounts	(11,425)	1,184	(10,333)
Minority interest	217,224	196,925	227,368
Total equity	<u>782,441</u>	<u>802,578</u>	<u>818,640</u>
Total liabilities and equity	<u><b>5,680,195</b></u>	<u><b>5,506,089</b></u>	<u><b>5,549,355</b></u>

These financial statements have been approved for issue by the Board of Directors on May 8, 2013.



Director



Director

**CONSOLIDATED STATEMENT OF INCOME**

Amounts expressed in US\$ 000	Three months to	
	March 31	March 31
	2013	2012
	(unaudited)	(unaudited)
<b>REVENUE</b>		
Net premium revenue	164,382	147,103
Net investment and other income	85,402	92,966
Total revenue	<u>249,784</u>	<u>240,069</u>
<b>BENEFITS AND EXPENSES</b>		
Benefits	149,929	139,859
Expenses	82,091	78,100
Total benefits and expenses	<u>232,020</u>	<u>217,959</u>
<b>INCOME BEFORE TAXES</b>		
Income taxes	(3,506)	(5,646)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<u>14,258</u>	<u>16,464</u>
Net Income/(loss) from discontinued operation	(6,166)	158
<b>NET INCOME FOR THE PERIOD</b>	<u>8,092</u>	<u>16,622</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Common Shareholders		
From continuing operations	11,494	9,037
From discontinued operation	(6,166)	158
	<u>5,328</u>	<u>9,195</u>
Participating policyholders	(1,011)	(808)
Minority interest	3,775	8,235
	<u>8,092</u>	<u>16,622</u>
<b>Basic earnings per common share:</b>		
From continuing operations	3.6 cents	2.7 cents
From discontinued operation	(2.0) cents	0.1 cents
	<u>1.6 cents</u>	<u>2.8 cents</u>
<b>Fully diluted earnings per common share:</b>		
From continuing operations	3.5 cents	2.7 cents
From discontinued operation	(2.0) cents	0.1 cents
	<u>1.5 cents</u>	<u>2.8 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Amounts expressed in US\$ 000	Three months to	
	March 31	March 31
	2013	2012
	(unaudited)	(unaudited)
<b>NET INCOME FOR THE PERIOD</b>	8,092	16,622
<b>Items net of tax that may be reclassified subsequently to income:</b>		
Available for sale financial assets:		
Unrealised gains / (losses) arising on revaluation	8,629	12,694
(Gains) / losses transferred to income	(9,554)	(3,832)
Net change in actuarial liabilities	548	(851)
Retranslation of foreign currency operations	(16,101)	(916)
	<u>(16,478)</u>	<u>7,095</u>
<b>Items net of tax that will not be reclassified subsequently to income:</b>		
Unrealised gains arising on revaluation of owner occupied property	40	-
<b>OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS</b>	<u>(16,438)</u>	<u>7,095</u>
Other Comprehensive Income from discontinued operation	1,424	(504)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(15,014)</u>	<u>6,591</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>(6,922)</u>	<u>23,213</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Common Shareholders		
From continuing operations	3,621	15,299
From discontinued operation	(4,742)	(346)
	<u>(1,121)</u>	<u>14,953</u>
Participating policyholders	(1,034)	(956)
Minority interest	(4,767)	9,216
	<u>(6,922)</u>	<u>23,213</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in US\$ 000  
(unaudited)

	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
<b>Three months to March 31, 2013:</b>						
Balance, beginning of period	296,058	16,411	289,136	(10,333)	227,368	818,640
Prior period adjustment	-	-	(14,868)	-	(1,310)	(16,178)
Balance as restated	296,058	16,411	274,268	(10,333)	226,058	802,462
Total comprehensive income from continuing operations	-	(7,874)	11,495	(1,034)	(4,767)	(2,180)
Total comprehensive income from discontinued operation	-	1,425	(6,167)	-	-	(4,742)
Transactions with holders of equity instruments:						
Movements in treasury shares	4	-	-	-	-	4
Changes in reserve for equity compensation benefits	-	882	-	-	53	935
Dividends declared	-	-	(9,918)	-	(4,120)	(14,038)
Transfers and other movements	-	(2,951)	3,009	(58)	-	-
Balance, end of period	<b>296,062</b>	<b>7,893</b>	<b>272,687</b>	<b>(11,425)</b>	<b>217,224</b>	<b>782,441</b>
<b>Three months to March 31, 2012:</b>						
Balance, beginning of period	296,048	20,865	290,222	2,201	188,197	797,533
Prior period adjustment	-	-	(8,673)	-	155	(8,518)
Balance as restated	296,048	20,865	281,549	2,201	188,352	789,015
Total comprehensive income from continuing operations	-	6,262	9,037	(956)	9,216	23,559
Total comprehensive income from discontinued operation	-	(504)	158	-	-	(346)
Transactions with holders of equity instruments:						
Changes in reserve for equity compensation benefits	-	912	-	-	39	951
Changes in ownership interests	-	-	-	-	8	8
Dividends declared	-	-	(9,919)	-	(690)	(10,609)
Transfers and other movements	-	(3,135)	3,196	(61)	-	-
Balance, end of period	<b>296,048</b>	<b>24,400</b>	<b>284,021</b>	<b>1,184</b>	<b>196,925</b>	<b>802,578</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in US\$ 000

	Three months to March 31	
	2013 (unaudited)	2012 (unaudited)
<b>CASH FLOWS</b>		
Operating activities:		
Cash from income, interest and taxation	64,560	51,215
Net increase in investments and operating assets	(151,468)	(38,316)
Net change in operating liabilities	70,660	(16,327)
	(16,248)	(3,428)
Investing activities	25,988	(3,466)
Financing activities	(4,303)	2
Effects of exchange rate changes	(718)	(852)
<b>Net change in cash and cash equivalents - continuing operations</b>	<b>4,719</b>	<b>(7,744)</b>
Net change in cash and cash equivalents - discontinued operation	1,089	(25,643)
Cash and cash equivalents, beginning of period	213,564	264,659
<b>Cash and cash equivalents, end of period</b>	<b>219,372</b>	<b>231,272</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting policies set out in note 2 of the December 31, 2012 audited financial statements except for the change in accounting policy explained in note 2 below. The amounts presented in the statements of income, comprehensive income and cash flows for the comparative period to March 31, 2012, have been restated to reflect the Sagicor Europe operations as discontinued.

### 2. CHANGE IN ACCOUNTING POLICY

The option in IAS 19 - Employee Benefits which allows the deferral of actuarial gains and losses within a 10% corridor has been withdrawn, effective from accounting periods beginning January 1, 2013. The Group has therefore recognised deferred actuarial gains and losses as a prior period adjustment in the current financial statements and for the comparative period to March 31, 2012.