

CHAIRMAN'S REVIEW

The Sagicor Group maintained a solid performance for the six months to June 30, 2018. Group net income closed the period at US \$39.4 million, against a prior year result of US \$46.3 million. Net income attributable to shareholders was US \$24.9 million, compared to the prior year result of US \$24.2 million.

During the period, the 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.

During the month of June 2018, the Government of Barbados announced its intention to suspend all payments to creditors of its external commercial debt, which is denominated primarily in US dollars, and its plans to maintain interest-only payments on its domestic debt, which is denominated in Barbados dollars. The Government of Barbados also commenced discussions with the International Monetary Fund (IMF) for technical and financial assistance to agree a programme with the primary objective of fiscal sustainability. A key element of the plan will be a formal and voluntary restructuring of the Government of Barbados debt. Until the IMF programme is approved, Sagicor has increased its provision for expected losses on Government of Barbados debt in accordance with IFRS 9. We support the initiatives to restore stability and growth to the Barbadian economy, and continue to engage with policymakers.

Total revenue for the Group amounted to US \$638.6 million, against a prior year amount of US \$562.6 million, an increase of 14%. The growth in revenue was mainly due to the growth in premiums in the USA segment, where the gross premiums were US \$114.0 million, compared to US \$88.4 million for the same period in the prior year, an increase of 29%.

Benefits were US \$298.4 million, compared to US \$279.4 million for the previous year, an increase of 7%. The increase was largely driven by the growth in new business and changes in the interest rate environment.

Expenses were US \$286.9 million, compared to US \$224.3 million for the same period in the prior year, an increase of 28%. Expenses include the provision for losses on all assets arising from the adoption of IFRS 9, and was largely driven by the provision for the Government of Barbados securities.

Group comprehensive income was a loss of US \$17.0 million, compared to an income of US \$62.6 million for the prior year. Shareholder comprehensive income was a loss of US \$9.6 million, compared to an income of US \$37.8 million for the prior year. The decline in comprehensive income was mainly due to marked to market declines on our international bond portfolio.

Group assets were US \$6.9 billion, and Group liabilities were US \$6.1 billion. Group equity was US \$889.0 million, compared to US \$939.6 million at December 31, 2017, a reduction of 5%. Shareholders' equity was US \$596.7 million, compared to US \$626.9 at December 31, 2017, a reduction of 5%. The fall in equity was primarily due to marked to market declines on our international bond portfolio. The Group's debt was US \$412.6 million, with a debt to capital ratio of 31.7%, compared to 30.7% at December 31, 2017.

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



Stephen McNamara  
Chairman  
August 20, 2018

FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Six months ended JUNE 30	
	2018	2017 restated
Total revenue	\$638.6m	\$562.6m
Overall Group net income	\$39.4m	\$46.3m
Overall Shareholders' net income	\$24.9m	\$24.2m
Net income allocated to non-controlling interests	\$22.8m	\$22.6m
Total equity	\$889.0m	\$845.9m
Book Value per share	\$1.95	\$1.88
Ratio of Debt to Capital	31.7%	32.7%
Earnings per common share	8.1¢	7.9¢
Annualised return on common shareholders' equity	7.2%	6.6%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

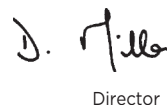
Amounts expressed in US \$'000

	June 30 2018	June 30 2017 RESTATE	December 31 2017 RESTATE
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
Financial investments	5,037,795	4,848,973	4,953,241
Other investments and assets	1,891,654	1,762,374	1,851,291
Assets of discontinued operation	13,467	6,208	10,110
<b>Total assets</b>	<b>6,942,916</b>	<b>6,617,555</b>	<b>6,814,642</b>
<b>LIABILITIES</b>			
Policy liabilities	3,566,394	3,387,432	3,544,927
Other liabilities	2,487,515	2,384,215	2,330,162
<b>Total liabilities</b>	<b>6,053,909</b>	<b>5,771,647</b>	<b>5,875,089</b>
<b>EQUITY</b>			
Shareholders' equity	596,748	570,348	626,922
Participating accounts	(11,230)	1,019	865
Non-controlling interests	303,489	274,541	311,766
<b>Total equity</b>	<b>889,007</b>	<b>845,908</b>	<b>939,553</b>
<b>Total liabilities and equity</b>	<b>6,942,916</b>	<b>6,617,555</b>	<b>6,814,642</b>

These financial statements have been approved for issue by the Board of Directors on August 20, 2018.



Director



Director

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

	Six months to June 30		Three months to June 30	
	2018	2017	2018	2017
		RESTATED		RESTATED
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>REVENUE</b>				
Net premium revenue	410,030	340,145	222,728	172,476
Net investment and other income	228,529	222,495	119,271	107,656
Total revenue	<b>638,559</b>	<b>562,640</b>	<b>341,999</b>	<b>280,132</b>
<b>BENEFITS AND EXPENSES</b>				
Benefits	298,416	279,425	166,324	141,073
Expenses	286,918	224,300	169,301	109,218
Total benefits and expenses	<b>585,334</b>	<b>503,725</b>	<b>335,625</b>	<b>250,291</b>
<b>INCOME BEFORE TAXES</b>	<b>53,225</b>	<b>58,915</b>	<b>6,374</b>	<b>29,841</b>
Income taxes	(17,195)	(18,792)	(8,814)	(12,388)
<b>NET LOSS FROM CONTINUING OPERATIONS</b>	<b>36,030</b>	<b>40,123</b>	<b>(2,440)</b>	<b>17,453</b>
Net income from discontinued operation	3,357	6,208	2,965	1,923
<b>NET INCOME FOR THE PERIOD</b>	<b>39,387</b>	<b>46,331</b>	<b>525</b>	<b>19,376</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Common Shareholders				
From continuing operations	21,543	17,982	2,046	5,611
From discontinued operation	3,357	6,208	2,965	1,923
	24,900	24,190	5,011	7,534
Participating policyholders	(8,310)	(474)	(16,497)	(185)
Non-controlling interests	22,797	22,615	12,011	12,027
	<b>39,387</b>	<b>46,331</b>	<b>525</b>	<b>19,376</b>
<b>Basic earnings per common share:</b>				
From continuing operations	7.0 cents	5.9 cents	0.7 cents	1.8 cents
From discontinued operation	1.1 cents	2.0 cents	1.0 cents	0.6 cents
	8.1 cents	7.9 cents	1.7 cents	2.4 cents
<b>Fully diluted earnings per common share:</b>				
From continuing operations	6.9 cents	5.8 cents	0.7 cents	1.8 cents
From discontinued operation	1.1 cents	2.0 cents	0.9 cents	0.6 cents
	8.0 cents	7.8 cents	1.6 cents	2.4 cents

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

	Six months to June 30		Three months to June 30	
	2018	2017	2018	2017
		RESTATED		RESTATED
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>NET INCOME FOR THE PERIOD</b>	<b>39,387</b>	<b>46,331</b>	<b>525</b>	<b>19,376</b>
<b>Items net of tax that may be reclassified subsequently to income:</b>				
Available for sale financial assets:				
Unrealised gains arising on revaluation	-	21,687	-	13,738
Losses transferred to income	-	7,211	-	2,745
Net (losses) on investments in debt instruments measured at FVOCI	(65,113)	-	(36,722)	-
Net (gains) on financial assets measured at FVOCI reclassified to profit or loss on disposal	(1,749)	-	1,888	-
Net change in actuarial liabilities	29,874	(12,915)	16,711	(4,320)
Retranslation of foreign currency operations	(17,782)	(1,857)	(14,741)	(1,164)
Other items	-	-	1	-
	<b>(54,770)</b>	<b>14,126</b>	<b>(32,863)</b>	<b>10,999</b>
<b>Items net of tax that will not be reclassified subsequently to income:</b>				
Unrealised gains arising on revaluation of owner occupied property	832	-	832	26
Net gains on investments in equity instruments designated at fair value through other comprehensive income	27	-	13	-
(Losses) / gains on defined benefit plans	(2,500)	2,133	(2,500)	-
<b>OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>(56,411)</b>	<b>16,259</b>	<b>(34,518)</b>	<b>11,025</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>(17,024)</b>	<b>62,590</b>	<b>(33,993)</b>	<b>30,401</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Common Shareholders				
From continuing operations	(12,976)	31,630	(18,357)	15,331
From discontinued operation	3,357	6,208	2,965	1,923
	(9,619)	37,838	(15,392)	17,254
Participating policyholders	(9,061)	(164)	(17,221)	350
Non-controlling interests	1,656	24,916	(1,380)	12,797
	<b>(17,024)</b>	<b>62,590</b>	<b>(33,993)</b>	<b>30,401</b>

**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
<b>Six months to June 30, 2018</b>							
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	-	-	(32,019)	19,043	(9,061)	1,656	(20,381)
Total comprehensive income from discontinued operation	-	-	-	3,357	-	-	3,357
Transactions with holders of equity instruments:							
Movements in treasury shares	-	16	-	-	-	-	16
Changes in reserve for equity compensation benefits	-	-	(1,686)	-	-	-	(1,686)
Dividends declared	-	-	-	(7,648)	-	(10,449)	(18,097)
Transfers and other movements	-	-	(204)	(374)	(104)	2,868	2,186
Balance, end of period	3,059	300,486	(81,514)	374,717	(11,230)	303,489	889,007
<b>Six months to June 30, 2017 RESTATED:</b>							
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	-	-	11,515	20,115	(164)	24,916	56,382
Total comprehensive income from discontinued operation	-	-	-	6,208	-	-	6,208
Transactions with holders of equity instruments:							
Movements in treasury shares	6	834	-	-	-	-	840
Changes in reserve for equity compensation benefits	-	-	1,637	-	-	-	1,637
Dividends declared	-	-	-	(7,575)	-	(10,838)	(18,413)
Transfers and other movements	-	-	(405)	(1,201)	(108)	(677)	(2,391)
Balance, end of period	3,035	297,884	(52,051)	321,476	1,019	274,545	845,908

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

	Six months to June 30	
	2018	2017
	(unaudited)	(unaudited)
<b>CASH FLOWS</b>		
Operating activities:		
Cash from income, interest and taxation	78,282	41,545
Net increase in investments and operating assets	(253,129)	3,142
Net change in operating liabilities	219,907	41,908
	45,060	86,595
Investing activities	(7,050)	(15,341)
Financing activities	(16,887)	(3,503)
Effects of exchange rate changes	(5,800)	87
<b>Net change in cash and cash equivalents - continuing operations</b>	<b>15,323</b>	<b>67,838</b>
Cash and cash equivalents, beginning of period	325,726	312,106
<b>Cash and cash equivalents, end of period</b>	<b>341,049</b>	<b>379,944</b>

## STATEMENT OF INCOME BY SEGMENT

Amounts expressed in US \$000

(unaudited)

	Six months to June 30, 2018					Total
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
Total revenue	215,005	285,381	115,214	69,594	(46,635)	638,559
Total benefits and expenses	185,138	228,122	115,737	48,342	7,995	585,334
<b>INCOME BEFORE TAXES</b>	<b>29,867</b>	<b>57,259</b>	<b>(523)</b>	<b>21,252</b>	<b>(54,630)</b>	<b>53,225</b>
Income taxes	(5,138)	(12,017)	110	(417)	267	(17,195)
<b>NET (LOSS) FROM CONTINUING OPERATIONS</b>	<b>24,729</b>	<b>45,242</b>	<b>(413)</b>	<b>20,835</b>	<b>(54,363)</b>	<b>36,030</b>
<b>Net income / (loss) attributable to shareholders from continuing operations</b>	<b>33,039</b>	<b>22,217</b>	<b>(413)</b>	<b>4,262</b>	<b>(37,562)</b>	<b>21,543</b>
<b>Total Comprehensive income / (loss) attributable to shareholders from continuing operations</b>	<b>30,557</b>	<b>1,511</b>	<b>(9,552)</b>	<b>3,476</b>	<b>(38,968)</b>	<b>(12,976)</b>

	RESTATED					Total
	Six months to June 30, 2017					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>19,859</b>	<b>44,056</b>	<b>5,610</b>	<b>33,823</b>	<b>(63,225)</b>	<b>40,123</b>
<b>Net income / (loss) attributable to shareholders from continuing operations</b>	<b>20,333</b>	<b>21,637</b>	<b>5,610</b>	<b>16,873</b>	<b>(46,471)</b>	<b>17,982</b>
<b>Total Comprehensive income / (loss) attributable to shareholders from continuing operations</b>	<b>26,149</b>	<b>23,796</b>	<b>10,804</b>	<b>16,838</b>	<b>(45,946)</b>	<b>31,641</b>

## STATEMENT OF FINANCIAL POSITION BY SEGMENT

Amounts expressed in US \$000

(unaudited)

	June 30, 2018					Total
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
Total assets	1,943,597	2,898,413	2,063,539	415,984	(378,617)	6,942,916
Total liabilities	1,419,193	2,349,714	1,831,979	831,640	(378,617)	6,053,909
<b>Net assets</b>	<b>524,404</b>	<b>548,699</b>	<b>231,560</b>	<b>(415,656)</b>	<b>-</b>	<b>889,007</b>

	RESTATED					Total
	June 30, 2017					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	
<b>Net assets</b>	<b>517,599</b>	<b>482,021</b>	<b>229,768</b>	<b>(383,480)</b>	<b>-</b>	<b>845,908</b>

## PRODUCTS AND SERVICES

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

Amounts expressed in US \$000

	Six months to June 30	
	2018	2017
	(unaudited)	(unaudited)
Life, health and annuity insurance contracts issued to individuals	375,127	319,172
Life, health and annuity insurance and pension administration contracts issued to groups	139,563	130,565
Property and casualty insurance	23,495	20,741
Banking, investment management and other financial services	85,329	79,802
Other revenues	15,045	12,360
	<b>638,559</b>	<b>562,640</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

These financial statements have been prepared using recognition, measurement and presentation principles consistent 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'.

### 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 June 2017 of US \$6.2 million.

Net income of the discontinued operation and assets of the discontinued operation were adjusted by US \$6.2 million to reflect the share of income for full year 2017 attributable to the six months of 2017.

Actuarial reserves (benefits) for the six months 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.