

CHAIRMAN'S REVIEW

I am pleased to report on the 2015 financial performance of the Sagicor Group. Consistent with prior years, the Group's 2015 financial statements have been presented with continuing operations being separated from the discontinued run-off operations of Sagicor Europe. The continuing operations comprise our businesses in the Caribbean and the USA.

The Sagicor Group experienced strong performance, with net income for the year closing at US \$76.8 million, compared to US \$73.9 million for 2014, an increase of 3.9%.

Net income from continuing operations attributable to shareholders was US \$56.3 million, compared to the prior year result of US \$53.7 million. Earnings per common share from continuing operations was US 18.2¢, and represented an annualised return on common shareholders' equity of 11.7%.

Total revenue increased to US \$1,104.2 million, compared to the prior year amount of US \$1,045.2 million, an increase of US \$59.0 million or 5.6%. Net premium revenue closed at US \$673.9 million, compared to US \$625.6 million for the prior year, an increase of US \$48.3 million, or 7.7%. The Group experienced premium growth in all segments. Net investment income closed the period at US \$322.2 million, up from US \$307.2 million in the prior year, representing an improvement of 4.9%. Fees and other revenue amounted to US \$109.1 million, compared to US \$83.3 million in 2014, an improvement of US \$25.8 million or 31.0%. Net investment income and Fees and other revenue include the impact of the RBC Royal Bank's operation in Jamaica, which was acquired on June 27, 2014.

Total benefits incurred from continuing operations held fairly steady at US \$552.9 million, compared to US\$542.2 million in 2014.

Expenses (including agents' and brokers' commissions) increased to US \$427.7 million, compared to US \$385.9 million for the prior year, an increase of US \$41.8 million, or 10.8%. The increase in expenses reflected expenses incurred with the inclusion of the operation and integration of the RBC Royal Bank's Jamaica banking operation for the entire year, compared to six months in 2014. Higher asset taxes also impacted the year's expenses.

On August 11, 2015, Sagicor refinanced its total debt with the issuance of US \$320.0 million seven-year senior notes, repayable in 2022. The notes carry a fixed rate of interest of 8.875% payable semi-annually, and can be repurchased after four years. The notes were issued to refinance the existing senior notes, convertible preference shares and short-term notes which mature in May 2016. Consequently, on September 10, 2015, the company redeemed the US \$150.0 million 7.50% 2016 senior notes at a price of US \$160.5 million, and has pre-funded the redemption of the Convertible Redeemable Preference Shares and the other Short-term Notes.

As a result of the issuance of the senior notes in August 2015, the Group's finance cost increased to US \$37.2 million, compared to US \$22.5 million for the prior year. Included in finance cost are additional costs which arose for two further reasons. Firstly, US \$6.8 million were incurred related to the early redemption of the US \$150.0 million senior notes, which were due to mature in May 2016. Secondly, financing costs of US \$11.8 arose from the pre funding of redemptions of the Convertible Redeemable Preference Shares and the Short-term Notes, also due to mature in mid-2016, and the above-mentioned senior notes.

Total comprehensive income showed a loss of US \$0.6 million compared to a profit in the prior year of US \$80.6 million. Other comprehensive income showed a loss of US \$77.4 million, compared to a profit of US \$6.7 million in the prior year. During 2015 the Group experienced mark-to-market declines on financial assets associated with our international portfolios. These changes resulted from volatility in international bond prices, reflecting concerns over global economic growth, and uncertainty surrounding the Federal Reserve's monetary policy. The Jamaica dollar declined against the US dollar by 4.8% for 2015, compared to 7.8% for 2014, contributing to currency retranslation losses of US \$15.7 million.

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, subject to a limit denominated in pounds sterling. This business experienced a loss of US \$21.6 million, (US \$26.4 million for 2014), resulting from adverse movements in claims reserves. The company has now fully provided for this contingent exposure and no further adverse exposure to underwriting losses will be incurred.

In the statement of financial position as at December 31, 2015, assets amounted to US \$6.4 billion, compared to US \$6.2 billion in the prior year. Liabilities closed at US \$5.7 billion, compared to US \$5.4 billion in the prior year. Sagicor's Group equity totalled US \$739.2 million, compared to US \$773.5 million in the prior year, and was impacted by mark-to-market declines on financial investments.

The Group's debt, which is included in other liabilities, was US \$475.5 million. Following the issue of the senior notes in August 11, 2015, the redemption of the US \$150.0 million 7.5% 2016 senior notes, and pre-funding the redemption of the Convertible Redeemable Preference Shares and other Short-term Notes, the debt to capital ratio increased from 27.9% at the end of 2014 to 39.1% for 2015. The debt to capital ratio will return to lower levels, (approximately 35%) when the Convertible Redeemable Preference shares and the other Short-term Notes, which mature in May 2016, are redeemed.

On March 21, 2016 the company early redeemed the other Short-term Notes of US \$43.4 million due May 12, 2016 and issued new notes in the amount of US \$75.0 million due April 14, 2017. The new notes were issued at a rate of 5.0% per annum.

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.

The economic environment in which the Sagicor Group operates continues to show signs of improvement. The Board and Management continue to adapt our strategies as we deliver quality products to our customers and competitive returns to our shareholders. On behalf of the Board of Sagicor, I wish to thank our Shareholders and Customers for their continued support.



Stephen McNamara
Chairman
April 8, 2016

FINANCIAL HIGHLIGHTS (in US currency except percentages)	Years ended December 31	
	2015	2014
Revenue	\$1,104.2m	\$1,045.2m
Group net income from continuing operations	\$98.4m	\$100.3m
Group net loss from discontinued operation	(\$21.6m)	(\$26.4m)
Overall Group net income	\$76.8m	\$73.9m
Shareholders' net income from continuing operations	\$56.3m	\$53.7m
Shareholders' net (loss) from discontinued operation	(\$21.6m)	(\$26.4m)
Overall Shareholders' net income	\$34.7m	\$27.3m
Net income allocated to non-controlling interests	\$40.8m	\$40.4m
Total equity	\$739.2m	\$773.5m
Ratio of Debt to Capital	39.2%	27.9%
Earnings per common share from continuing operations	18.2¢	17.3¢
Annualised return of continuing operations on common shareholders' equity	11.7%	11.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Amounts expressed in US \$000	2015	2014
ASSETS		
Investment property	79,172	88,766
Property, plant and equipment	170,249	169,469
Associates and joint ventures	84,530	40,806
Intangible assets	88,183	76,056
Financial investments	4,826,621	4,661,494
Reinsurance assets	665,819	527,171
Income tax assets	66,342	57,503
Miscellaneous assets and receivables	168,480	156,630
Cash resources	250,489	402,525
Total assets	6,399,885	6,180,420
LIABILITIES		
Actuarial liabilities	2,632,387	2,562,221
Other insurance liabilities	205,891	197,420
Investment contract liabilities	368,596	360,961
Total policy liabilities	3,206,874	3,120,602
Notes and loans payable	475,517	298,942
Deposit and security liabilities	1,607,611	1,623,971
Provisions	88,206	78,356
Income tax liabilities	34,765	41,767
Accounts payable and accrued liabilities	201,722	197,444
Liabilities of discontinued operation	46,026	45,796
Total liabilities	5,660,721	5,406,878
EQUITY		
Share capital	299,320	295,989
Reserves	(59,688)	(8,765)
Retained earnings	266,414	244,474
Total shareholders' equity	506,046	531,698
Participating accounts	1,383	364
Non-controlling interest in subsidiaries	231,735	241,480
Total equity	739,164	773,542
Total liabilities and equity	6,399,885	6,180,420

These financial statements have been approved for issue by the Board of Directors on April 8, 2016.



Director



Director

CONSOLIDATED STATEMENT OF INCOME
Amounts expressed in US \$000

	2015	2014
REVENUE		
Premium revenue	969,522	889,121
Reinsurance premium expense	(295,597)	(263,564)
Net premium revenue	673,925	625,557
Net investment income	322,229	307,215
Fees and other revenue	109,090	83,344
Gain/(loss) arising on acquisition	(1,025)	29,051
Total revenue	1,104,219	1,045,167
BENEFITS		
Policy benefits and change in actuarial liabilities	692,937	714,770
Policy benefits and change in actuarial liabilities reinsured	(198,801)	(236,292)
Net policy benefits and change in actuarial liabilities	494,136	478,478
Interest expense	58,807	63,739
Total benefits	552,943	542,217
EXPENSES		
Administrative expenses	251,892	233,742
Commissions and related compensation	105,093	97,965
Premium and asset taxes	14,808	11,474
Finance costs	37,234	22,544
Depreciation and amortisation	18,687	20,220
Total expenses	427,714	385,945
INCOME BEFORE TAXES	123,562	117,005
Income taxes	(25,119)	(16,700)
NET INCOME FROM CONTINUING OPERATIONS	98,443	100,305
Net loss from discontinued operation	(21,648)	(26,367)
NET INCOME FOR THE YEAR	76,795	73,938
Net income/(loss) is attributable to:		
Common shareholders:		
From continuing operations	56,327	53,737
From discontinued operation	(21,648)	(26,367)
	34,679	27,370
Participating policyholders	1,285	6,200
Non-controlling interests	40,831	40,368
	76,795	73,938
Basic earnings /(loss) per common share:		
From continuing operations	18.2 cents	17.3 cents
From discontinued operation	(7.2) cents	(8.7) cents
	11.0 cents	8.6 cents
Fully diluted earnings /(loss) per common share:		
From continuing operations	17.3 cents	16.6 cents
From discontinued operation	(6.6) cents	(8.2) cents
	10.7 cents	8.4 cents

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

	2015	2014
OTHER COMPREHENSIVE INCOME		
Items net of tax that may be reclassified subsequently to income:		
Available for sale assets:		
Gains / (losses) on revaluation	(103,101)	38,386
Gains transferred to income	(1,175)	(2,830)
Net change in actuarial liabilities	48,346	(19,970)
Retranslation of foreign currency operations	(15,686)	(22,036)
	(71,616)	(6,450)
Items net of tax that will not be reclassified subsequently to income:		
Gains / (losses) on revaluation of owner-occupied property	(345)	27
Gains / (losses) on defined benefit plans	(5,431)	13,212
Other items	-	(108)
	(5,776)	13,131
OTHER COMPREHENSIVE INCOME / (LOSS) FROM CONTINUING OPERATIONS	(77,392)	6,681
TOTAL COMPREHENSIVE INCOME		
Net income	76,795	73,938
Other comprehensive (loss) / income	(77,392)	6,681
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(597)	80,619
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	14,461	64,156
From discontinued operation	(21,648)	(26,367)
	(7,187)	37,789
Participating policyholders	1,249	6,262
Non-controlling interests	5,341	36,568
	(597)	80,619

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

	Share Capital	Reserves	Retained Earnings	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
2015							
Balance, beginning of year	295,989	(8,765)	244,474	531,698	364	241,480	773,542
Total comprehensive income from continuing operations	-	(38,419)	52,880	14,461	1,249	5,341	21,051
Total comprehensive income from discontinued operation	-	-	(21,648)	(21,648)	-	-	(21,648)
Transactions with holders of equity instruments:							
Allotment of common shares	556	-	-	556	-	-	556
Movements in treasury shares	2,775	-	-	2,775	-	-	2,775
Changes in reserve for equity compensation benefits	-	(1,650)	-	(1,650)	-	(313)	(1,963)
Dividends declared	-	-	(19,842)	(19,842)	-	(14,835)	(34,677)
Transfers and other movements	-	(10,854)	10,550	(304)	(230)	62	(472)
Balance, end of year	299,320	(59,688)	266,414	506,046	1,383	231,735	739,164
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

CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts expressed in US \$000

	2015	2014	2015	2014
OPERATING ACTIVITIES				
Income before taxes	123,562	117,005		
Adjustments for non-cash items, interest and dividends	(200,783)	(185,855)		
Interest and dividends received	299,482	275,582		
Interest paid	(76,276)	(81,518)		
Income taxes paid	(27,444)	(19,402)		
Net increase in investments and operating assets	(269,081)	(245,772)		
Net increase in operating liabilities	58,514	305,976		
Net cash flows - operating activities	(92,026)	166,016		
INVESTING ACTIVITIES				
Property, plant and equipment, net	(16,586)	(20,916)		
Associates and joint ventures	(28,986)	(540)		
Intangible assets	(15,198)	(2,469)		
Acquisition of subsidiary, net of cash and cash equivalents	-	93,227		
Net cash flows - investing activities	(60,770)	69,302		
FINANCING ACTIVITIES				
Movement in treasury shares			(896)	(1,114)
Other notes and loans payable, net			156,458	(683)
Dividends received from associates			480	7,860
Dividends paid to common shareholders			(11,842)	(11,819)
Dividends paid to preference shareholders			(7,800)	(7,800)
Dividends paid to non-controlling interests			(14,600)	(11,498)
Net cash flows - financing activities			121,800	(25,054)
Effects of exchange rate changes			(3,900)	7,925
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS			(34,896)	218,189
Net change in cash and cash equivalents - discontinued operation			(21,419)	(35,595)
Cash and cash equivalents, beginning of year			441,194	258,600
CASH AND CASH EQUIVALENTS, END OF YEAR			384,879	441,194

STATEMENT OF INCOME BY SEGMENT

Amounts expressed in US \$000

2015

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	291,237	278,312	80,963	23,413	-	673,925
Interest income	73,121	159,828	51,236	9,247	-	293,432
Other investment income	1,862	21,101	8,831	(66)	(2,931)	28,797
Fees and other revenues	12,606	53,243	20,124	23,113	4	109,090
Gain / (loss) arising on acquisition	-	(1,025)	-	-	-	(1,025)
Inter-segment revenues	92,596 ⁽¹⁾	-	(82,890) ⁽¹⁾	39,905	(49,611)	-
	471,422	511,459	78,264	95,612	(52,538)	1,104,219
Net policy benefits	189,934	163,574	101,898	12,171	-	467,577
Net change in actuarial liabilities	(1,482)	44,634	(16,593)	-	-	26,559
Interest expense	11,247	40,824	2,693	4,043	-	58,807
Administrative expenses	64,958	114,977	35,673	35,449	835	251,892
Commissions and premium and asset taxes	40,694	44,298	24,761	10,148	-	119,901
Finance costs	-	-	49	(343)	37,528	37,234
Depreciation and amortisation	5,831	6,573	1,276	5,007	-	18,687
Inter-segment expenses	82,585 ⁽¹⁾	886	(81,207) ⁽¹⁾	9,943	(12,207)	-
	393,767	415,766	68,550	76,418	26,156	980,657
Segment income / (loss) before taxes	77,655	95,693	9,714	19,194	(78,694)	123,562
Income taxes	(6,888)	(15,581)	(3,106)	(343)	799	(25,119)
Net income / (loss) from continuing operations	70,767	80,112	6,608	18,851	(77,895)	98,443
Net income/(loss) attributable to shareholders from continuing operations	69,482	39,344	6,608	(18,740)	(40,367)	56,327
Total comprehensive income/(loss) attributable to shareholders from continuing operations	70,925	4,881	(3,404)	(19,460)	(38,481)	14,461

(1) During the year, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment revenues is \$90,515 and inter-segment expenses of \$82,225 relating to this transaction.

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

STATEMENT OF FINANCIAL POSITION BY SEGMENT

Amounts expressed in US \$000

2015

	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Financial investments	1,402,811	2,087,139	1,061,649	275,022	-	4,826,621
Other external assets	331,311	415,738	630,719	195,496	-	1,573,264
Inter-segment assets	169,945	10,350	8,323	53,505	(242,123)	-
Total assets	1,904,067	2,513,227	1,700,691	524,023	(242,123)	6,399,885
Policy liabilities	1,189,512	646,942	1,309,946	60,474	-	3,206,874
Other external liabilities	87,439	1,467,043	224,063	629,276	-	2,407,821
Liabilities of discontinued operation	-	-	-	46,026	-	46,026
Inter-segment liabilities	28,475	1,696	43,839	168,113	(242,123)	-
Total liabilities	1,305,426	2,115,681	1,577,848	903,889	(242,123)	5,660,721
Net assets	598,641	397,546	122,843	(379,866)	-	739,164

2014

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

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	
	2015	2014	2015	2014
Barbados	162,545	146,640	195,457	198,624
Jamaica	478,798	458,565	117,964	69,985
Trinidad & Tobago	153,790	145,735	69,132	67,396
Other Caribbean	150,860	140,737	34,485	35,499
USA	158,226	153,490	5,096	3,593
	1,104,219	1,045,167	422,134	375,097


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 and the summary statement of financial position by segment as of December 31, 2015 and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows and the summary statement of income by segment for the year then ended and geographical areas are derived from the audited financial statements of **Sagicor Financial Corporation** and its subsidiaries for the year ended December 31, 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 8, 2016.

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, 2015 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 to them 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 SCL

April 8 2016
Bridgetown, Barbados

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