

CHAIRMAN'S REVIEW

I am pleased to report to you on the 2014 performance of the Sagicor Group. The Group's financial statements in 2014, consistent with 2013 and 2012, have been presented with continuing operations being separated from the discontinued Sagicor Europe run-off operations.

The Sagicor Group had a solid year's performance, recording net income for the year of US \$73.9 million, compared to US \$4.1 million for 2013.

The continuing operations, comprising our businesses in the Caribbean and in the USA, continued to perform well, recording net income of US \$100.3 million for 2014, compared to US \$79.6 million for 2013, an increase of US \$20.7 million.

Net income from continuing operations attributable to shareholders was US \$53.7 million, compared to the prior year result of US \$39.1 million, an improvement of US \$14.6 million. Earnings per common share from continuing operations was US 17.3 cents, and represented an annualised return on common shareholders' equity of 11.2%.

Total revenue closed the year at US \$1,045.2 million, compared to the prior year amount of US \$1,039.5 million. Net premium revenue stood at US \$625.6 million, compared to US \$657.0 million for the prior year. When compared to 2013, the lower premium income resulted from lower new annuity business written in our USA segment, together with the impact of the deterioration of the Jamaica dollar to the US dollar on translated premiums in US dollars in 2014. Net investment income closed the period at US \$307.2 million, and was an improvement over the prior year amount, which stood at US \$279.4 million. Fees and other revenue amounted to US \$83.3 million, compared to US \$103.1 million in 2013, and was impacted by the lower reinsurance commissions earned as a result of lower new annuity business written in the USA segment.

On June 27, 2014, the Group completed the acquisition of RBC Royal Bank's Jamaica banking operations, and rebranded the business as Sagicor Bank. After determining the fair value of acquired assets and liabilities of the business, the Group recorded negative goodwill on acquisition of US \$29.1 million. At the same time, the Jamaica segment incurred US \$10.5 million in integration, restructuring and re-branding costs associated with the acquisition. These non-recurring costs have been included in Administrative Expenses.

Total benefits incurred from continuing operations totalled US \$542.2 million, and is a reduction from the comparative amount in 2013 of US \$592.8 million. This reduction is the result of the lower annuity business written in the USA segment, together with the impact of the deterioration of the Jamaica dollar to the US dollar on the Jamaica segment.

Expenses (including agents' and brokers' commissions) closed the year at US \$385.9 million, compared to US \$348.1 million for the prior year. The increase of US \$37.8 million included restructuring and rebranding costs, along with operating expenses now incurred within the banking division, following the acquisition of RBC Royal Bank's Jamaica banking operations.

Total comprehensive income was significantly improved when compared to the prior year. Other comprehensive income showed a positive result of US \$6.7 million, compared to a loss of US \$54.6 million for 2013. Included in comprehensive income were net gains on financial assets of US \$15.6 million and net gains on defined benefit plans of US \$13.2 million. A decline in the Jamaica dollar against the US dollar contributed to currency retranslation losses of US \$22.0 million. The Jamaica dollar depreciated against the US dollar by 7.8% during 2014, compared to 14% during 2013. With the continued improvement in the Jamaican economy, we expect the currency to stabilise against the US dollar and further depreciation to be lower than previous years.

The discontinued operation represents our UK business, which was sold on December 23, 2013. The terms of the sale required the Sagicor Group to retain an interest in the 2011, 2012 and 2013 underwriting years of account. Although actuarial reserves are established to cover best estimates of this liability, exposure to any fluctuations in experience continues until 2018. During 2014, the discontinued business experienced a net loss of US \$26.4 million, resulting from adverse movements in our claims provisioning for the 2013 and prior years. As part of the 2014 review of the discontinued business, we have decided to explore the purchase of reinsurance to cover this residual exposure. This would effectively transfer any retained risk to the reinsurer, and would effectively close this discontinued operation at the end of 2014. Subsequent to year-end, management completed the negotiation of the reinsurance, at a cost of US \$12.2 million. The cost of this reinsurance will be accounted for during the 2015 financial year.

In the statement of financial position as at December 31, 2014, assets amounted to US \$6.2 billion, an increase of US \$0.9 billion over the amount of US \$5.3 billion at December 2013. Similarly, liabilities closed at US \$5.4 billion, compared to US \$4.6 billion, an increase of US \$0.8 billion. The increase in assets and liabilities largely reflects the acquisition of RBC Royal Bank's Jamaica banking operations. Sagicor's Group equity totalled US \$773.5 million (2013, US \$725.2 million). The Group's debt, which is included in other liabilities, totalled US \$298.9 million (2013, US \$290.2 million). The resulting debt to equity ratio was 38.7% compared to 40.0% for the prior year.

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



Stephen McNamara
Chairman
March 27, 2015.

FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Years ended December 31	
	2014	2013
Revenue	\$1,045.2m	\$1,039.5m
Group net income from continuing operations	\$100.3m	\$79.6m
Group net loss from discontinued operations	(\$26.4)m	(\$75.5)m
Overall Group net income	\$73.9m	\$4.1m
Shareholders' net income from continuing operations	\$53.7m	\$39.1m
Shareholders' net loss from discontinued operations	(\$26.4)m	(\$75.5)m
Overall Shareholders' net income / (loss)	\$27.3m	(\$36.4)m
Net income allocated to non-controlling interest	\$40.4m	\$35.5m
Total equity	\$773.5m	\$725.2m
Ratio of Debt to Equity	38.7%	40.0%
Earnings per common share from continuing operations	17.3¢	12.5¢
Annualised return of continuing operations on common shareholders' equity	11.2%	7.7%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

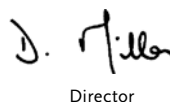
As of December 31, 2014
Amounts expressed in US \$000

	2014	2013
ASSETS		
Investment property	88,766	98,369
Property, plant and equipment	169,469	151,539
Associates and joint ventures	40,806	44,202
Intangible assets	76,056	71,893
Financial investments	4,661,494	4,191,766
Reinsurance assets	527,171	336,427
Income tax assets	57,503	29,035
Miscellaneous assets and receivables	156,630	148,151
Cash resources	402,525	226,370
Total assets	6,180,420	5,297,752
LIABILITIES		
Actuarial liabilities	2,562,221	2,324,319
Other insurance liabilities	197,420	194,434
Investment contract liabilities	360,961	367,001
Total policy liabilities	3,120,602	2,885,754
Notes and loans payable	298,942	290,160
Deposit and security liabilities	1,623,971	1,106,083
Provisions	78,356	75,083
Income tax liabilities	41,767	29,225
Accounts payable and accrued liabilities	197,444	131,237
Liabilities of discontinued operation	45,796	55,024
Total liabilities	5,406,878	4,572,566
EQUITY		
Share capital	295,989	295,450
Reserves	(8,765)	(4,825)
Retained earnings	244,474	221,472
Total shareholders' equity	531,698	512,097
Participating accounts	364	(5,662)
Non-controlling interest in subsidiaries	241,480	218,751
Total equity	773,542	725,186
Total liabilities and equity	6,180,420	5,297,752

These financial statements have been approved for issue by the Board of Directors on March 27, 2015



Director



Director

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2014	2014	2013
<i>Amounts expressed in US \$000</i>		
REVENUE		
Premium revenue	889,121	1,016,538
Reinsurance premium expense	(263,564)	(359,510)
Net premium revenue	625,557	657,028
Net investment income	307,215	279,350
Fees and other revenue	83,344	103,105
Gain arising on acquisition	29,051	-
Total revenue	1,045,167	1,039,483
BENEFITS		
Policy benefits and change in actuarial liabilities	714,770	797,743
Policy benefits and change in actuarial liabilities reinsured	(236,292)	(262,564)
Net policy benefits and change in actuarial liabilities	478,478	535,179
Interest expense	63,739	57,611
Total benefits	542,217	592,790
EXPENSES		
Administrative expenses	233,742	203,959
Commissions and related compensation	97,965	99,821
Premium and asset taxes	11,474	11,988
Finance costs	22,544	17,143
Depreciation and amortisation	20,220	15,230
Total expenses	385,945	348,141
INCOME BEFORE TAXES	117,005	98,552
Income taxes	(16,700)	(18,924)
NET INCOME FROM CONTINUING OPERATIONS	100,305	79,628
Net income from continuing operations	100,305	79,628
Net loss from discontinued operation	(26,367)	(75,508)
NET INCOME FOR THE YEAR	73,938	4,120
Net income/(loss) is attributable to:		
Common shareholders:		
From continuing operations	53,737	39,138
From discontinued operation	(26,367)	(75,508)
	27,370	(36,370)
Participating policyholders	6,200	5,005
Non-controlling interests	40,368	35,485
	73,938	4,120
Basic earnings / (loss) per common share:		
From continuing operations	17.3 cents	12.5 cents
From discontinued operation	(8.7) cents	(25.1) cents
	8.6 cents	(12.6) cents
Fully diluted earnings / (loss) per common share:		
From continuing operations	16.6 cents	12.2 cents
From discontinued operation	(8.2) cents	(24.8) cents
	8.4 cents	(12.6) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2014	2014	2013
<i>Amounts expressed in US \$000</i>		
OTHER COMPREHENSIVE INCOME		
Items net of tax that may be reclassified subsequently to income:		
Available for sale assets:		
Gains / (losses) on revaluation	38,386	(47,442)
Gains transferred to income	(2,830)	(14,769)
Net change in actuarial liabilities	(19,970)	30,445
Retranslation of foreign currency operations	(22,036)	(36,441)
	(6,450)	(68,207)
Items net of tax that will not be reclassified subsequently to income:		
Gains on revaluation of owner-occupied property	27	3,813
Gains / (losses) on defined benefit plans	13,212	(9,475)
Other items	(108)	-
	13,131	(5,662)
OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS	6,681	(73,869)
Other comprehensive income from discontinued operation	-	19,272
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	6,681	(54,597)
TOTAL COMPREHENSIVE INCOME		
Net income	73,938	4,120
Other comprehensive income	6,681	(54,597)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	80,619	(50,477)
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	64,156	(515)
From discontinued operation	(26,367)	(56,236)
	37,789	(56,751)
Participating policyholders	6,262	4,913
Non-controlling interests	36,568	1,361
	80,619	(50,477)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2014	Share Capital	Reserves	Retained Earnings	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
<i>Amounts expressed in US \$000</i>							
2014							
Balance, beginning of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186
Total comprehensive income from continuing operations	-	2,556	61,600	64,156	6,262	36,568	106,986
Total comprehensive income from discontinued operation	-	-	(26,367)	(26,367)	-	-	(26,367)
Transactions with holders of equity instruments:							
Movements in treasury shares	539	-	-	539	-	-	539
Changes in reserve for equity compensation benefits	-	(463)	-	(463)	-	79	(384)
Dividends declared	-	-	(19,835)	(19,835)	-	(12,303)	(32,138)
Changes in ownership interest in subsidiaries	-	-	1,499	1,499	-	(1,779)	(280)
Transfers and other movements	-	(6,033)	6,105	72	(236)	164	-
Balance, end of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542
2013							
Balance, beginning of year	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	-	-	(19,835)	(19,835)	-	(9,182)	(29,017)
Transfers and other movements	-	(6,218)	6,352	134	(242)	84	(24)
Balance, end of year	295,450	(4,825)	221,472	512,097	(5,662)	218,751	725,186

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2014	2014	2013	2014	2013
<i>Amounts expressed in US \$000</i>				
OPERATING ACTIVITIES				
Income before taxes	117,005	98,552		
Adjustments for non-cash items, interest and dividends	(185,855)	(75,741)		
Interest and dividends received	275,582	258,552		
Interest paid	(81,518)	(73,683)		
Income taxes paid	(19,402)	(28,063)		
Net increase in investments and operating assets	(245,772)	(351,404)		
Net increase in operating liabilities	305,976	183,379		
Acquisition of insurance portfolio, net of cash and cash equivalents	-	30,699		
Net cash flows - operating activities	166,016	42,291		
INVESTING ACTIVITIES				
Property, plant and equipment, net	(20,916)	(18,284)		
Associates and joint ventures, net	7,320	1,082		
Intangible assets, net	(2,469)	(1,015)		
Acquisition of subsidiary, net of cash and cash equivalents	93,227	-		
Sale of subsidiaries, net of disposal costs	-	86,697		
Net cash flows - investing activities	77,162	68,480		
FINANCING ACTIVITIES				
Movement in treasury shares			(1,114)	(622)
Shares issued to non-controlling interests			-	(18)
Other notes and loans payable, net			(683)	42,432
Dividends paid to common shareholders			(11,819)	(11,849)
Dividends paid to preference shareholders			(7,800)	(7,810)
Dividends paid to non-controlling interests			(11,498)	(9,007)
Net cash flows - financing activities			(32,914)	13,126
Effects of exchange rate changes			7,925	21
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS			218,189	123,918
Net change in cash and cash equivalents - discontinued operation			(35,595)	(78,882)
Cash and cash equivalents, beginning of year			258,600	213,564
CASH AND CASH EQUIVALENTS, END OF YEAR			441,194	258,600

STATEMENT OF INCOME BY SEGMENT

Amounts expressed in US \$000

2014	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	266,017	263,880	74,538	21,122	-	625,557
Interest income	70,728	133,818	49,671	10,144	-	264,361
Other investment income	6,689	23,790	14,045	(1,670)	-	42,854
Fees and other revenues	10,419	35,365	15,230	22,306	24	83,344
Gain arising on acquisition	-	29,051	-	-	-	29,051
Inter-segment revenues	7,911	-	-	33,763	(41,674)	-
	361,764	485,904	153,484	85,665	(41,650)	1,045,167
Net policy benefits	174,595	156,024	97,697	9,165	-	437,481
Net change in actuarial liabilities	9,247	49,967	(18,217)	-	-	40,997
Interest expense	11,566	44,098	3,642	4,433	-	63,739
Administrative expenses	64,638	104,386	30,548	32,827	1,343	233,742
Commissions and premium and asset taxes	37,798	40,847	20,618	10,176	-	109,439
Finance costs	-	-	41	(243)	22,746	22,544
Depreciation and amortisation	5,026	9,177	1,437	4,580	-	20,220
Inter-segment expenses	354	1,336	926	8,065	(10,681)	-
	303,224	405,835	136,692	69,003	13,408	928,162
Segment income / (loss) before taxes	58,540	80,069	16,792	16,662	(55,058)	117,005
Income taxes	(8,297)	(2,700)	(4,878)	(825)	-	(16,700)
Net income / (loss) from continuing operations	50,243	77,369	11,914	15,837	(55,058)	100,305
Net income/(loss) attributable to shareholders from continuing operations	44,043	38,055	11,914	(7,963)	(32,312)	53,737
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,330	34,004	19,478	(7,428)	(32,228)	64,156
2013	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	257,892	292,959	87,650	18,527	-	657,028
Interest income	70,612	118,386	49,609	10,204	-	248,811
Other investment income	2,532	7,705	20,661	(187)	(172)	30,539
Fees and other revenues	7,714	43,575	27,178	24,556	82	103,105
Gain arising on acquisition	119	-	-	(119)	-	-
Inter-segment revenues	11,960	1,416	-	11,831	(25,207)	-
	350,829	464,041	185,098	64,812	(25,297)	1,039,483
Net policy benefits	171,950	157,930	88,486	7,049	-	425,415
Net change in actuarial liabilities	10,452	74,951	24,361	-	-	109,764
Interest expense	12,574	39,599	1,541	3,897	-	57,611
Administrative expenses	61,999	73,017	31,163	36,702	1,078	203,959
Commissions and premium and asset taxes	36,075	42,630	24,865	8,239	-	111,809
Finance costs	-	-	58	(243)	17,328	17,143
Depreciation and amortisation	5,388	4,654	1,266	3,922	-	15,230
Inter-segment expenses	349	1,055	865	13,472	(15,741)	-
	298,787	393,836	172,605	73,038	2,665	940,931
Segment income / (loss) before taxes	52,042	70,205	12,493	(8,226)	(27,962)	98,552
Income taxes	(7,049)	(5,631)	(4,372)	(1,872)	-	(18,924)
Net income / (loss) from continuing operations	44,993	64,574	8,121	(10,098)	(27,962)	79,628
Net income/(loss) attributable to shareholders from continuing operations	39,988	32,143	8,121	(30,479)	(10,635)	39,138
Total comprehensive income/(loss) attributable to shareholders from continuing operations	40,251	(1,130)	(377)	(28,620)	(10,639)	(515)

STATEMENT OF FINANCIAL POSITION BY SEGMENT

Amounts expressed in US \$000

2014	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Financial investments	1,259,473	2,021,180	1,247,365	133,476	-	4,661,494
Other external assets	379,124	464,724	495,735	179,343	-	1,518,926
Inter-segment assets	134,254	9,363	241	49,805	(193,663)	-
Total assets	1,772,851	2,495,267	1,743,341	362,624	(193,663)	6,180,420
Policy liabilities	1,197,480	622,299	1,244,053	56,770	-	3,120,602
Other external liabilities	87,733	1,460,700	250,792	441,255	-	2,240,480
Liabilities of discontinued operation	-	-	-	45,796	-	45,796
Inter-segment liabilities	23,620	217	40,582	129,244	(193,663)	-
Total liabilities	1,308,833	2,083,216	1,535,427	673,065	(193,663)	5,406,878
Net assets	464,018	412,051	207,914	(310,441)	-	773,542
2013	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Financial investments	1,187,903	1,687,893	1,182,892	133,078	-	4,191,766
Other external assets	392,282	183,066	300,721	229,917	-	1,105,986
Inter-segment assets	126,211	9,324	151	49,649	(185,335)	-
Total assets	1,706,396	1,880,283	1,483,764	412,644	(185,335)	5,297,752
Policy liabilities	1,170,526	608,883	1,051,588	54,757	-	2,885,754
Other external liabilities	86,789	906,187	203,498	435,314	-	1,631,788
Liabilities of discontinued operation	-	-	-	55,024	-	55,024
Inter-segment liabilities	23,479	5,846	40,581	115,429	(185,335)	-
Total liabilities	1,280,794	1,520,916	1,295,667	660,524	(185,335)	4,572,566
Net assets	425,602	359,367	188,097	(247,880)	-	725,186

GEOGRAPHICAL AREAS

Amounts expressed in US \$000

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business.

Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2014	2013	2014	2013
Barbados	146,640	148,901	198,624	195,204
Jamaica	458,565	426,141	69,985	59,672
Trinidad & Tobago	145,735	140,704	67,396	78,167
Other Caribbean	140,737	138,514	35,499	29,983
USA	153,490	185,223	3,593	2,977
	1,045,167	1,039,483	375,097	366,003



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, 2014 and 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 financial statements of **Sagicor Financial Corporation** and its subsidiaries for the year ended December 31, 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated March 28, 2015.

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 consolidated financial statements

Management is responsible for the preparation of a 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** and its subsidiaries for the year ended December 31, 2014 are consistent, in all material respects with those consolidated financial statements, from which they were derived.

Other Matter

This report is made solely to the company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

March 28, 2015
Bridgetown, Barbados