

CHAIRMAN'S REVIEW

The Sagicor Group recorded another solid performance for the first three months to March 31, 2018. Group net income closed the period at US \$38.9 million against a prior year result of US \$27.0 million. Net income attributable to shareholders was US \$19.9 million compared to the prior year result of US \$16.7 million, an increase of 19%.

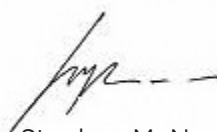
During the first three months of the year Sagicor Group adopted two new accounting standards which became effective from January 1, 2018. IFRS 15, Revenue from Contracts with Customers was adopted, and affects how income is recognised on contracts by companies. IFRS 9, Financial instruments, was also adopted, this accounting standard changes the way that financial instruments are recognised and measured. The standard introduces new measurement categories for financial instruments and an expected credit loss model for impairment. There was no significant impact on the implementation of both standards on the net assets of the Company.

Total revenue for the Group amounted to US \$296.6 million, against a prior year amount of US \$282.5 million, an increase of 5%. Revenue included a one-time gain of US \$5.3 million on the acquisition of the British American insurance portfolio from the Government of Barbados. Benefits were US \$132.1 million, compared to US \$138.4 million for the previous year, a reduction of 5%. Expenses were US \$117.6 million, compared to US \$115.1 million for the same period in the prior year, an increase of 2%.

Group comprehensive income was US \$17.0 million, compared to US \$32.2 million for the prior year. Shareholder comprehensive income was US \$5.8 million, compared to US \$20.6 million for the prior year. The decline in comprehensive income was mainly due to marked-to-market losses on our international bond portfolio.

In the statement of financial position as at March 31, 2018, assets amounted to US \$6.9 billion, and liabilities amounted to US \$5.9 billion. Group equity was US \$931.7 million, compared to US \$939.6 million at December 31, 2017. Shareholders' equity was US \$622.9 million, compared to US \$626.9 million at December 31, 2017. The Group's debt was US \$407.1 million with a debt to capital ratio of 30.4%, compared to 30.7% at December 31, 2017.

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



Stephen McNamara
Chairman
May 15, 2018

FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Three months ended MARCH 31	
	2018	2017 restated
Total revenue	\$296.6m	\$282.5m
Overall Group net income	\$38.9m	\$27.0m
Overall Shareholders' net income	\$19.9m	\$16.7m
Net income allocated to non-controlling interests	\$10.8m	\$10.6m
Total equity	\$931.7m	\$827.5m
Book Value per share	\$2.03	\$1.82
Ratio of Debt to Capital	30.4%	32.9%
Earnings per common share	6.5¢	5.5¢
Annualised return on common shareholders' equity	12.7%	9.2%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts expressed in US \$000

	March 31 2018	March 31 2017 RESTATED	December 31 2017 RESTATED
	(unaudited)	(unaudited)	(audited)
ASSETS			
Financial investments	5,021,369	4,908,430	4,953,241
Other investments and assets	1,833,988	1,682,122	1,851,291
Assets of discontinued operation	10,502	4,285	10,110
Total assets	6,865,859	6,594,837	6,814,642
LIABILITIES			
Policy liabilities	3,551,362	3,388,488	3,544,927
Other liabilities	2,382,788	2,378,873	2,330,162
Total liabilities	5,934,150	5,767,361	5,875,089
EQUITY			
Shareholders' equity	622,890	553,489	626,922
Participating accounts	6,043	723	865
Non-controlling interests	302,776	273,264	311,766
Total equity	931,709	827,476	939,553
Total liabilities and equity	6,865,859	6,594,837	6,814,642

These financial statements have been approved for issue by the Board of Directors on May 15, 2018.



Director



Director

CONSOLIDATED STATEMENT OF INCOME
Amounts expressed in US \$000

	Three months to March 31	
	2018	2017
	RESTATED	
	(unaudited)	(unaudited)
REVENUE		
Net premium revenue	187,302	167,669
Net investment and other income	109,258	114,839
Total revenue	296,560	282,508
BENEFITS AND EXPENSES		
Benefits	132,092	138,352
Expenses	117,617	115,082
Total benefits and expenses	249,709	253,434
INCOME BEFORE TAXES	46,851	29,074
Income taxes	(8,381)	(6,404)
NET INCOME FROM CONTINUING OPERATIONS	38,470	22,670
Net income from discontinued operation	392	4,285
NET INCOME FOR THE PERIOD	38,862	26,955
NET INCOME ATTRIBUTABLE TO:		
Common Shareholders		
From continuing operations	19,497	12,371
From discontinued operation	392	4,285
	19,889	16,656
Participating policyholders	8,187	(289)
Non-controlling interests	10,786	10,588
	38,862	26,955
Basic earnings per common share:		
From continuing operations	6.4 cents	4.1 cents
From discontinued operation	0.1 cents	1.4 cents
	6.5 cents	5.5 cents
Fully diluted earnings per common share:		
From continuing operations	6.2 cents	4.0 cents
From discontinued operation	0.1 cents	1.4 cents
	6.3 cents	5.4 cents

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

	Three months to March 31	
	2018	2017
	RESTATED	
	(unaudited)	(unaudited)
NET INCOME FOR THE PERIOD	38,862	26,955
Items net of tax that may be reclassified subsequently to income:		
Available for sale financial assets:		
Unrealised gains arising on revaluation	-	7,949
Losses transferred to income	-	4,466
Net losses on investments in debt instruments measured at FVOCI	(28,391)	-
Net gains on financial assets measured at FVOCI reclassified to profit or loss on disposal	(3,637)	-
Net change in actuarial liabilities	13,163	(8,595)
Retranslation of foreign currency operations	(3,041)	(693)
Other items	(1)	-
	(21,907)	3,127
Items net of tax that will not be reclassified subsequently to income:		
Unrealised losses arising on revaluation of owner occupied property	-	(26)
Net gains on investments in equity instruments designated at fair value through through other comprehensive income	14	-
Gains on defined benefit plans	-	2,133
	(21,893)	5,234
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(21,893)	5,234
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,969	32,189
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Common Shareholders		
From continuing operations	5,381	16,299
From discontinued operation	392	4,285
	5,773	20,584
Participating policyholders	8,160	(514)
Non-controlling interests	3,036	12,119
	16,969	32,189

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
Three months to March 31, 2018:							
Balance, beginning of period	3,059	300,470	(47,482)	367,327	865	308,089	932,328
Prior period adjustment	-	-	94	3,454	-	3,677	7,225
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)	360,339	(2,065)	309,414	923,612
Total comprehensive income from continuing operations	-	-	(14,115)	19,496	8,160	3,036	16,577
Total comprehensive income from discontinued operation	-	-	-	392	-	-	392
Transactions with holders of equity instruments:							
Movements in treasury shares	-	31	-	-	-	-	31
Changes in reserve for equity compensation benefits	-	-	1,259	-	-	-	1,259
Dividends declared	-	-	-	-	-	(10,464)	(10,464)
Transfers and other movements	-	-	(177)	(259)	(52)	790	302
Balance, end of period	3,059	300,501	(60,638)	379,968	6,043	302,776	931,709
Three months to March 31, 2017 RESTATED:							
Balance, beginning of period	3,029	297,050	(64,795)	300,865	1,291	257,974	795,414
Prior period adjustment	-	-	(3)	3,064	-	3,170	6,231
Balance as restated	3,029	297,050	(64,798)	303,929	1,291	261,144	801,645
Total comprehensive income from continuing operations	-	-	1,970	14,329	(514)	12,119	27,904
Total comprehensive income from discontinued operation	-	-	-	4,285	-	-	4,285
Transactions with holders of equity instruments:							
Movements in treasury shares	2	225	-	-	-	-	227
Changes in reserve for equity compensation benefits	-	-	1,099	-	-	-	1,099
Dividends declared	-	-	-	(7,576)	-	-	(7,576)
Transfers and other movements	-	-	438	(493)	(54)	1	(108)
Balance, end of period	3,031	297,275	(61,291)	314,474	723	273,264	827,476

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

	Three months to March 31	
	2018	2017
	(unaudited)	(unaudited)
CASH FLOWS		
Operating activities:		
Cash from income, interest and taxation	19,262	5,510
Net increase in investments and operating assets	(76,635)	(56,111)
Net change in operating liabilities	56,947	19,083
	(426)	(31,518)
Investing activities	(3,698)	(7,861)
Financing activities	(530)	15,652
Effects of exchange rate changes	(332)	897
Net change in cash and cash equivalents - continuing operations	(4,986)	(22,830)
Cash and cash equivalents, beginning of period	325,726	312,106
Cash and cash equivalents, end of period	320,740	289,276

STATEMENT OF INCOME BY SEGMENT

Amounts expressed in US \$000

(unaudited)

	Three months to March 31, 2018					Total
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
Total revenue	110,029	137,994	37,593	16,069	(5,125)	296,560
Total benefits and expenses	71,137	110,125	41,635	22,788	4,024	249,709
INCOME BEFORE TAXES	38,892	27,869	(4,042)	(6,719)	(9,149)	46,851
Income taxes	(2,900)	(6,385)	848	(226)	282	(8,381)
NET INCOME FROM CONTINUING OPERATIONS	35,992	21,484	(3,194)	(6,945)	(8,867)	38,470
Net income / (loss) attributable to shareholders from continuing operations	27,805	10,550	(3,194)	(15,105)	(559)	19,497
Total Comprehensive income / (loss) attributable to shareholders from continuing operations	26,199	3,002	(8,554)	(15,455)	189	5,381

	RESTATED					Total
	Three months to March 31, 2017					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
NET INCOME FROM CONTINUING OPERATIONS	12,996	20,609	2,849	3,366	(17,150)	22,670
Net income / (loss) attributable to shareholders from continuing operations	13,285	10,123	2,849	(5,000)	(8,886)	12,371
Total Comprehensive income / (loss) attributable to shareholders from continuing operations	15,445	11,565	5,098	(5,396)	(10,413)	16,299

STATEMENT OF FINANCIAL POSITION BY SEGMENT

Amounts expressed in US \$000

(unaudited)

	March 31, 2018					Total
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
Total assets	2,013,881	2,837,847	2,004,346	400,074	(390,289)	6,865,859
Total liabilities	1,440,515	2,288,542	1,772,021	823,361	(390,289)	5,934,150
Net assets	573,366	549,305	232,325	(423,287)	-	931,709

	RESTATED					Total
	March 31, 2017					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
Net assets	532,397	479,801	223,808	(408,530)	-	827,476

PRODUCTS AND SERVICES

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

Amounts expressed in US \$000

	Three months to March 31	
	2018	2017
	(unaudited)	(unaudited)
Life, health and annuity insurance contracts issued to individuals	169,515	158,034
Life, health and annuity insurance and pension administration contracts issued to groups	69,816	67,459
Property and casualty insurance	11,586	9,430
Banking, investment management and other financial services	40,001	38,867
Other revenues	5,642	8,718
	<u>296,560</u>	<u>282,508</u>

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, 2017 audited financial statements, except for the adoption of IFRS 15 - 'Revenue from Contracts with Customers' and IFRS 9 - 'Financial Instruments', which replaces the provisions of IAS 39 - 'Financial Instruments: Recognition and Measurement'. These standards became effective from January 1, 2018.

IFRS 9 replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'. Any adjustment on the initial adoption of this standard impacts retained earnings.

2. RESTATEMENTS

Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments. This is a voluntary change in policy and was reflected as a prior period adjustment in accordance with IAS 8. The impact of this change was an increase in opening equity at March 2017 of US \$6.2 million and an increase in net income for March 2017 of US \$0.2 million.

Net income of the discontinued operation and assets of the discontinued operation were adjusted by US \$4.3 million to reflect the share of income for 2017 attributable to the first three months of 2017.

Actuarial reserves (benefits) for the first quarter of 2017 was adjusted by US \$1.6 million along with associated taxes of US \$0.5 million relating to various actuarial changes attributable to the period.