

CHAIRMAN'S REVIEW

The economic circumstances of the markets in which the Sagicor Group operated during 2016, showed little improvement over that of 2015. The US economy grew at a pace much lower than expected, while the situation in the Caribbean was very mixed. The performance of the Jamaican economy continued to show signs of improvement, while the economy of Trinidad & Tobago slipped deeper into recession. The economies of Barbados, and those of the Eastern Caribbean, enjoyed the early signs of a return to growth. However, the high debt to GDP ratios continue to constrain the growth, and expose these economies to the negative impact of external shocks. As a result, the environment, for the most part, reflected these economic realities, with businesses experiencing slow revenue growth, and having to rely heavily on strategies which emphasised conservation and operating efficiencies.

Within this context, it is my pleasure to report to you on the 2016 financial performance of the Sagicor Group, which experienced a solid performance, with net income for the year closing at US \$109.3 million, compared to US \$76.8 million in the prior year.

Net income attributable to shareholders was US \$61.7 million, compared to US \$34.7 million in the prior year, an increase of US \$27.0 million. Earnings per common share was US 20.0¢, and represented an annualised return on common shareholders' equity of 12.6%, compared to 7.0% for the prior year.

Total revenue increased by 2.7% to US \$1,134.1 million, compared to the prior year amount of US \$1,104.2 million, an increase of US \$29.9 million. Net premium revenue closed at US \$664.0 million, marginally under 2015's net premium revenue of US \$673.9 million, and was impacted by lower annuity business written in our USA segment, together with the impact of the depreciation of the Jamaica Dollar to the US dollar on translated premiums. Net investment income closed the period at US \$353.4 million, up from US \$322.2 million in the prior year, driven mainly by increased realised gains on our international investment portfolios, and exceeded the prior year amount by US \$31.2 million, or 9.7%. Fees and other revenue amounted to US \$116.8 million, compared to US \$109.1 million in 2015, an improvement of US \$7.7 million, or 7.1%.

Total benefits closed at US \$560.4 million, and marginally exceeded the prior year amount of US \$552.9 million.

Expenses (including agents' and brokers' commissions) closed the year at US \$424.2 million, and were below the prior year amount of US \$427.7. Expenses reflected the lower commissions and related expenses, consistent with the lower premium revenue. Premium and asset taxes were also lower when compared to the prior year, and resulted from a reduction in premium and asset taxes in the Jamaica segment.

Total comprehensive income closed the year at US \$96.7 million, compared to a loss of US \$0.6 million for the prior year. The main contributor to the improvement in comprehensive income was an underlying improvement in net gains on financial assets of US \$142.3 million. Included in comprehensive income were net gains for the year on financial assets of US \$39.2 million, resulting from marked-to-market gains on financial assets associated with our international portfolios. The Group experienced net declines of US \$103.2 million for the 2015 financial year. Retranslation losses amounted to US \$28.5 million, compared to US \$15.7 million reported in 2015, and resulted from declines in the Jamaica dollar of US \$21.0 million and the Trinidad dollar, US \$7.5 million, when compared to the United States dollar.

In the statement of financial position as at December 31, 2016, assets amounted to US \$6.5 billion, compared to US \$6.4 billion in the prior year. Liabilities closed at US \$5.7 billion, the same level as in 2015. Sagicor's Group equity totalled US \$795.4 million, an increase of US \$56.2 million, or 7.6% over the 2015 financial year.

The Group's debt was US \$395.2 million. The debt to capital ratio was 33.2%, down from 39.2% for the prior year, and was impacted by the fact that the Company redeemed all its outstanding convertible redeemable preference shares amounting to US \$120.0 million during the year.

The Board declared dividends of US 2.5 cents per common share, payable on May 15, 2017, which is consistent with the dividends paid on November 15, 2016, and represents a 25% improvement on the dividend paid on May 17, 2016.

On June 8, 2016, Shareholders approved the redomiciliation of Sagicor Financial Corporation to Bermuda. This was achieved on July 20, 2016, when the Company was continued under Bermuda Law as Sagicor Financial Corporation Limited. This is the first phase of a three-part process to immunise the Sagicor Group from non-investment grade domiciles, and to protect the credit rating of the Group. The second phase is the incorporation of a reinsurance company in Bermuda, while the third is the re-organisation of the corporate structure to re-organise the main operating entities as direct subsidiaries of Sagicor Financial Corporation Limited.

On December 23, 2016, S&P Global Ratings re-affirmed the credit rating of Sagicor Finance (2015) Limited at "BB-" with stable outlook. Sagicor Finance (2015) Limited is the Sagicor subsidiary through which the Sagicor international corporate bond was issued.

During 2017, the company will continue its focus on its corporate re-organisation, business conservation, and process improvement to positively impact our financial performance and

overall financial condition. We recognise the challenges still facing our Caribbean Region, and we will continue to work with other private sector institutions and governments to play our part in the revitalisation of the economies, for the long-term benefit of our customers, shareholders and the communities in which we operate.

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



Stephen McNamara
Chairman
March 31, 2017

FINANCIAL HIGHLIGHTS (in US currency except percentages)	Years ended December 31	
	2016	2015
Total revenue	\$1,134.1m	\$1,104.2m
Overall Group net income	\$109.3m	\$76.8m
Overall Shareholders' net income	\$61.7m	\$34.7m
Net income allocated to non-controlling interests	\$47.5m	\$40.8m
Total equity	\$795.4m	\$739.2m
Ratio of Debt to Capital	33.2%	39.2%
Earnings per common share	20.0¢	11.0¢
Annualised return on common shareholders' equity	12.6%	7.0%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

Amounts expressed in US\$000

	2016	2015
ASSETS		
Investment property	80,662	79,172
Property, plant and equipment	167,723	170,249
Associates and joint ventures	87,293	84,530
Intangible assets	83,487	88,183
Financial investments	4,813,748	4,826,621
Reinsurance assets	777,344	665,819
Income tax assets	59,575	66,342
Miscellaneous assets and receivables	183,018	168,480
Cash resources	279,070	250,489
Total assets	6,531,920	6,399,885
LIABILITIES		
Actuarial liabilities	2,776,362	2,632,387
Other insurance liabilities	207,122	205,891
Investment contract liabilities	377,576	368,596
Total policy liabilities	3,361,060	3,206,874
Notes and loans payable	395,213	475,517
Deposit and security liabilities	1,623,325	1,607,611
Provisions	101,292	88,206
Income tax liabilities	50,641	34,765
Accounts payable and accrued liabilities	204,975	201,722
Liabilities of discontinued operation	-	46,026
Total liabilities	5,736,506	5,660,721
EQUITY		
Share capital	3,029	299,320
Share premium	297,050	-
Reserves	(64,795)	(59,688)
Retained earnings	300,865	266,414
Total shareholders' equity	536,149	506,046
Participating accounts	1,291	1,383
Non-controlling interest in subsidiaries	257,974	231,735
Total equity	795,414	739,164
Total liabilities and equity	6,531,920	6,399,885

These financial statements have been approved for issue by the Board of Directors on March 31, 2017.



Director



Director

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 2016	Amounts expressed in US\$000	
	2016	2015
REVENUE		
Premium revenue	833,918	969,522
Reinsurance premium expense	(169,962)	(295,597)
Net premium revenue	663,956	673,925
Net investment income	353,352	322,229
Fees and other revenue	116,839	109,090
Gain/(loss) arising on acquisition	-	(1,025)
Total revenue	1,134,147	1,104,219
BENEFITS		
Policy benefits and change in actuarial liabilities	693,173	692,937
Policy benefits and change in actuarial liabilities reinsured	(194,262)	(198,801)
Net policy benefits and change in actuarial liabilities	498,911	494,136
Interest expense	61,448	58,807
Total benefits	560,359	552,943
EXPENSES		
Administrative expenses	255,326	251,892
Commissions and related compensation	98,570	105,093
Premium and asset taxes	10,679	14,808
Finance costs	38,333	37,234
Depreciation and amortisation	21,283	18,687
Total expenses	424,191	427,714
INCOME BEFORE TAXES	149,597	123,562
Income taxes	(41,700)	(25,119)
NET INCOME FROM CONTINUING OPERATIONS	107,897	98,443
Net income/(loss) from discontinued operation	1,412	(21,648)
NET INCOME FOR THE YEAR	109,309	76,795
Net income/(loss) is attributable to:		
Common shareholders:		
From continuing operations	60,259	56,327
From discontinued operation	1,412	(21,648)
	61,671	34,679
Participating policyholders	110	1,285
Non-controlling interests	47,528	40,831
	109,309	76,795
Basic earnings /(loss) per common share:		
From continuing operations	19.5 cents	18.2 cents
From discontinued operation	0.5 cents	(7.2) cents
	20.0 cents	11.0 cents
Fully diluted earnings /(loss) per common share:		
From continuing operations	18.7 cents	17.3 cents
From discontinued operation	0.4 cents	(6.6) cents
	19.1 cents	10.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2016	Amounts expressed in US\$000	
	2016	2015
OTHER COMPREHENSIVE INCOME		
Items net of tax that may be reclassified subsequently to income:		
Available for sale assets:		
Gains / (losses) on revaluation	39,183	(103,101)
Losses / (gains) transferred to income	2,675	(1,175)
Net change in actuarial liabilities	(17,090)	48,346
Retranslation of foreign currency operations	(28,481)	(15,686)
	(3,713)	(71,616)
Items net of tax that will not be reclassified subsequently to income:		
Gains / (losses) on revaluation of owner-occupied property	5,145	(345)
Losses on defined benefit plans	(13,875)	(5,431)
Other items	(128)	-
	(8,858)	(5,776)
OTHER COMPREHENSIVE LOSS FROM CONTINUING OPERATIONS	(12,571)	(77,392)
TOTAL COMPREHENSIVE INCOME		
Net income	109,309	76,795
Other comprehensive loss	(12,571)	(77,392)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	96,738	(597)
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	45,811	14,461
From discontinued operation	1,412	(21,648)
	47,223	(7,187)
Participating policyholders	132	1,249
Non-controlling interests	49,383	5,341
	96,738	(597)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016	Amounts expressed in US \$000							
	Share Capital	Share Premium	Reserves	Retained Earnings	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
2016								
Balance, beginning of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164
Total comprehensive income from continuing operations	-	-	(4,319)	50,130	45,811	132	49,383	95,326
Total comprehensive income from discontinued operation	-	-	-	1,412	1,412	-	-	1,412
Redomiciliation adjustment net of treasury shares	(296,296)	296,296	-	-	-	-	-	-
Transactions with holders of equity instruments:								
Movements in treasury shares	5	754	-	-	759	-	-	759
Changes in reserve for equity compensation benefits	-	-	2,132	-	2,132	-	(50)	2,082
Dividends declared	-	-	-	(18,880)	(18,880)	-	(17,684)	(36,564)
Transfers and other movements	-	-	(2,920)	1,789	(1,131)	(224)	(5,410)	(6,765)
Balance, end of year	3,029	297,050	(64,795)	300,865	536,149	1,291	257,974	795,414
2015								
Balance, beginning of year	295,989	-	(8,765)	244,474	531,698	364	241,480	773,542
Total comprehensive income from continuing operations	-	-	(38,419)	52,880	14,461	1,249	5,341	21,051
Total comprehensive income from discontinued operation	-	-	-	(21,648)	(21,648)	-	-	(21,648)
Transactions with holders of equity instruments:								
Allotment of common shares	556	-	-	-	556	-	-	556
Movements in treasury shares	2,775	-	-	-	2,775	-	-	2,775
Changes in reserve for equity compensation benefits	-	-	(1,650)	-	(1,650)	-	(313)	(1,963)
Dividends declared	-	-	-	(19,842)	(19,842)	-	(14,835)	(34,677)
Transfers and other movements	-	-	(10,854)	10,550	(304)	(230)	62	(472)
Balance, end of year	299,320	-	(59,688)	266,414	506,046	1,383	231,735	739,164

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016	Amounts expressed in US\$000		2016	2015
	2016	2015		
OPERATING ACTIVITIES				
Income before taxes	149,597	123,562		
Adjustments for non-cash items, interest and dividends	(188,098)	(200,783)		
Interest and dividends received	299,968	299,482		
Interest paid	(93,620)	(76,276)		
Income taxes paid	(24,948)	(27,444)		
Net increase in investments and operating assets	(100,362)	(269,081)		
Net increase in operating liabilities	83,793	58,514		
Net cash flows - operating activities	126,330	(92,026)		
INVESTING ACTIVITIES				
Property, plant and equipment, net	(17,996)	(16,586)		
Associates and joint ventures	(188)	(28,986)		
Intangible assets	(4,272)	(15,198)		
Net cash flows - investing activities	(22,456)	(60,770)		
FINANCING ACTIVITIES				
Movement in treasury shares			(98)	(896)
Redemption of SFCL preference shares			(119,991)	-
Shares issued to non-controlling interest			(6,634)	-
Other notes and loans payable, net			34,008	156,458
Dividends received from associates			1,788	480
Dividends paid to common shareholders			(13,381)	(11,842)
Dividends paid to preference shareholders			(5,256)	(7,800)
Dividends paid to non-controlling interests			(17,824)	(14,600)
Net cash flows - financing activities			(127,388)	121,800
Effects of exchange rate changes			(4,645)	(3,900)
NET CHANGE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS			(28,159)	(34,896)
Net change in cash and cash equivalents - discontinued operation			(44,614)	(21,419)
Cash and cash equivalents, beginning of year			384,879	441,194
CASH AND CASH EQUIVALENTS, END OF YEAR			312,106	384,879

STATEMENT OF INCOME BY SEGMENT

Year ended December 31, 2016

Amounts expressed in US \$'000

2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	299,565	268,482	74,383	21,526	-	663,956
Interest income	77,394	157,758	47,958	9,758	-	292,868
Other investment income	3,114	42,753	10,450	2,883	1,284	60,484
Fees and other revenues	19,107	54,968	16,095	26,654	15	116,839
Inter-segment revenues	11,946	-	-	60,129	(72,075)	-
	411,126	523,961	148,886	120,950	(70,776)	1,134,147
Net policy benefits	196,116	168,757	79,625	9,161	-	453,659
Net change in actuarial liabilities	3,152	38,350	3,750	-	-	45,252
Interest expense	13,393	41,455	2,853	3,747	-	61,448
Administrative expenses	68,990	112,156	32,752	40,040	1,388	255,326
Commissions and premium and asset taxes	44,152	39,979	15,584	9,534	-	109,249
Finance costs	-	-	63	(136)	38,406	38,333
Depreciation and amortisation	6,505	8,017	1,551	5,210	-	21,283
Inter-segment expenses	5,720 ⁽¹⁾	1,419	(3,575) ⁽¹⁾	11,581	(15,145)	-
	338,028	410,133	132,603	79,137	24,649	984,550
Segment income / (loss) before taxes	73,098	113,828	16,283	41,813	(95,425)	149,597
Income taxes	(8,177)	(23,678)	(5,797)	(3,544)	(504)	(41,700)
Net income / (loss) from continuing operations	64,921	90,150	10,486	38,269	(95,929)	107,897
Net income/(loss) attributable to shareholders from continuing operations	64,811	44,275	10,486	(1,790)	(57,523)	60,259
Total comprehensive income/(loss) attributable to shareholders from continuing operations	50,414	45,840	12,802	(3,378)	(59,867)	45,811

⁽¹⁾ During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is \$4,819 relating to this transaction.

2015	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	291,237	278,312	80,963	23,413	-	673,925
Interest income	73,121	159,828	51,236	9,247	-	293,432
Other investment income	1,862	21,101	8,831	(66)	(2,931)	28,797
Fees and other revenues	12,606	53,243	20,124	23,113	4	109,090
Loss arising on acquisition	-	(1,025)	-	-	-	(1,025)
Inter-segment revenues	92,596 ⁽¹⁾	-	(82,890) ⁽¹⁾	39,905	(49,611)	-
	471,422	511,459	78,264	95,612	(52,538)	1,104,219
Net policy benefits	189,934	163,574	101,898	12,171	-	467,577
Net change in actuarial liabilities	(1,482)	44,634	(16,593)	-	-	26,559
Interest expense	11,247	40,824	2,693	4,043	-	58,807
Administrative expenses	64,958	114,977	35,673	35,449	835	251,892
Commissions and premium and asset taxes	40,694	44,298	24,761	10,148	-	119,901
Finance costs	-	-	49	(343)	37,528	37,234
Depreciation and amortisation	5,831	6,573	1,276	5,007	-	18,687
Inter-segment expenses	82,585 ⁽¹⁾	886	(81,207) ⁽¹⁾	9,943	(12,207)	-
	393,767	415,766	68,550	76,418	26,156	980,657
Segment income / (loss) before taxes	77,655	95,693	9,714	19,194	(78,694)	123,562
Income taxes	(6,888)	(15,581)	(3,106)	(343)	799	(25,119)
Net income / (loss) from continuing operations	70,767	80,112	6,608	18,851	(77,895)	98,443
Net income/(loss) attributable to shareholders from continuing operations	69,482	39,344	6,608	(18,740)	(40,367)	56,327
Total comprehensive income/(loss) attributable to shareholders from continuing operations	70,925	4,881	(3,404)	(19,460)	(38,481)	14,461

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

STATEMENT OF FINANCIAL POSITION BY SEGMENT

As of December 31, 2016

Amounts expressed in US \$'000

2016	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Financial investments	1,403,870	2,212,153	1,068,244	129,481	-	4,813,748
Other external assets	324,570	450,104	829,889	189,807	(76,198)	1,718,172
Inter-segment assets	199,858	11,555	2,759	54,006	(268,178)	-
Total assets	1,928,298	2,673,812	1,900,892	373,294	(344,376)	6,531,920
Policy liabilities	1,272,500	675,019	1,434,678	55,061	(76,198)	3,361,060
Other external liabilities	86,871	1,544,651	203,929	539,995	-	2,375,446
Inter-segment liabilities	39,434	3,715	43,838	181,191	(268,178)	-
Total liabilities	1,398,805	2,223,385	1,682,445	776,247	(344,376)	5,736,506
Net assets	529,493	450,427	218,447	(402,953)	-	795,414
2015						
Financial investments	1,402,811	2,087,139	1,061,649	275,022	-	4,826,621
Other external assets	331,311	415,738	712,944	195,496	(82,225)	1,573,264
Inter-segment assets	169,945	10,350	8,323	53,505	(242,123)	-
Total assets	1,904,067	2,513,227	1,782,916	524,023	(324,348)	6,399,885
Policy liabilities	1,271,737	646,942	1,309,946	60,474	(82,225)	3,206,874
Other external liabilities	87,439	1,467,043	224,063	629,276	-	2,407,821
Liabilities of discontinued operation	-	-	-	46,026	-	46,026
Inter-segment liabilities	28,475	1,696	43,839	168,113	(242,123)	-
Total liabilities	1,387,651	2,115,681	1,577,848	903,889	(324,348)	5,660,721
Net assets	516,416	397,546	205,068	(379,866)	-	739,164

GEOGRAPHICAL AREAS

Year ended December 31, 2016

Amounts expressed in US \$'000

The Group operates in certain geographical areas which are determined by the location of the subsidiary or branch initiating the business.

Group operations in geographical areas include certain non-current assets comprising investment property, property, plant and equipment, investment in associated companies and intangible assets.

Total external revenues and non-current assets by geographical area are summarised in the following table.

	External revenue		Non-current assets	
	2016	2015	2016	2015
Barbados	170,271	162,545	193,522	195,457
Jamaica	495,476	478,798	120,178	117,964
Trinidad & Tobago	166,066	153,790	66,115	69,132
Other Caribbean	152,161	150,860	30,025	34,485
USA	150,173	158,226	9,325	5,096
	1,134,147	1,104,219	419,165	422,134



INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED SUMMARY FINANCIAL STATEMENTS

To the Shareholders of Sagicor Financial Corporation Limited

Our opinion

In our opinion, the accompanying consolidated summary financial statements of Sagicor Financial Corporation Limited (the Company) and its subsidiaries (together the Group) are consistent, in all material respects, with the audited consolidated financial statements.

The consolidated summary financial statements

The Company's consolidated summary financial statements derived from the audited consolidated financial statements for the year ended December 31, 2016 comprise:

- the consolidated summary statement of financial position as of December 31, 2016;
- the consolidated summary statement of income for the year then ended;
- the consolidated summary statement of comprehensive income for the year then ended;
- the consolidated summary statement of changes in equity for the year then ended;
- the consolidated summary statement of cash flows for the year then ended; and
- the related notes to the consolidated summary financial statements.

The consolidated summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our audit report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated March 31, 2017. That report also includes the communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the audited financial statements of the current period.

Responsibilities of management for the consolidated summary financial statements

Management is responsible for the preparation of the consolidated summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the consolidated summary financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

Other Matter

Our report, dated March 31, 2017 on the consolidated financial statements of Sagicor Financial Corporation Limited for the year ended December 31, 2016, was prepared for and only for the Company in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving that opinion, accept or assume responsibility for any other purpose or to any other person to whom that report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers SRL
Bridgetown, Barbados
March 31, 2017

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