

# **SAGICOR FINANCIAL CORPORATION**

Interim Financial Statements

Six-months ended June 30, 2016

**CHAIRMAN'S REVIEW**

The Sagicor Group recorded net income of US \$34.1 million for the six months to June 30, 2016, compared to US \$22.4 million for the same period of 2015. Net income attributable to shareholders increased to US \$16.7 million, compared to US \$6.8 million for the same period of 2015.

Included in net income to shareholders in 2016 were a number of non-recurring expenses and additional costs. There were additional finance costs of US \$6.7 million due to the issuance of the US \$320.0 million senior notes in 2015 to pre-fund the redeemable preference share redemption. There were non-recurring expenses incurred amounting to US \$2.9 million (shareholders US \$1.4 million).

After adjusting for these items net income to shareholders was as follows:

<i>(in US currency)</i>	<b>2016 Million</b>	<b>2015 Million</b>
Net Income to shareholders	16.7	6.8
Add: Additional finance costs	6.7	-
Non-recurring expenses	1.4	-
Adjusted Net income to shareholders	24.8	6.8

Total revenue amounted to US \$553.0 million, compared to US \$548.5 million for the corresponding period in 2015. Net premium revenue stood at US \$318.8 million, and was marginally below the prior year amount of US \$322.1 million. Net investment income and other income reached US \$234.3 million, compared to US \$226.4 million in the prior year, an increase of US \$7.9 million.

Benefits closed at US \$294.8 million for the period, compared to US \$297.2 million for the previous year and was slightly below the same period in the prior year.

Expenses amounted to US \$209.8 million, compared to US \$201.9 million for the same period in the prior year. Expenses are further analysed as follows:

<i>(in US currency)</i>	<b>2016 Million</b>	<b>2015 Million</b>
Administrative expenses	124.1	120.2
Commissions and related compensation	46.8	49.2
Premium and asset taxes	7.6	13.3
Finance costs	21.1	10.8
Depreciation and amortisation	10.2	8.4
Total expenses	209.8	201.9

Administrative expenses were higher than the prior period amount and, as mentioned earlier, included a number of non-recurring costs.

Premium and asset taxes were lower when compared to the prior period and resulted from a change in the taxation basis in the Jamaica segment where insurance business is now taxed on net income, compared to an investment income tax and a premium tax in the prior period which were discontinued along with a reduction in the asset tax rate.

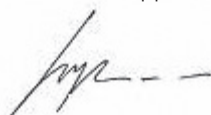
Finance costs included additional costs when compared to the prior period due to the pre-funding of the redemption of the Convertible Redeemable Preference Shares with the issuance of US \$320.0 million senior notes.

Total comprehensive income closed the period at US \$48.9 million, compared to US \$3.6 million for the same period in the prior year. Included in comprehensive income were net gains on financial assets of US \$58.6 million resulting from marked-to-market gains on financial assets associated with our international portfolios, compared to net declines of US \$25.3 million for the comparative period in 2015. Retranslation losses amounted to US \$20.4 million, compared to US \$6.3 million reported in the prior year and resulted from declines in the Jamaica dollar and the Trinidad dollar when compared to the United States dollar.

In the statement of financial position as at June 30, 2016, assets amounted to US \$6.6 billion, and liabilities totalled US \$5.8 billion. Sagicor's Group equity totalled US \$764.7 million. The Group's debt, which is included in other liabilities, was US \$511.7 million. On July 18, the company redeemed all of its outstanding unconverted Convertible Redeemable Preference Shares in the capital of the company, amounting to US \$120.0 million. The debt to capital ratio after adjustment for the redemption was 33.9%.

On July 20, 2016 the company continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited.

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



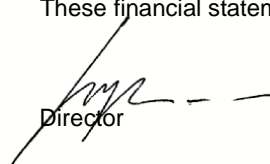
Stephen McNamara  
Chairman  
August 11, 2016.

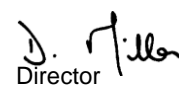
<b>FINANCIAL HIGHLIGHTS</b> <i>(in US currency except percentages)</i>	<b>Six months ended JUNE 30</b>	
	<b>2016</b>	<b>2015</b>
Total revenue	\$553.0m	\$548.5m
Overall Group net income	\$34.1m	\$22.4m
Overall Shareholders' net income	\$16.7m	\$6.8m
Net income allocated to non-controlling interests	\$17.7m	\$17.1m
Total equity	\$764.7m	\$763.7m
Ratio of Debt to Capital (2016 adjusted for redemption of preference shares)	33.9%	28.5%
Earnings per common share	5.2¢	2.0¢
Annualised return on common shareholders' equity	6.7%	2.7%

**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>As of June 30, 2016</b>	<b>As of December 31, 2015</b>
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(audited)</u>
<b>ASSETS</b>		
Investment property	78,193	79,172
Property, plant and equipment	165,974	170,249
Associates and joint ventures	85,782	84,530
Intangible assets	85,575	88,183
Financial investments (note 6)	4,905,027	4,826,621
Reinsurance assets	722,130	665,819
Income tax assets	54,260	66,342
Miscellaneous assets and receivables	170,052	168,480
Cash resources	286,236	250,489
Assets of discontinued operation (note 5)	453	-
<b>Total assets</b>	<b>6,553,682</b>	<b>6,399,885</b>
<b>LIABILITIES</b>		
Actuarial liabilities	2,734,660	2,632,387
Other insurance liabilities	204,470	205,891
Investment contract liabilities (note 7)	371,587	368,596
Total policy liabilities	3,310,717	3,206,874
Notes and loans payable (note 8)	511,677	475,517
Deposits and security liabilities (note 9)	1,652,548	1,607,611
Provisions	82,235	88,206
Income tax liabilities	34,317	34,765
Accounts payable and accrued liabilities	197,473	201,722
Liabilities of discontinued operation (note 5)	-	46,026
<b>Total liabilities</b>	<b>5,788,967</b>	<b>5,660,721</b>
<b>EQUITY</b>		
Share capital	299,942	299,320
Reserves	(54,674)	(59,688)
Retained earnings	276,225	266,414
Shareholders' equity	521,493	506,046
Participating accounts	1,001	1,383
Non-controlling interests in subsidiaries	242,221	231,735
<b>Total equity</b>	<b>764,715</b>	<b>739,164</b>
<b>Total liabilities and equity</b>	<b>6,553,682</b>	<b>6,399,885</b>

These financial statements have been approved for issue by the Board of Directors on August 11, 2016.

  
 Director

  
 Director

**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

	<b>Six months to June 30, 2016</b>	<b>Six months to June 30, 2015</b>
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>REVENUE</b>		
Premium revenue (note 3)	401,113	467,446
Reinsurance premium expense (note 3)	(82,341)	(145,385)
Net premium revenue	318,772	322,061
Net investment income	171,773	177,052
Fees and other revenue	62,489	49,344
<b>Total revenue</b>	<b>553,034</b>	<b>548,457</b>
<b>BENEFITS</b>		
Policy benefits and change in actuarial liabilities (note 4)	361,421	372,446
Policy benefits and change in actuarial liabilities reinsured (note 4)	(96,644)	(104,945)
Net policy benefits and change in actuarial liabilities	264,777	267,501
Interest expense	30,049	29,745
<b>Total benefits</b>	<b>294,826</b>	<b>297,246</b>
<b>EXPENSES</b>		
Administrative expenses	124,058	120,292
Commissions and related compensation	46,775	49,190
Premium and asset taxes	7,589	13,320
Finance costs	21,145	10,750
Depreciation and amortisation	10,233	8,389
<b>Total expenses</b>	<b>209,800</b>	<b>201,941</b>
<b>INCOME BEFORE TAXES</b>	<b>48,408</b>	<b>49,270</b>
Income taxes	(16,179)	(11,782)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>32,229</b>	<b>37,488</b>

**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME (continued)**

	<b>Six months to June 30, 2016</b>	<b>Six months to June 30, 2015</b>
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Net income from continuing operations	32,229	37,488
Net income/(loss) from discontinued operation (note 5)	1,865	(15,053)
<b>NET INCOME FOR THE PERIOD</b>	<b>34,094</b>	<b>22,435</b>
 <b>Net income/(loss) is attributable to:</b>		
Common shareholders:		
From continuing operations	14,877	21,841
From discontinued operation	1,865	(15,053)
	<u>16,742</u>	<u>6,788</u>
Participating policyholders	(354)	(1,430)
Non-controlling interests	17,706	17,077
	<u>34,094</u>	<u>22,435</u>
 <b>Basic earnings/(loss) per common share:</b>		
From continuing operations	4.6 cents	7.0 cents
From discontinued operation	0.6 cents	(5.0) cents
	<u>5.2 cents</u>	<u>2.0 cents</u>
 <b>Fully diluted earnings/(loss) per common share:</b>		
From continuing operations	4.5 cents	7.0 cents
From discontinued operation	0.5 cents	(5.0) cents
	<u>5.0 cents</u>	<u>2.0 cents</u>

**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Six months to June 30, 2016</b>	<b>Six months to June 30, 2015</b>
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>NET INCOME FOR THE PERIOD</b>	<b>34,094</b>	<b>22,435</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items net of tax that may be reclassified subsequently to income:</b>		
Available for sale financial assets:		
Gains/(losses) on revaluation	62,070	(18,096)
Gains transferred to income	(3,478)	(7,235)
Net change in actuarial liabilities	(23,385)	12,711
Retranslation of foreign currency operations	(20,430)	(6,304)
	<u>14,777</u>	<u>(18,924)</u>
<b>Items net of tax that will not be reclassified subsequently to income:</b>		
Gains on revaluation of owner occupied property	-	134
<b>Other comprehensive income for the period</b>	<u>-</u>	<u>134</u>
Other comprehensive income from Continuing Operations	14,777	(18,790)
<b>Other comprehensive income for the period</b>	<u>14,777</u>	<u>(18,790)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>48,871</u>	<u>3,645</u>
<b>Total comprehensive income/(loss) is attributable to:</b>		
Common shareholders:		
From continuing operations	23,950	8,218
From discontinued operation	1,865	(15,053)
	25,815	(6,835)
Participating policyholders	(270)	784
Non-controlling interests	23,326	9,696
	<u>48,871</u>	<u>3,645</u>

**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<u>Amounts in US \$000</u>	<b>Share Capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total Shareholders' Equity</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Six months to June 30, 2016</b>				
Balance, beginning of period	299,320	(59,688)	266,414	506,046
Total comprehensive income:				
From continuing operations	-	9,073	14,877	23,950
From discontinued operation	-	-	1,865	1,865
Transactions with holders of equity instruments:				
Movements in treasury shares	622	-	-	622
Changes in reserve for equity compensation benefits	-	648	-	648
Dividends declared	-	-	(11,311)	(11,311)
Transfers and other movements	-	(4,707)	4,380	(327)
Balance, end of period	<b>299,942</b>	<b>(54,674)</b>	<b>276,225</b>	<b>521,493</b>
<b>Six months to June 30, 2015</b>				
Balance, beginning of period	295,989	(8,765)	244,474	531,698
Total comprehensive income:				
From continuing operations	-	(13,623)	21,841	8,218
From discontinued operation	-	-	(15,053)	(15,053)
Transactions with holders of equity instruments:				
Movements in treasury shares	(15)	-	-	(15)
Changes in reserve for equity compensation benefits	-	1,943	-	1,943
Dividends declared	-	-	(9,916)	(9,916)
Transfers and other movements	-	(7,596)	8,952	1,356
Balance, end of period	<b>295,974</b>	<b>(28,041)</b>	<b>250,298</b>	<b>518,231</b>

**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

<u>Amounts in US \$000</u>	<b>Total Shareholders' Equity</b> (unaudited)	<b>Participating Accounts</b> (unaudited)	<b>Non-controlling Interests</b> (unaudited)	<b>Total Equity</b> (unaudited)
<b>Six months to June 30, 2016</b>				
Balance, beginning of period	506,046	1,383	231,735	739,164
Total comprehensive income:				
From continuing operations	23,950	(270)	23,326	47,006
From discontinued operation	1,865	-	-	1,865
Transactions with holders of equity instruments:				
Movements in treasury shares	622	-	-	622
Changes in reserve for equity compensation benefits	648	-	-	648
Dividends declared	(11,311)	-	(10,749)	(22,060)
Transfers and other movements	(327)	(112)	(2,091)	(2,530)
Balance, end of period	<b>521,493</b>	<b>1,001</b>	<b>242,221</b>	<b>764,715</b>
<b>Six months to June 30, 2015</b>				
Balance, beginning of period	531,698	364	241,480	773,542
Total comprehensive income:				
From continuing operations	8,218	784	9,696	18,698
From discontinued operation	(15,053)	-	-	(15,053)
Transactions with holders of equity instruments:				
Movements in treasury shares	(15)	-	-	(15)
Changes in reserve for equity compensation benefits	1,943	-	-	1,943
Dividends declared	(9,916)	-	(6,728)	(16,644)
Transfers and other movements	1,356	(115)	-	1,241
Balance, end of period	<b>518,231</b>	<b>1,033</b>	<b>244,448</b>	<b>763,712</b>



**SAGICOR FINANCIAL CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months to June 30, 2016</b>	<b>Six months to June 30, 2015</b>
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>OPERATING ACTIVITIES</b>		
Income before taxes	48,408	49,270
Adjustments for non-cash items, interest and dividends	(79,164)	(102,464)
Interest and dividends received	148,148	142,234
Interest paid	(43,661)	(31,136)
Income taxes paid	(19,579)	(15,434)
Net increase in investments and operating assets	(81,029)	(191,227)
Net change in operating liabilities	59,471	32,501
<b>Net cash flows - operating activities</b>	<b>32,594</b>	<b>(116,256)</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment, net	(6,225)	(6,945)
Associates and joint ventures, net	(139)	282
Intangible assets, net	(1,355)	(1,064)
<b>Net cash flows - investing activities</b>	<b>(7,719)</b>	<b>(7,727)</b>
<b>FINANCING ACTIVITIES</b>		
Movement in treasury shares	-	(5)
Shares issued to minority interest	(2,091)	-
Notes and loans payable, net	30,665	1,673
Dividends received from associates	240	-
Dividends paid to common shareholders	(5,945)	(5,735)
Dividends paid to preference shareholders	(3,900)	(3,890)
Dividends paid to minority interests	(10,896)	(6,978)
<b>Net cash flows - financing activities</b>	<b>8,073</b>	<b>(14,935)</b>
<b>Effect of exchange rate changes</b>	<b>(2,598)</b>	<b>279</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS</b>	<b>30,350</b>	<b>(138,639)</b>
Net change in cash and cash equivalents of discontinued operation	(44,613)	(176)
Cash and cash equivalents, beginning of period	384,879	441,194
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 11)</b>	<b>370,616</b>	<b>302,379</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**1. ACCOUNTING POLICIES**

Basis of preparation

The condensed consolidated interim financial statements as of and for the six months ended June 30, 2016, have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for a full set of financial statements prepared in accordance with IFRS and should therefore be read together with the audited consolidated financial statements of SAGICOR FINANCIAL CORPORATION as at December 31, 2015 as included in the Annual Report for 2015.

These condensed consolidated interim financial statements are presented in United States dollars (US\$) and all values are rounded to the nearest thousand unless otherwise stated.

The amounts presented in these condensed consolidated interim financial statements as of and for the six months ended June 30, 2016 (and June 30, 2015) are unaudited.

All accounting policies adopted in the preparation of these and methods of computation applied in the condensed consolidated interim financial statements are the same as those applied in the 2015 audited consolidated financial statements.

Amendments to IFRS

The following standards, interpretations, amendments to standards and interpretations became effective in 2016:

- IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- IAS 6 and IAS 41 - Agriculture: Bearer Plants
- IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the consolidation exception
- IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

None of these new or revised standards and interpretations have a significant effect on these interim financial statements.

The Group has not early adopted any standard or interpretation which is effective after January 1, 2016.

Critical accounting estimates and judgements

Preparing the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions, including the likelihood, timing or amount of future transactions or events, that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from the estimates made.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were not significantly different than those made in the 2015 audited consolidated financial statements.

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

Exchange rates

The following exchange rates were applied in these interim financial statements for the conversion of amounts to US dollars.

	<b>Closing rate as of June 30, 2016</b>	<b>Closing rate as of December 31, 2015</b>	<b>Average rate for the six months to June 30, 2016</b>	<b>Average rate for the six months to June 30, 2015</b>
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	126.2040	119.9758	122.0382	115.2182
Trinidad & Tobago dollar	6.6508	6.4196	6.5384	6.3368
Pound sterling	0.74470	0.67480	0.69378	0.65556

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**2. SEGMENTS**

The Group conducts its business through three reportable operating segments.

- Sagicor Life: Engages in life and health insurance, annuities and pension administration in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panamá and Trinidad and Tobago.
- Sagicor Jamaica: Engages in life and health insurance, annuities and pension administration in Jamaica, Cayman Islands and Costa Rica, and in commercial banking and investment management in Jamaica.
- Sagicor Life USA: Engages in life insurance and annuities in certain states of the USA.

There have been no changes in the reportable operating segments from 2015.

Segmented financial information is set out in the sections 2.1 to 2.4.

**2.1 Statement of income from continuing operations by reportable operating segment (unaudited)**

<u>Amounts in US \$000</u>	<b>Sagicor</b>	<b>Sagicor</b>	<b>Sagicor</b>	<b>Head office</b>	<b>Adjust-</b>	<b>Total</b>
<b>Six months to June 30, 2016</b>	<b>Life</b>	<b>Jamaica</b>	<b>Life USA</b>	<b>and other</b>	<b>ments</b>	
Net premium revenue	145,611	127,916	34,283	10,962	-	318,772
Interest income	38,319	79,698	24,290	4,895	-	147,202
Other investment income	3,340	25,470	(4,221)	(18)	-	24,571
Fees and other revenue	11,683	27,408	10,878	12,657	(137)	62,489
Inter-segment revenues	5,731	-	-	31,469	(37,200)	-
<b>Total revenue</b>	<b>204,684</b>	<b>260,492</b>	<b>65,230</b>	<b>59,965</b>	<b>(37,337)</b>	<b>553,034</b>
Net policy benefits	95,589	85,205	34,387	5,509	-	220,690
Net change in actuarial liabilities	15,292	26,747	2,048	-	-	44,087
Interest expense	6,712	20,079	1,335	1,923	-	30,049
Administrative expenses	31,815	58,796	15,533	17,627	287	124,058
Commissions and premium and asset taxes	20,549	21,520	7,432	4,863	-	54,364
Finance costs	-	-	35	(9)	21,119	21,145
Depreciation and Amortisation	3,249	3,887	708	2,389	-	10,233
Inter-segment expenses	182	311	581	5,785	(6,859)	-
<b>Total benefits and expenses</b>	<b>173,388</b>	<b>216,545</b>	<b>62,059</b>	<b>38,087</b>	<b>14,547</b>	<b>504,626</b>
<b>Segment income before taxes</b>	<b>31,296</b>	<b>43,947</b>	<b>3,171</b>	<b>21,878</b>	<b>(51,884)</b>	<b>48,408</b>
Income taxes	(3,854)	(10,613)	(1,110)	(602)	-	(16,179)
<b>Net income - continuing operations</b>	<b>27,442</b>	<b>33,334</b>	<b>2,061</b>	<b>21,276</b>	<b>(51,884)</b>	<b>32,229</b>
Net income attributable to shareholders from continuing operations	27,796	16,370	2,061	(585)	(30,765)	14,877
<b>Total comprehensive income attributable to shareholders from continuing operations</b>	<b>25,675</b>	<b>21,415</b>	<b>8,129</b>	<b>(557)</b>	<b>(30,712)</b>	<b>23,950</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**2.1 Statement of income from continuing operations by reportable operating segment (unaudited)  
(continued)**

<u>Amounts in US \$000</u>	<b>Sagicor</b>	<b>Sagicor</b>	<b>Sagicor</b>	<b>Head office</b>	<b>Adjust-</b>	<b>Total</b>
<b>Six months to June 30, 2015</b>	<b>Life</b>	<b>Jamaica</b>	<b>Life USA</b>	<b>and other</b>	<b>ments</b>	
Net premium revenue	138,132	127,598	44,372	11,959	-	322,061
Interest income	37,177	82,096	25,330	4,896	-	149,499
Other investment income	2,501	17,418	7,757	(123)	-	27,553
Fees and other revenue	4,988	24,540	8,426	11,394	(4)	49,344
Inter-segment revenues	3,137	-	-	20,174	(23,311)	-
<b>Total revenue</b>	<b>185,935</b>	<b>251,652</b>	<b>85,885</b>	<b>48,300</b>	<b>(23,315)</b>	<b>548,457</b>
Net policy benefits	90,619	78,605	53,439	5,984	-	228,647
Net change in actuarial liabilities	11,122	30,555	(2,823)	-	-	38,854
Interest expense	6,062	20,722	980	1,981	-	29,745
Administrative expenses	32,049	52,017	17,258	18,352	616	120,292
Commissions and premium and asset taxes	18,954	27,051	12,365	4,140	-	62,510
Finance costs	-	-	10	(119)	10,859	10,750
Depreciation and Amortisation	2,674	2,816	672	2,227	-	8,389
Inter-segment expenses	178	645	484	3,224	(4,531)	-
<b>Total benefits and expenses</b>	<b>161,658</b>	<b>212,411</b>	<b>82,385</b>	<b>35,789</b>	<b>6,944</b>	<b>499,187</b>
Segment income before taxes	<b>24,277</b>	<b>39,241</b>	<b>3,500</b>	<b>12,511</b>	<b>(30,259)</b>	<b>49,270</b>
Income taxes	(3,784)	(6,693)	(885)	(420)	-	(11,782)
<b>Net income - continuing operations</b>	<b>20,493</b>	<b>32,548</b>	<b>2,615</b>	<b>12,091</b>	<b>(30,259)</b>	<b>37,488</b>
Net income attributable to shareholders from continuing operations	<b>21,923</b>	<b>15,984</b>	<b>2,615</b>	<b>719</b>	<b>(19,400)</b>	<b>21,841</b>
Total comprehensive income attributable to shareholders from continuing operations	<b>17,683</b>	<b>8,664</b>	<b>745</b>	<b>534</b>	<b>(19,408)</b>	<b>8,218</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**2.2 Statement of financial position by reportable operating segment (unaudited)**

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>As of June 30, 2016</b>						
Financial investments	1,386,849	2,132,312	1,136,955	248,911	-	4,905,027
Other external assets	341,097	421,220	683,571	202,314	-	1,648,202
Assets of discontinued operation	-	-	-	453	-	453
Inter-segment assets	199,632	10,201	1,512	54,041	(265,386)	-
<b>Total assets</b>	<b>1,927,578</b>	<b>2,563,733</b>	<b>1,822,038</b>	<b>505,719</b>	<b>(265,386)</b>	<b>6,553,682</b>
Policy liabilities	1,198,604	657,693	1,392,476	61,944	-	3,310,717
Other external liabilities	75,356	1,485,957	254,379	662,558	-	2,478,250
Inter-segment liabilities	49,641	2,049	43,887	169,809	(265,386)	-
<b>Total liabilities</b>	<b>1,323,601</b>	<b>2,145,699</b>	<b>1,690,742</b>	<b>894,311</b>	<b>(265,386)</b>	<b>5,788,967</b>
<b>Net assets</b>	<b>603,977</b>	<b>418,034</b>	<b>131,296</b>	<b>(388,592)</b>	<b>-</b>	<b>764,715</b>
<b>As of December 31, 2015</b>						
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)	-
<b>Total assets</b>	<b>1,904,067</b>	<b>2,513,227</b>	<b>1,700,691</b>	<b>524,023</b>	<b>(242,123)</b>	<b>6,399,885</b>
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)	-
<b>Total liabilities</b>	<b>1,305,426</b>	<b>2,115,681</b>	<b>1,577,848</b>	<b>903,889</b>	<b>(242,123)</b>	<b>5,660,721</b>
<b>Net assets</b>	<b>598,641</b>	<b>397,546</b>	<b>122,843</b>	<b>(379,866)</b>	<b>-</b>	<b>739,164</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**2.3 Revenues by products and services**

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2016 (unaudited)</b>	<b>Six months to June 30, 2015 (unaudited)</b>
Life, health and annuity insurance contracts issued to individuals	304,651	315,382
Life, health and annuity insurance and pension administration contracts issued to groups	134,781	128,179
Property and casualty insurance	17,732	17,380
Banking, investment management and other financial services	77,813	76,299
Farming and unallocated revenues	18,057	11,217
<b>Total revenue</b>	<b>553,034</b>	<b>548,457</b>

**2.4 Revenues by geographical area**

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2016 (unaudited)</b>	<b>Six months to June 30, 2015 (unaudited)</b>
Barbados	82,921	77,816
Jamaica	243,203	231,882
Trinidad and Tobago	83,283	75,003
Other Caribbean	78,395	77,869
USA	65,232	85,887
<b>Total revenue</b>	<b>553,034</b>	<b>548,457</b>

**3. PREMIUM REVENUE**

<u>Amounts in US \$000</u>	<b>Gross premium</b>		<b>Ceded to reinsurers</b>	
<b>Six months to June 30,</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Life insurance	190,373	186,094	16,130	15,586
Annuity	99,371	172,341	39,849	103,437
Health insurance	78,110	76,045	2,203	2,971
Property and casualty insurance	33,259	32,966	24,159	23,391
<b>Total premium revenue</b>	<b>401,113</b>	<b>467,446</b>	<b>82,341</b>	<b>145,385</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**4. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES**

<u>Amounts in US \$000</u>	<b>Gross benefit</b>		<b>Ceded to reinsurers</b>	
<b>Six months to June 30,</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Life insurance benefits	100,941	102,919	7,615	7,131
Annuity benefits	91,588	89,965	28,263	16,704
Health insurance benefits	60,933	56,209	1,128	1,107
Property and casualty claims	11,938	10,385	7,704	5,889
<b>Total policy benefits</b>	<b>265,400</b>	<b>259,478</b>	<b>44,710</b>	<b>30,831</b>
Change in actuarial liabilities	96,021	112,968	51,934	74,114
<b>Total policy benefits and change in actuarial liabilities</b>	<b>361,421</b>	<b>372,446</b>	<b>96,644</b>	<b>104,945</b>

**5. DISCONTINUED OPERATION**

The sale of Sagicor Europe and its subsidiaries by the Group to AmTrust Financial Services Inc. (AmTrust) was completed on December 23, 2013. The consideration received for the sale was subject to future price adjustments, representing adjusted profits or losses from January 1, 2013 in the run-off of the 2011, 2012 and 2013 underwriting years of account of syndicates 1206 and 44; the total price adjustments being subject to an overall limit.

The movement in price adjustments subsequent to the sale were as follows:

<u>Amounts in US \$000</u>	<b>Period to June 30, 2016 (unaudited)</b>
<b>Liability of discontinued operation:</b>	
Estimated amount payable, December 31, 2014	45,796
Experience loss for the twelve months to December 31, 2015	23,013
Payment made July 1, 2015	(21,231)
Net currency movements to December, 31 2015	(1,552)
Estimated amount payable December 31, 2015	46,026
Payment made March 30, 2016	(44,614)
Net currency movements to June 30, 2016	(1,865)
Estimated amount receivable June 30, 2016	(453)



**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**6. FINANCIAL INVESTMENTS**

The following table presents the carrying values and estimated fair values of financial investments.

<u>Amounts in US \$000</u>	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>(unaudited)</b>			
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Held to maturity securities:</b>				
Debt securities	20,567	22,476	20,530	21,940
<b>Available for sale securities:</b>				
Debt securities	2,399,255	2,399,255	2,311,591	2,311,591
Equity securities	81,099	81,099	88,380	88,380
	<b>2,480,354</b>	<b>2,480,354</b>	<b>2,399,971</b>	<b>2,399,971</b>
<b>Financial assets at fair value through profit or loss:</b>				
Debt securities	135,509	135,509	136,727	136,727
Equity securities	128,433	128,433	126,577	126,577
Derivative financial instruments	18,642	18,642	15,479	15,479
Mortgage loans	42,709	42,709	47,052	47,052
Deposits	56	56	56	56
	<b>325,349</b>	<b>325,349</b>	<b>325,891</b>	<b>325,891</b>
<b>Loans and receivables:</b>				
Debt securities	938,279	976,886	948,871	983,063
Mortgage loans	293,094	293,414	293,871	294,041
Policy loans	135,098	138,240	132,486	141,950
Finance loans and finance leases	445,763	427,363	436,161	419,214
Securities purchased for re-sale	7,555	7,555	8,064	8,064
Deposits	258,968	258,968	260,776	260,776
	<b>2,078,757</b>	<b>2,102,426</b>	<b>2,080,229</b>	<b>2,107,108</b>
<b>Total financial investments</b>	<b>4,905,027</b>	<b>4,930,605</b>	<b>4,826,621</b>	<b>4,854,910</b>
<b>Non-derivative financial assets at fair value through profit or loss:</b>				
Designated at fair value upon recognition	292,656	292,656	310,412	310,412
Assets held for trading	14,051	14,051	-	-
	<b>306,707</b>	<b>306,707</b>	<b>310,412</b>	<b>310,412</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**7. INVESTMENT CONTRACT LIABILITIES**

The following table presents the carrying values and estimated fair values of investment contract liabilities.

<u>Amounts in US \$000</u>	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>(unaudited)</b>			
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>At amortised cost:</b>				
Deposit administration liabilities	128,235	128,235	127,882	127,780
Other investment contracts	116,870	121,407	115,537	118,860
	245,105	249,642	243,419	246,640
<b>At fair value through profit or loss:</b>				
Unit linked deposit administration liabilities	126,482	126,482	125,177	125,177
<b>Total investment contract liabilities</b>	<b>371,587</b>	<b>376,124</b>	<b>368,596</b>	<b>371,817</b>

**8. NOTES AND LOANS PAYABLE**

The following table presents the carrying values and estimated fair values of notes and loans payable.

<u>Amounts in US \$000</u>	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>(unaudited)</b>			
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair Value</b>
8.875% senior notes due 2022	314,969	356,800	313,780	350,336
6.5% convertible redeemable preference shares due 2016	119,592	121,356	115,488	130,932
5.0% notes due 2017 <sup>(2)</sup>	75,742	75,742	-	-
5.0% notes due 2016 <sup>(1)</sup>	-	-	44,551	44,551
Finance lease payable	1,374	1,374	1,698	1,698
<b>Total notes and loans payable</b>	<b>511,677</b>	<b>555,272</b>	<b>475,517</b>	<b>527,517</b>

<sup>(1)</sup> Effective June 19, 2015 the 4.6% notes payable was extended at an annual interest rate of 5.0%. On March 21, 2016 the company redeemed the notes.

<sup>(2)</sup> On March 21, 2016 the company issued notes in the amount of US \$75 million payable April 14, 2017 at an annual rate of interest of 5.0%.

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**9. DEPOSIT AND SECURITY LIABILITIES**

The following table presents the carrying values and estimated fair values of deposit and security liabilities.

<u>Amounts in US \$000</u>	<b>June 30, 2016</b>		<b>December 31, 2015</b>	
	<b>(unaudited)</b>			
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>At amortised cost:</b>				
Other funding instruments	425,668	427,550	379,612	381,499
Customer deposits	797,537	764,745	669,518	772,011
Securities sold for re-purchase	390,447	371,046	519,608	519,508
Bank overdrafts	1,863	1,863	2,158	2,158
	<b>1,615,515</b>	<b>1,565,204</b>	<b>1,570,896</b>	<b>1,675,176</b>
<b>At fair value through profit or loss:</b>				
Structured products	35,968	35,968	35,112	35,112
Derivative financial instruments	1,065	1,065	1,603	1,603
	<b>37,033</b>	<b>37,033</b>	<b>36,715</b>	<b>36,715</b>
<b>Total deposit and security liabilities</b>	<b>1,652,548</b>	<b>1,602,237</b>	<b>1,607,611</b>	<b>1,711,891</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE**

**10.1 Property**

Investment and owner-occupied property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

Applying the fair value hierarchy to the Group's property, results in a classification of Level 3 to all properties as set out below:

<u>Amounts in US \$000</u>	<b>As of June 30, 2016 (unaudited)</b>	<b>As of December 31, 2015</b>
	<b>Level 3</b>	<b>Level 3</b>
Investment property	78,193	79,172
Owner-occupied lands	38,031	38,031
Owner-occupied land and buildings	79,504	80,694
<b>Total properties</b>	<b>195,728</b>	<b>197,897</b>

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)**

**10.1 Property (continued)**

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner occupied property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

<u>Amounts in US \$000</u>	Six months to June 30 (unaudited)			December 31,	
	2016	2016	2016	2016	2015
	Investment property	Owner- occupied lands	Owner- occupied land and buildings	Total	Total
Balance, beginning of period	79,172	38,031	80,694	197,897	204,887
Additions	7	-	921	928	1,078
Transfers in / (out)	-	-	-	-	(16)
Fair value changes recorded in net investment income	(296)	-	-	(296)	(816)
Fair value changes recorded in other comprehensive income	-	-	-	-	815
Depreciation	-	-	(553)	(553)	(1,079)
Disposals and divestitures	-	-	-	-	(5,531)
Effect of exchange rate changes	(690)	-	(1,558)	(2,248)	(1,441)
Balance, end of period	<b>78,193</b>	<b>38,031</b>	<b>79,504</b>	<b>195,728</b>	<b>197,897</b>

**10.2 Financial instruments carried at fair value**

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

*(i) Level 1 – unadjusted quoted prices in active markets for identical instruments*

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10.2 Financial instruments carried at fair value (continued)**

*(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly*

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

*(iii) Level 3 – inputs for the instrument that are not based on observable market data*

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 available for sale securities comprise primarily of corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through income include mortgage loans and debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

The results of applying the fair value hierarchy to the Group's financial instruments are set out in the tables below:

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10.2 Financial instruments carried at fair value (continued)**

<u>Amounts in US \$000</u>	<b>As of June 30, 2016</b>			
	<b>(unaudited)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Available for sale securities:</b>				
Debt securities	344,728	2,031,859	22,668	2,399,255
Equity securities	36,716	31,646	12,737	81,099
	<b>381,444</b>	<b>2,063,505</b>	<b>35,405</b>	<b>2,480,354</b>
<b>Investments at fair value through profit or loss:</b>				
Debt securities	22,576	21,957	90,976	135,509
Equity securities	9,494	114,798	4,141	128,433
Derivative financial instruments	-	1,065	17,577	18,642
Mortgage loans	-	-	42,709	42,709
Deposits	-	-	56	56
	<b>32,070</b>	<b>137,820</b>	<b>155,459</b>	<b>325,349</b>
<b>Total assets</b>	<b>413,514</b>	<b>2,201,325</b>	<b>190,864</b>	<b>2,805,703</b>
<b>Total assets by percentage</b>	15%	78%	7%	100%
<b>Investment contracts:</b>				
Unit linked deposit administration liabilities	-	-	126,482	126,482
<b>Deposit and security liabilities</b>				
Structured products	-	-	35,968	35,968
Derivative financial instruments	-	1,065	-	1,065
	<b>-</b>	<b>1,065</b>	<b>35,968</b>	<b>37,033</b>
<b>Total liabilities</b>	<b>-</b>	<b>1,065</b>	<b>162,450</b>	<b>163,515</b>
<b>Total liabilities by percentage</b>	0%	1%	99%	100%

Balances totalling \$nil have been transferred from Level 1 to Level 2 in the six months ended June 30, 2016.

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10.2 Financial instruments carried at fair value (continued)**

<u>Amounts in US \$000</u>	<b>As of December 31, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Available for sale securities:</b>				
Debt securities	355,330	1,929,520	26,741	2,311,591
Equity securities	46,644	29,538	12,198	88,380
	401,974	1,959,058	38,939	2,399,971
<b>Investments at fair value through profit or loss:</b>				
Debt securities	15,820	35,048	85,859	136,727
Equity securities	12,100	110,267	4,210	126,577
Derivative financial instruments	-	1,603	13,876	15,479
Mortgage loans	-	-	47,052	47,052
Deposits	56	-	-	56
	27,976	146,918	150,997	325,891
<b>Total assets</b>	<b>429,950</b>	<b>2,105,976</b>	<b>189,936</b>	<b>2,725,862</b>
<b>Total assets by percentage</b>	<b>16%</b>	<b>77%</b>	<b>7%</b>	<b>100%</b>
<b>Investment contracts:</b>				
Unit linked deposit administration liabilities	-	-	125,177	125,177
<b>Deposit and security liabilities</b>				
Structured products	-	-	35,112	35,112
Derivative financial instruments	-	1,603	-	1,603
	-	1,603	35,112	36,715
<b>Total liabilities</b>	<b>-</b>	<b>1,603</b>	<b>160,289</b>	<b>161,892</b>
<b>Total liabilities by percentage</b>	<b>0%</b>	<b>1%</b>	<b>99%</b>	<b>100%</b>

Balances totalling \$4,805 have been transferred from Level 1 to Level 2 in 2015.

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following tables present the movements in Level 3 instruments for the period.



**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10.2 Financial instruments carried at fair value (continued)**

	Six months to June 30,			December 31,	
	2016 (unaudited)	2016 (unaudited)	2016 (unaudited)	2016 (unaudited)	2015
<u>Amounts in US \$000</u>					
	<b>Available for sale securities</b>	<b>Investments at fair value through profit or loss</b>	<b>Derivative financial instruments</b>	<b>Total assets</b>	<b>Total assets</b>
Balance, beginning of period	38,939	137,121	13,876	189,936	155,926
Additions	2,245	15,377	9,972	27,594	95,084
Transfers into Level 3 classification	2,504	-	-	2,504	1,873
Fair value changes recorded in net investment income	374	540	(5,875)	(4,961)	(743)
Fair value changes recorded in other comprehensive income	(631)	-	-	(631)	(54)
Disposals	(7,000)	(10,127)	(396)	(17,523)	(58,638)
Effect of exchange rate changes	(1,026)	(5,029)	-	(6,055)	(3,512)
Balance, end of period	<b>35,405</b>	<b>137,882</b>	<b>17,577</b>	<b>190,864</b>	<b>189,936</b>
Fair value changes recorded in net investment income for instruments held at the end of the period	-	395	(996)	(601)	(3,930)

**SAGICOR FINANCIAL CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2016**

**10.2 Financial instruments carried at fair value (continued)**

	Six months to June 30,			December 31,
	2016	2016	2016	2015
	(unaudited)	(unaudited)	(unaudited)	
<u>Amounts in US \$000</u>	<b>Policy liabilities</b>	<b>Structured products</b>	<b>Total liabilities</b>	<b>Total liabilities</b>
Balance, beginning of period	125,177	35,112	160,289	136,877
Gains/(losses) recorded in interest expense	190	-	190	(682)
Issues	7,437	13,548	20,985	35,194
Settlements	(2,776)	(10,078)	(12,854)	(8,471)
Amortisation	-	(794)	(794)	-
Effect of exchange rate changes	(3,546)	(1,820)	(5,366)	(2,629)
Balance, end of period	<b>126,482</b>	<b>35,968</b>	<b>162,450</b>	<b>160,289</b>
Fair value changes recorded in interest expense for instruments held at the end of the period	190	-	190	(682)

**11. CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash and cash equivalents comprise:

<u>Amounts in US \$000</u>	June 30, 2016 (unaudited)	June 30, 2015 (unaudited)
Cash resources	286,236	322,387
Call deposits and other liquid balances	177,124	26,953
Bank overdrafts	(1,863)	(11,984)
Other short-term borrowings	(90,881)	(34,977)
	<b>370,616</b>	<b>302,379</b>

**12. EVENTS AFTER JUNE 30, 2016**

On July 18 2016, the company redeemed all of its outstanding unconverted Convertible Redeemable Preference Shares in the capital of the company amounting to US\$120.0 million.

On July 20 2016, the company continued as an exempted company under the laws of Bermuda under the name Sagicor Financial Corporation Limited.