



SAGICOR FINANCIAL CORPORATION LIMITED

FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED JUNE 30, 2019

CHAIRMAN'S STATEMENT

The Sagicor Group maintained a solid performance for the first six months to June 30, 2019. Group net income closed the period at US \$58.4 million against a prior year result of US \$39.4 million. Net income attributable to shareholders from continuing operations was US \$26.2 million compared to the prior year result of US \$21.5 million. Net income to shareholders from continuing operations in 2018 included the impact of a provision on the Government of Barbados Debt and was partially offset by certain one-time positive earnings releases.

Total revenue for the Group amounted to US \$992.8 million, against a prior year amount of US \$633.3 million, an increase of US \$359.5 million or 57%. Revenue growth was driven primarily by the USA business segment which generated premium growth, amplified by our strategic decision to cease reinsuring its premiums to third parties. Revenues continue to grow year over year in the Sagicor Jamaica and Sagicor Life business segments as well.

Benefits including change in actuarial liabilities for future benefits were US \$639.7 million, compared to US \$298.4 million for the previous year and was consistent with the growth in premium income. Expenses including credit impairment losses were US \$268.3 million, compared to US \$286.9 million for the same period in the prior year, a decrease of 6%. Expenses in the prior year included credit impairment losses of US \$57.8 million, largely related to the impairment of the Government of Barbados debt. Current year expenses included the impact of higher commissions related to sales growth in the USA segment.

Group comprehensive income was US \$102.0 million, compared to a loss of US \$17.0 million for the prior year. Shareholder comprehensive income from continuing operations was US \$57.5 million, compared to a loss of US \$13.0 million for the prior year. The Group continues to benefit from significant net gains on investments measured at Fair Value through Other Comprehensive Income. Losses incurred on the retranslation of foreign currency operations reduced this year when compared to the previous year.

In the statement of financial position as at June 30, 2019, assets amounted to US \$7.9 billion, and liabilities amounted to US \$6.6 billion. Group equity was US \$1,224.7 million, compared to US \$1,135.5 million at December 31, 2018. Shareholders' equity was US \$658.6 million, compared to US \$600.9 million at December 31, 2018. The Group's debt was US \$473.9 million with a debt to capital ratio of 27.9%, compared to 30.2% at December 31, 2018.

On June 4, our shareholders overwhelmingly approved the previously announced transaction with Alignvest Acquisition II Corporation ("AQY"), with 99.5% of shares voting in favour of the transaction. Our shareholders showed further support by electing to receive an aggregate of approximately US \$20 million in cash consideration out of the maximum available US \$205 million we offered to them. As a result, the vast majority of Sagicor's shareholders will continue to retain their investment in Sagicor post the transaction.

Following completion of the Transaction, which is expected to close in the fourth quarter of 2019 subject to customary regulatory approvals, it is expected that Sagicor will retain over US \$420 million of net cash from the transaction, leaving our company exceptionally well capitalized for future growth.

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

Stephen McNamara
Chairman
August 9, 2019

FINANCIAL HIGHLIGHTS <i>(in US Currency except percentages)</i>	Six months ended JUNE 30	
	2019	2018
Total revenue	\$992.8m	\$633.3m
Overall Group net income	\$58.4m	\$39.4m
Overall shareholders' net income	\$26.7m	\$24.9m
Net income allocated to non-controlling interests	\$31.0m	\$22.8m
Total equity	\$1,224.7m	\$889.0m
Book Value per share	\$2.15	\$1.95
Ratio of Debt to Capital	27.9%	31.7%
Earnings per common share from continuing operations	8.5¢	7.0¢
Annualised return to common shareholders' equity	8.5%	7.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts expressed in US \$000

	June 30 2019 (unaudited)	June 30 2018 (unaudited)	December 31 2018 (audited)
ASSETS			
Financial investments	5,870,127	5,037,795	5,347,663
Other investments and assets	1,991,584	1,891,654	1,960,522
Assets of discontinued operation	-	13,467	17,239
Total assets	7,861,711	6,942,916	7,325,424
LIABILITIES			
Policy liabilities	4,106,477	3,566,394	3,662,438
Other liabilities	2,530,557	2,487,515	2,527,525
Total liabilities	6,637,034	6,053,909	6,189,963
EQUITY			
Shareholders' equity	658,605	596,748	600,869
Participating accounts	3,605	(11,230)	4,078
Non-controlling interests	562,467	303,489	530,514
Total equity	1,224,677	889,007	1,135,461
Total liabilities and equity	7,861,711	6,942,916	7,325,424

These financial statements have been approved for issue by the Board of Directors on August 9, 2019.

Director

Director

CONSOLIDATED STATEMENT OF INCOME
Amounts expressed in US \$000

	Six months to June 30		Three months to June 30	
	2019	2018	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE				
Net premium revenue	677,770	410,030	312,711	222,728
Net investment and other income	315,053	223,249	156,593	119,271
Total revenue	992,823	633,279	469,304	341,999
BENEFITS AND EXPENSES				
Benefits	639,700	298,416	291,865	166,324
Expenses	268,320	286,918	137,356	169,301
Total benefits and expenses	908,020	585,334	429,221	335,625
OTHER				
(Loss) / gain arising on business combinations, acquisitions and divestitures	(347)	5,280	(347)	-
INCOME BEFORE TAXES	84,456	53,225	39,736	6,374
Income taxes	(26,574)	(17,195)	(14,204)	(8,814)
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS	57,882	36,030	25,532	(2,440)
Net income from discontinued operation	517	3,357	-	2,965
NET INCOME FOR THE PERIOD	58,399	39,387	25,532	525
NET INCOME / (LOSS) ATTRIBUTABLE TO:				
Common Shareholders				
From continuing operations	26,194	21,543	11,095	2,046
From discontinued operation	517	3,357	-	2,965
	26,711	24,900	11,095	5,011
Participating policyholders	705	(8,310)	457	(16,497)
Non-controlling interests	30,983	22,797	13,980	12,011
	58,399	39,387	25,532	525
Basic earnings per common share:				
From continuing operations	8.5 cents	7.0 cents	3.6 cents	0.7 cents
From discontinued operation	0.2 cents	1.1 cents	0.0 cents	1.0 cents
	8.7 cents	8.1 cents	3.6 cents	1.7 cents
Fully diluted earnings per common share:				
From continuing operations	8.4 cents	6.9 cents	3.5 cents	0.7 cents
From discontinued operation	0.2 cents	1.1 cents	0.0 cents	0.9 cents
	8.6 cents	8.0 cents	3.5 cents	1.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts expressed in US \$000

	Six months to June 30		Three months to June 30	
	2019	2018	2019	2018
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
NET INCOME FOR THE PERIOD	58,399	39,387	25,532	525
Items net of tax that may be reclassified subsequently to income:				
Financial assets measured at fair value through other comprehensive income (FVOCI):				
Gains / (losses) on revaluation	76,149	(65,113)	10,214	(36,722)
Losses / (gains) transferred to income	42,197	(1,749)	41,768	1,888
Net change in actuarial liabilities	(64,106)	29,874	(29,956)	16,711
Retranslation of foreign currency operations	(7,653)	(17,782)	(12,113)	(14,741)
Other items	-	-	-	1
	46,587	(54,770)	9,913	(32,863)
Items net of tax that will not be reclassified subsequently to income:				
Unrealised (losses) / gains arising on revaluation of owner occupied property	(2,964)	832	59	832
Net gains on equity securities designated at fair value through other comprehensive income	18	27	1	13
Losses on defined benefit plans	-	(2,500)	-	(2,500)
OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS	43,641	(56,411)	9,973	(34,518)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	102,040	(17,024)	35,505	(33,993)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common Shareholders				
From continuing operations	57,453	(12,976)	19,205	(18,357)
From discontinued operation	517	3,357	-	2,965
	57,970	(9,619)	19,205	(15,392)
Participating policyholders	1,325	(9,061)	681	(17,221)
Non-controlling interests	42,745	1,656	15,619	(1,380)
	102,040	(17,024)	35,505	(33,993)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts expressed in US \$000

(unaudited)	Share Capital	Share Premium	Reserves	Retained Earnings	Participating Accounts	Non-controlling Interest	Total
Six months to June 30, 2019:							
Balance, beginning of period	3,061	300,665	(76,995)	374,138	4,078	530,514	1,135,461
Total comprehensive income from continuing operations	-	-	31,259	26,194	1,325	42,745	101,523
Total comprehensive income from discontinued operation	-	-	-	517	-	-	517
Transactions with holders of equity instruments:							
Movements in treasury shares	1	(30)	-	-	-	-	(29)
Changes in reserve for equity compensation benefits	-	-	6,296	-	-	-	6,296
Dividends declared	-	-	-	(7,658)	-	(12,036)	(19,694)
Transfers and other movements	-	-	683	474	(1,798)	1,244	603
Balance, end of period	3,062	300,635	(38,757)	393,665	3,605	562,467	1,224,677
Six months to June 30, 2018:							
Balance, beginning of period	3,059	300,470	(47,482)	367,327	865	308,089	932,328
Prior period adjustment	-	-	94	1,124	-	3,677	4,895
January 1, 2018 adjustment-change on initial application of IFRS 9	-	-	(217)	(10,442)	(2,930)	(2,352)	(15,941)
Balance as restated	3,059	300,470	(47,605)	358,009	(2,065)	309,414	921,282
Total comprehensive income from continuing operations	-	-	(32,019)	19,043	(9,061)	1,656	(20,381)
Total comprehensive income from discontinued operation	-	-	-	3,357	-	-	3,357
Transactions with holders of equity instruments:							
Movements in treasury shares	-	16	-	-	-	-	16
Changes in reserve for equity compensation benefits	-	-	(1,686)	-	-	-	(1,686)
Dividends declared	-	-	-	(7,648)	-	(10,449)	(18,097)
Transfers and other movements	-	-	(204)	1,956	(104)	2,868	4,516
Balance, end of period	3,059	300,486	(81,514)	374,717	(11,230)	303,489	889,007

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in US \$000

	Six months to June 30	
	2019	2018
	Restated	
	(unaudited)	(unaudited)
CASH FLOWS		
Operating activities:		
Cash from income, interest and taxation	321,026	78,282
Net increase in investments and operating assets	(323,927)	(253,129)
Net change in operating liabilities	43,384	225,265
	40,483	50,418
Investing activities	(4,761)	(6,930)
Financing activities	(33,271)	(17,007)
Effects of exchange rate changes	(2,730)	(5,800)
Net change in cash and cash equivalents - continuing operations	(279)	20,681
Net change in cash and cash equivalents - discontinued operation	17,756	-
Cash and cash equivalents, beginning of period	321,561	338,349
Cash and cash equivalents, end of period	339,038	359,030

STATEMENT OF INCOME BY SEGMENT

Amounts expressed in US \$000

	Six months to June 30, 2019					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
Total revenue	246,532	353,663	372,499	51,016	(30,887)	992,823
Total benefits and expenses	219,282	280,780	356,179	46,627	5,152	908,020
Loss arising on business combinations, acquisitions and divestitures	(347)	-	-	-	-	(347)
INCOME BEFORE TAXES	26,903	72,883	16,320	4,389	(36,039)	84,456
Income taxes	(5,205)	(16,829)	(3,427)	(1,119)	6	(26,574)
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS	21,698	56,054	12,893	3,270	(36,033)	57,882
Net income / (loss) attributable to shareholders from continuing operations	20,993	24,737	12,893	(13,335)	(19,094)	26,194
Total Comprehensive income / (loss) attributable to shareholders from continuing operations	27,547	36,580	25,210	(12,920)	(18,964)	57,453
	Six months to June 30, 2018					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS	24,729	45,242	(413)	20,835	(54,363)	36,030
Net income / (loss) attributable to shareholders from continuing operations	33,039	22,217	(413)	4,262	(37,562)	21,543
Total Comprehensive income / (loss) attributable to shareholders from continuing operations	30,557	1,511	(9,552)	3,476	(38,968)	(12,976)

STATEMENT OF FINANCIAL POSITION BY SEGMENT

Amounts expressed in US \$000

	June 30, 2019					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
Total assets	2,032,515	3,265,859	2,688,952	406,415	(532,030)	7,861,711
Total liabilities	1,521,999	2,390,479	2,416,664	839,922	(532,030)	6,637,034
Net assets	510,516	875,380	272,288	(433,507)	-	1,224,677
	June 30, 2018					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
Net assets	524,404	548,699	231,560	(415,656)	-	889,007

PRODUCTS AND SERVICES

Total external revenues relating to the Group's products and services are summarised as follows:

Amounts expressed in US \$000

	Six months to June 30	
	2019	2018
	(unaudited)	(unaudited)
Life, health and annuity insurance contracts issued to individuals	677,936	369,847
Life, health and annuity insurance and pension administration contracts issued to groups	147,810	139,563
Property and casualty insurance	26,622	23,495
Banking, investment management and other financial services	90,743	85,329
Other revenues	49,712	15,045
	992,823	633,279

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, 2018 audited financial statements, except for the adoption of IFRS 16 - 'Leases'. This standard became effective from January 1, 2019. IFRS 16 removes the distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals, for virtually all lease contracts.

In accordance with the transition provisions in IFRS 16, the standard has been implemented using the modified retrospective method with no restatement of comparative information. In applying IFRS 16 for the first time, the group has used the practical expedients permitted by the standard.