

CHAIRMAN'S REVIEW

The Sagicor Group had a resilient performance despite significant adverse events in the regional and international markets, namely, credit losses on Government of Barbados debt, mark-to-market losses on our international bonds and the devaluation of the Jamaican dollar to the US dollar.

The Sagicor Group net income for the nine months to September 30, 2018 was US \$59.0 million, compared to a prior year result of US \$85.8 million. Group net income attributable to shareholders was US \$31.7 million, compared to a prior year result of US \$54.8 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.

On September 7, 2018 the Government of Barbados (GoB) entered into a Staff-Level Agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the GoB launched a Debt Exchange Offer for GoB Domestic Barbados dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its Exchange Offer received unanimous support from the domestic creditors. A restructuring plan has not yet been announced for the External US dollar denominated debt. The Sagicor Group holds approximately US \$337 million in GoB debt, of which US \$278 million is Domestic Barbados-dollar denominated debt. The Sagicor Group has determined the net impact of the credit events on GoB debt to shareholders at approximately US \$43 million, as at September 30, 2018 (gross expected credit loss of US \$101 million less actuarial offset).

Total revenue for the Group was US \$1,068.7 million, compared to a prior year amount of US \$910.9 million, an increase of 17%. The growth in revenue was mainly due to the growth in premiums in the USA segment, where the gross premiums were US \$263.5 million compared to US\$ 133.7 million for the same period in the prior year, an increase of 97%.

Benefits were US \$537.4 million compared to US \$475.1 million for the prior year an increase of 13%. The increase was largely driven by the growth in new business and changes in the interest rate environment.

Expenses were US \$443.0 million, compared to US \$329.1 million for the same period in the prior year, an increase of 35%. Expenses include the provision for losses on all assets arising from the adoption of IFRS 9, and this result was largely driven by the provision for the Government of Barbados securities.

Group comprehensive income was a loss of US \$6.6 million, compared to income of US \$108.4 million for the prior year. Shareholder comprehensive income was a loss of US \$6.8 million compared to income of US \$70.1 million for the prior year. The decline in shareholder comprehensive income was mainly due to marked to market declines on our international bond portfolio, and the impact of the devaluation of the Jamaican dollar relative to the US dollar of US\$ 35.1 million, compared to the prior year.

Group assets were US \$6.8 billion and Group liabilities were US \$5.9 billion. Group equity was US \$895.9 million, compared to US \$888.6 million for the prior year. Shareholders' equity was US \$598.1 million, compared to US \$601.0 million for the prior year.

The Group's debt was US \$404.4 million with a debt-to-capital ratio of 31.1%, compared to 31.3% for the prior year.

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



Stephen McNamara
Chairman
November 15, 2018

FINANCIAL HIGHLIGHTS	Nine months ended SEPTEMBER 30	
	2018	2017
		restated
<i>(in US currency except percentages)</i>		
Total revenue	\$1,068.7m	\$910.9m
Overall Group net income	\$59.0m	\$85.8m
Overall Shareholders' net income	\$31.7m	\$54.8m
Net income allocated to non-controlling interests	\$35.0m	\$32.7m
Total equity	\$895.9m	\$888.6m
Book Value per share	\$1.96	\$1.98
Ratio of Debt to Capital	31.1%	31.3%
Earnings per common share	10.3¢	18.0¢
Annualised return on common shareholders' equity	6.4%	11.4%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Amounts expressed in US \$000</i>	September 30 2018	September 30 2017	December 31 2017	January 01 2017
		RESTATED	RESTATED	RESTATED
	(unaudited)	(unaudited)		
ASSETS				
Financial investments	5,077,123	5,005,199	4,953,241	4,813,748
Other investments and assets	1,730,970	1,766,441	1,851,291	1,718,172
Assets of discontinued operation	13,301	8,225	10,110	-
Total assets	6,821,394	6,779,865	6,814,642	6,531,920
LIABILITIES				
Policy liabilities	3,590,893	3,474,600	3,547,877	3,356,522
Other liabilities	2,334,648	2,416,630	2,329,542	2,375,883
Total liabilities	5,925,541	5,891,230	5,877,419	5,732,405
EQUITY				
Shareholders' equity	598,107	601,004	624,592	537,080
Participating accounts	(10,528)	637	865	1,291
Non-controlling interests	308,274	286,994	311,766	261,144
Total equity	895,853	888,635	937,223	799,515
Total liabilities and equity	6,821,394	6,779,865	6,814,642	6,531,920

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



Director



Director

CONSOLIDATED STATEMENT OF INCOME				
Amounts expressed in US \$000	Nine months to September 30		Three months to September 30	
	2018	2017	2018	2017
		RESTATED		RESTATED
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE				
Net premium revenue	720,000	558,804	309,970	218,659
Net investment and other income	348,717	352,125	120,188	129,630
Loss arising on disposal	(13)	-	(13)	-
Total revenue	1,068,704	910,929	430,145	348,289
BENEFITS AND EXPENSES				
Benefits	537,381	475,149	238,965	195,724
Expenses	442,958	329,148	156,040	104,848
Total benefits and expenses	980,339	804,297	395,005	300,572
INCOME BEFORE TAXES				
	88,365	106,632	35,140	47,717
Income taxes	(32,591)	(29,027)	(15,396)	(10,235)
NET INCOME FROM CONTINUING OPERATIONS	55,774	77,605	19,744	37,482
Net income / (loss) from discontinued operation	3,191	8,225	(166)	2,017
NET INCOME FOR THE PERIOD	58,965	85,830	19,578	39,499
NET INCOME ATTRIBUTABLE TO:				
Common Shareholders				
From continuing operations	28,541	46,536	6,998	28,554
From discontinued operation	3,191	8,225	(166)	2,017
	31,732	54,761	6,832	30,571
Participating policyholders	(7,722)	(1,595)	588	(1,121)
Non-controlling interests	34,955	32,664	12,158	10,049
	58,965	85,830	19,578	39,499
Basic earnings per common share:				
From continuing operations	9.3 cents	15.3 cents	2.3 cents	9.4 cents
From discontinued operation	1.0 cents	2.7 cents	(0.1) cents	0.7 cents
	10.3 cents	18.0 cents	2.2 cents	10.1 cents
Fully diluted earnings per common share:				
From continuing operations	9.1 cents	15.0 cents	2.2 cents	9.2 cents
From discontinued operation	1.0 cents	2.7 cents	(0.1) cents	0.7 cents
	10.1 cents	17.7 cents	2.1 cents	9.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Amounts expressed in US \$000	Nine months to September 30		Three months to September 30	
	2018	2017	2018	2017
		RESTATED		RESTATED
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
NET INCOME FOR THE PERIOD				
	58,965	85,830	19,578	39,499
Items net of tax that may be reclassified subsequently to income:				
Available for sale financial assets:				
Unrealised gains arising on revaluation	-	36,670	-	14,983
Losses / (gains) transferred to income	-	6,052	-	(1,159)
Net (losses) / gains on investments in debt instruments measured at FVOCI	(57,623)	-	7,490	-
Net (gains) / losses on financial assets measured at FVOCI reclassified to profit or loss on disposal	(964)	-	785	-
Net change in actuarial liabilities	27,297	(17,195)	(2,577)	(4,280)
Retranslation of foreign currency operations	(34,946)	(5,217)	(17,164)	(3,360)
	(66,236)	20,310	(11,466)	6,184
Items net of tax that will not be reclassified subsequently to income:				
Unrealised gains /(losses) arising on revaluation of owner occupied property				
	816	-	(16)	-
Net losses on investments in equity instruments designated at fair value through other comprehensive income				
	(173)	-	(200)	-
Gains on defined benefit plans				
	-	2,227	2,500	94
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(65,593)	22,537	(9,182)	6,278
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD				
	(6,628)	108,367	10,396	45,777
TOTAL COMPREHENSIVE (LOSS) / INCOME ATTRIBUTABLE TO:				
Common Shareholders				
From continuing operations	(10,035)	61,913	2,941	30,283
From discontinued operation	3,191	8,225	(166)	2,017
	(6,844)	70,138	2,775	32,300
Participating policyholders	(8,307)	(492)	754	(328)
Non-controlling interests	8,523	38,721	6,867	13,805
	(6,628)	108,367	10,396	45,777

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
Nine months to September 30, 2018:							
Balance, beginning of period	3,059	300,470	(47,482)	367,327	865	308,089	932,328
Prior period adjustment	-	-	94	1,124	-	3,677	4,895
Balance as of December 31, 2017 restated	3,059	300,470	(47,388)	368,451	865	311,766	937,223
January 1, 2018 adjustment-change on initial application of IFRS 9	-	-	(217)	(10,442)	(2,930)	(2,352)	(15,941)
Balance as of January 1, 2018	3,059	300,470	(47,605)	358,009	(2,065)	309,414	921,282
Total comprehensive income from continuing operations	-	-	(38,576)	28,541	(8,307)	8,523	(9,819)
Total comprehensive income from discontinued operation	-	-	-	3,191	-	-	3,191
Transactions with holders of equity instruments:							
Movements in treasury shares	-	1	-	-	-	-	1
Changes in reserve for equity compensation benefits	-	-	(750)	-	-	-	(750)
Disposal of interest in subsidiaries	-	-	(935)	935	-	(2,221)	(2,221)
Dividends declared	-	-	-	(7,648)	-	(10,237)	(17,885)
Transfers and other movements	-	-	(45)	(540)	(156)	2,795	2,054
Balance, end of period	3,059	300,471	(87,911)	382,488	(10,528)	308,274	895,853
Nine months to September 30, 2017 RESTATED:							
Balance, beginning of period	3,029	297,050	(64,795)	300,865	1,291	257,974	795,414
Prior period adjustment	-	-	(3)	934	-	3,170	4,101
Balance as restated	3,029	297,050	(64,798)	301,799	1,291	261,144	799,515
Total comprehensive income from continuing operations	-	-	13,173	48,740	(492)	38,721	100,142
Total comprehensive income from discontinued operation	-	-	-	8,225	-	-	8,225
Transactions with holders of equity instruments:							
Allotment of common shares	21	2,021	-	-	-	-	2,042
Movements in treasury shares	6	834	-	-	-	-	840
Changes in reserve for equity compensation benefits	-	-	(45)	-	-	-	(45)
Dividends declared	-	-	-	(7,575)	-	(10,840)	(18,415)
Transfers and other movements	-	-	1,226	(2,702)	(162)	(2,031)	(3,669)
Balance, end of period	3,056	299,905	(50,444)	348,487	637	286,994	888,635

CONSOLIDATED STATEMENT OF CASH FLOWS		
Amounts expressed in US \$000	Nine months to September 30	
	2018	2017
		RESTATED
	(unaudited)	(unaudited)
CASH FLOWS		
Operating activities:		
Cash from income, interest and taxation	234,171	100,959
Net increase in investments and operating assets	(304,492)	(92,573)
Net change in operating liabilities	156,746	68,944
	86,425	77,330
Investing activities	(27,517)	(21,319)
Financing activities	(21,619)	(4,093)
Effects of exchange rate changes	(8,490)	(1,317)
Net change in cash and cash equivalents - continuing operations	28,799	50,601
Cash and cash equivalents, beginning of period	338,349	308,109
Cash and cash equivalents, end of period	367,148	358,710

STATEMENT OF INCOME BY SEGMENT						
Amounts expressed in US \$000						
(unaudited)	Nine months to September 30, 2018					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
Total revenue	318,332	437,684	278,259	85,338	(50,909)	1,068,704
Total benefits and expenses	284,353	345,465	263,449	73,296	13,776	980,339
INCOME BEFORE TAXES	33,979	92,219	14,810	12,042	(64,685)	88,365
Income taxes	(7,584)	(21,297)	(3,111)	(797)	198	(32,591)
NET INCOME FROM CONTINUING OPERATIONS	26,395	70,922	11,699	11,245	(64,487)	55,774
Net income / (loss) attributable to shareholders from continuing operations	34,117	34,833	11,699	(12,925)	(39,183)	28,541
Total Comprehensive income / (loss) attributable to shareholders from continuing operations	29,990	8,564	2,745	(13,640)	(37,694)	(10,035)
RESTATED						
Nine months to September 30, 2017						
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
NET INCOME FROM CONTINUING OPERATIONS	49,013	71,049	8,531	20,901	(71,889)	77,605
Net income / (loss) attributable to shareholders from continuing operations	50,608	34,898	8,531	(861)	(46,640)	46,536
Total Comprehensive income / (loss) attributable to shareholders from continuing operations	53,415	40,456	14,420	(575)	(45,803)	61,913

STATEMENT OF FINANCIAL POSITION BY SEGMENT						
Amounts expressed in US \$000						
(unaudited)	September 30, 2018					
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
Total assets	1,934,241	2,782,751	2,184,012	336,244	(415,854)	6,821,394
Total liabilities	1,407,071	2,219,142	1,942,252	772,930	(415,854)	5,925,541
Net assets	527,170	563,609	241,760	(436,686)	-	895,853
RESTATED						
September 30, 2017						
	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head Office and other	Inter-segment eliminations	Total
Net assets	545,701	514,317	231,507	(402,890)	-	888,635

PRODUCTS AND SERVICES		
Total external revenues relating to the Group's products and services are summarised as follows:		
Amounts expressed in US \$000		
	Nine months to September 30	
	2018	2017
	(unaudited)	(unaudited)
Life, health and annuity insurance contracts issued to individuals	674,587	493,801
Life, health and annuity insurance and pension administration contracts issued to groups	210,171	243,752
Property and casualty insurance	34,693	30,492
Banking, investment management and other financial services	127,162	121,495
Other revenues	22,091	21,389
	1,068,704	910,929

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 was reflected as a prior period adjustment in accordance with IAS 8. The impact of this change was an increase in opening equity at January 1, 2017 of US \$6.2 million.	
Net income of the discontinued operaton and assets of the discontinued operation were adjusted by US \$8.2 million to reflect the share of income for full year 2017 income attributable to the nine months of 2017.	
Actuarial reserves (benefits) for the nine months of 2017 was adjusted by US \$1.3 million along with associated taxes of US \$0.5 million relating to varoius actuarial changes attributable to the period. These actuarial changes also impacted opening equity for the nine month period to September, 2017 where opening equity was reduced by US \$2.1 million.	
Actuarial liabilities at September 2017 were increased by US \$7.6 million and actuarial liability fair value reserves in comprehensive income, were correspondingly reduced to reflect fair value movements on available for sale assets.	