



Wise Financial Thinking for Life

SAGICOR FINANCIAL CORPORATION

FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

CHAIRMAN'S REVIEW

The Sagicor Group recorded net income from continuing operations of US \$28.4 million for the first six months of 2013, an improvement of US\$4.0 million over the comparative period in 2012.

Net income from continuing operations attributable to shareholders was US \$19.3 million, an increase over the prior year result of \$12.3 million. Earnings per common share from continuing operations was US 6.1¢ representing an annualised return on common shareholders' equity of 7.3%.

Results from our continuing operations remain encouraging. Our businesses in the Caribbean and in the USA continued to perform well, with revenue from continuing operations amounting to US\$ 498.7 million an improvement of US\$ 21.5 million over the corresponding period in 2012. Net premium revenue stood at US\$ 314.7 million, an increase over the US \$301.9 million recorded for the same period in the prior year. Net investment income and other income improved from US \$175.3 million to US\$ 184.0 million. This improvement in net investment income and other income is after accounting for a capital loss of US \$11.8 million (US \$5.7 million to shareholders) incurred on Government of Jamaica (GOJ) debt securities when the Group exchanged over US \$600 million in GOJ debt securities for lower market values, lower coupon rates and extended maturities.

Total benefits and expenses (including agents and brokers' commissions) increased by US \$16.2 million to close at US \$173.6 million for the period, compared to US \$157.4 million for the prior period and is consistent with the growth in premium revenue.

On July 26, 2013, the Sagicor Group entered into an agreement with AmTrust Financial Services Inc. for the sale of Sagicor Europe Limited (SEL) and its subsidiaries, which includes Sagicor at Lloyd's Limited. The selling price was approximately US \$85 million (GBP 56 million), which represented a premium of US \$23 million (GBP 15 million) over the net tangible asset value of SEL. Under the terms of the sale agreement Sagicor will retain interest in the ultimate results of the 2011, 2012 and 2013 underwriting years of account after the syndicate has been formally sold. The impact of this transaction and the performance of SEL are included in these results to June 30, 2013.

Accordingly, the discontinued operation recorded a net loss of US \$41.7 million for the six-month period. This comprises an operating loss of US \$23.6 million, foreign exchange and finance costs of US \$8.0 million and an impairment estimate of all future losses of US \$10.1 million. The operating loss is as a result of a number of factors. The uncertainty in the Lloyd's market on the future of Sagicor's syndicate contributed to our inability to reach premium revenue targets. In addition, within certain lines of business, there was a worsening of the claims experience, resulting in the Group having to record some large

losses and to strengthen claim reserves for business already written. As of June 30, Sagicor made an estimate of the financial impact of the ultimate results of the underwriting years retained (2011, 2012 and 2013), and after taking into account the terms of the sale, we have included an impairment provision of US \$10.1 million for future losses on this business. This provision is based on current estimates and is subject to revision if there is a change in the syndicate's performance relating to these underwriting years. The provision is also subject to future currency exchange movements.

Overall, after including the results from the discontinued operation a net loss of US\$ 22.4 million was attributable to shareholders for the current period, compared to US\$ 11.8 million net income for the comparative period in 2012.

In the statement of financial position as at June 30, 2013, assets amounted to US \$5.7 billion and liabilities totalled US\$ 5.0 billion. Sagicor's Group equity totalled US\$ 730.6 million. The Group's debt, which is included in other liabilities, totalled US\$ 244.9 million. The resulting debt to equity ratio was 33.5%.

During the first six months of 2013, the global economy continued to demonstrate modest improvements. Both the US economy and the UK economy recorded modest growth, while the performance in Europe has been mixed. In the Caribbean, with the exception of Trinidad & Tobago, the economies continue to be under pressure, with no noticeable improvement in economic activity during the period. Within this environment, the Sagicor Group has maintained good performance on its continuing operations. The sale of Sagicor Europe will allow the Board and Management to continue their focus on improving the performance of the continuing operations, while restructuring these to take advantage of opportunities for future profitable 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, 2013.

| FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i> | Six months ended June 30 | |
|---|--------------------------|----------|
| | 2013 | 2012 |
| Group net income from continuing operations | \$28.4m | \$24.4m |
| Shareholders' net income from continuing operations | \$19.3m | \$12.3m |
| Earnings per common share from continuing operations | 6.1¢ | 3.8¢ |
| Annualised return of continuing operations on common shareholders' equity | 7.3% | 4.3% |
| Revenue | \$498.7m | \$477.2m |
| Overall Group net (loss)/income | (\$13.3)m | \$24.0m |
| Overall Shareholders' net (loss)/income | (\$22.4)m | \$11.8m |
| Total equity | \$730.6m | \$801.3m |
| Ratio of Debt to Equity | 33.5% | 29.5% |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Amounts expressed in US \$000 | June 30 | June 30 | Dec 31 |
|---------------------------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2012 |
| | (unaudited) | (unaudited) | (audited) |
| ASSETS | | | |
| Financial investments | 4,111,074 | 4,229,412 | 4,041,326 |
| Other investments and assets | 874,148 | 1,265,240 | 802,297 |
| Assets of discontinued operation | 725,895 | 0 | 705,732 |
| Total assets | 5,711,117 | 5,494,652 | 5,549,355 |
| LIABILITIES | | | |
| Policy liabilities | 2,735,605 | 3,023,653 | 2,574,302 |
| Other liabilities | 1,616,703 | 1,669,654 | 1,525,436 |
| Liabilities of discontinued operation | 628,172 | 0 | 630,977 |
| Total liabilities | 4,980,480 | 4,693,307 | 4,730,715 |
| EQUITY | | | |
| Shareholders' equity | 531,206 | 606,420 | 601,605 |
| Participating accounts | (15,545) | (2) | (10,333) |
| Minority interest | 214,976 | 194,927 | 227,368 |
| Total equity | 730,637 | 801,345 | 818,640 |
| Total liabilities and equity | 5,711,117 | 5,494,652 | 5,549,355 |

These financial statements have been approved for issue by the Board of Directors on August 09, 2013.



Director



Director

CONSOLIDATED STATEMENT OF INCOME

| Amounts expressed in US \$000 | Six months to June 30 | | Three months to June 30 | |
|---|-----------------------|------------------|-------------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| REVENUE | | | | |
| Net premium revenue | 314,651 | 301,924 | 150,269 | 154,821 |
| Net investment and other income | 184,022 | 175,289 | 98,620 | 82,323 |
| Total revenue | 498,673 | 477,213 | 248,889 | 237,144 |
| BENEFITS AND EXPENSES | | | | |
| Benefits | 288,125 | 286,593 | 138,196 | 146,734 |
| Expenses | 173,591 | 157,403 | 91,500 | 79,303 |
| Total benefits and expenses | 461,716 | 443,996 | 229,696 | 226,037 |
| INCOME BEFORE TAXES | | | | |
| Income taxes | (8,560) | (8,805) | (5,054) | (3,159) |
| NET INCOME FROM CONTINUING OPERATIONS | 28,397 | 24,412 | 14,139 | 7,948 |
| Net Income / (loss) from discontinued operation | (41,666) | (429) | (35,500) | (587) |
| NET INCOME FOR THE PERIOD | (13,269) | 23,983 | (21,361) | 7,361 |
| NET INCOME ATTRIBUTABLE TO: | | | | |
| Common Shareholders | | | | |
| From continuing operations | 19,299 | 12,266 | 7,805 | 3,229 |
| From discontinued operation | (41,666) | (429) | (35,500) | (587) |
| | (22,367) | 11,837 | (27,695) | 2,642 |
| Participating policyholders | (3,820) | (2,351) | (2,809) | (1,543) |
| Minority interest | 12,918 | 14,497 | 9,143 | 6,262 |
| | (13,269) | 23,983 | (21,361) | 7,361 |
| Basic earnings per common share: | | | | |
| From continuing operations | 6.1 cents | 3.8 cents | 2.6 cents | 1.1 cents |
| From discontinued operation | (13.8) cents | (0.1) cents | (11.8) cents | (0.2) cents |
| | (7.7) cents | 3.7 cents | (9.2) cents | 0.9 cents |
| Fully diluted earnings per common share: | | | | |
| From continuing operations | 6.0 cents | 3.7 cents | 2.6 cents | 1.1 cents |
| From discontinued operation | (13.8) cents | (0.1) cents | (11.8) cents | (0.2) cents |
| | (7.8) cents | 3.6 cents | (9.2) cents | 0.9 cents |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Amounts expressed in US \$000 | Six months to June 30 | | Three months to June 30 | |
|---|-----------------------|---------------|-------------------------|----------------|
| | 2013 | 2012 | 2013 | 2012 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| NET INCOME FOR THE PERIOD | (13,269) | 23,983 | (21,361) | 7,361 |
| Items net of tax that may be reclassified subsequently to income: | | | | |
| Available for sale financial assets: | | | | |
| Unrealised gains / (losses) arising on revaluation | (35,389) | 18,654 | (44,018) | 5,960 |
| (Gains) / losses transferred to income | (12,739) | (6,952) | (3,185) | (3,120) |
| Net change in actuarial liabilities | 23,278 | (3,976) | 22,730 | (3,125) |
| Retranslation of foreign currency operations | (22,500) | (5,939) | (6,399) | (5,023) |
| | (47,350) | 1,787 | (30,872) | (5,308) |
| Items net of tax that will not be reclassified subsequently to income: | | | | |
| Unrealised gains arising on revaluation of owner occupied property | 39 | 80 | (1) | 80 |
| OTHER COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS | (47,311) | 1,867 | (30,873) | (5,228) |
| Other Comprehensive Income from discontinued operation | 914 | (256) | (510) | 248 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | (46,397) | 1,611 | (31,383) | (4,980) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | (59,666) | 25,594 | (52,744) | 2,381 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Common Shareholders | | | | |
| From continuing operations | (6,690) | 16,100 | (10,311) | 801 |
| From discontinued operation | (40,752) | (685) | (36,010) | (339) |
| | (47,442) | 15,415 | (46,321) | 462 |
| Participating policyholders | (5,095) | (2,080) | (4,061) | (1,124) |
| Minority interest | (7,129) | 12,259 | (2,362) | 3,043 |
| | (59,666) | 25,594 | (52,744) | 2,381 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in US \$000
(unaudited)

| | Share Capital | Reserves | Retained Earnings | Participating Accounts | Minority Interest | Total |
|--|------------------|----------------|----------------------|---------------------------|----------------------|----------------|
| Six months to June 30, 2013: | | | | | | |
| Balance, beginning of period | 296,058 | 16,411 | 289,136 | (10,333) | 227,368 | 818,640 |
| Prior period adjustment | 0 | 0 | (14,868) | 0 | (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 | 0 | (25,990) | 19,300 | (5,095) | (7,129) | (18,914) |
| Total comprehensive income from discontinued operation | 0 | 915 | (41,667) | 0 | 0 | (40,752) |
| Transactions with holders of equity instruments: | | | | | | |
| Movements in treasury shares | 7 | 0 | 0 | 0 | 0 | 7 |
| Changes in reserve for equity compensation benefits | 0 | 1,705 | 0 | 0 | 72 | 1,777 |
| Dividends declared | 0 | 0 | (9,918) | 0 | (4,025) | (13,943) |
| Transfers and other movements | 0 | (2,934) | 3,051 | (117) | 0 | 0 |
| Balance, end of period | 296,065 | (9,893) | 245,034 | (15,545) | 214,976 | 730,637 |
| Six months to June 30, 2012: | | | | | | |
| Balance, beginning of period | 296,048 | 20,865 | 290,222 | 2,201 | 188,197 | 797,533 |
| Prior period adjustment | 0 | 0 | (8,673) | 0 | 155 | (8,518) |
| Balance as restated | 296,048 | 20,865 | 281,549 | 2,201 | 188,352 | 789,015 |
| Total comprehensive income from continuing operations | 0 | 3,834 | 12,266 | (2,080) | 12,259 | 26,279 |
| Total comprehensive income from discontinued operation | 0 | (256) | (429) | 0 | 0 | (685) |
| Transactions with holders of equity instruments: | | | | | | |
| Changes in reserve for equity compensation benefits | 0 | 2,339 | 0 | 0 | 59 | 2,398 |
| Changes in ownership interests | 0 | 0 | 0 | 0 | 83 | 83 |
| Dividends declared | 0 | 0 | (9,919) | 0 | (5,826) | (15,745) |
| Transfers and other movements | 0 | (3,123) | 3,246 | (123) | 0 | 0 |
| Balance, end of period | 296,048 | 23,659 | 286,713 | (2) | 194,927 | 801,345 |

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in US \$000

| | Six months to June 30 | |
|--|--------------------------|---------------------|
| | 2013 (unaudited) | 2012 (unaudited) |
| CASH FLOWS | | |
| Operating activities: | | |
| Cash from income, interest and taxation | 95,184 | 74,535 |
| Net increase in investments and operating assets | (234,400) | (134,749) |
| Net change in operating liabilities | 128,863 | 52,668 |
| | (10,353) | (7,546) |
| Investing activities | 23,591 | (8,333) |
| Financing activities | (14,191) | (15,583) |
| Effects of exchange rate changes | 1,378 | (420) |
| Net change in cash and cash equivalents - continuing operations | 425 | (31,882) |
| Net change in cash and cash equivalents - discontinued operation | (5,420) | (37,786) |
| Cash and cash equivalents, beginning of period | 213,564 | 264,659 |
| Cash and cash equivalents, end of period | 208,569 | 194,991 |

NOTE 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 June 30, 2012, have been restated to reflect the Sagikor 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 June 30, 2012.