Sagicor

Wise Financial Thinking for Life

SAGICOR FINANCIAL CORPORATION
FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2012

CHAIRMAN'S REVIEW

The Sagicor Group recorded net income of US $24.0 million for the half year ended June 30, 2012 as compared to US$11.1 million for the corresponding period in 2011.This is a significant improvement over the period last year when the Group incurred significant property insurance losses on its international insurance portfolio.

Net income attributable to shareholders was US $11.8 million compared to a loss of US $2.0 million for the comparable six months in 2011. Earnings per common share for the current period totalled US 3.7¢ and the annualised return on shareholders' equity was 4.1%.

The Group recorded revenue of US $639.9 million for the period under review. Consistent with our strategy to reduce the international insurance portfolio, the revenue for the period declined by US $48.9 million when compared to the corresponding period in 2011.

Total benefits incurred for the period were US $380.8 million and decreased by US $61.7 million. The lower level of insurance benefits is attributable the extraordinary catastrophe claims included in the 2011 figures and to the reduced levels of premium recorded in 2012.

Expenses incurred during the period totalled US $225.7 million, a decrease of US $4.9 million over the comparable 2011 amount. Reduced commission expenses accounted for the overall change. With the improved profitability of the Group, the charge for income taxes increased by US $4.9 million over the comparable 2011 charge.

In the consolidated statement of financial position, assets totalled US $5.5 billion. Financial investments represent the major component of assets. Liabilities totalled US $4.7 billion with insurance related liabilities representing the largest component.

At June 30, 2012, the Group's total equity in the consolidated statement of financial position amounted to US $809.9 million. The shareholders' equity component totalled US $615.1 million and book value per common share was US $1.95.

Economic growth in North America, Europe and the Caribbean continues to be marginal, with relatively high unemployment levels showing little sign of abatement. The Group's performance is impacted by this prevailing economic environment. The environment affects the amount of life, health and annuity insurance policies which are sold, it affects the persistency of insurance policies inforce, it affects the inflation applicable to the insurer's expenses, and it affects the investment return which the insurer can make for its policyholders, depositors and shareholders. Despite these economic conditions, the Sagicor Group delivered credible results for the six months under review.

Consistent with the amendments made to the Company Articles last year, and to recognise the priority of preference share dividends in respect of a specific period, shareholders are reminded that the declaration of the common share dividend for the half year will be made in early October. The dividend will be payable on November 15.

The Board and Management are committed to effectively managing the Group and on improving shareholder value during these challenging economic times.

Stephen McNamara
Chairman
August 10, 2012.

FINANCIAL HIGHLIGHTS

(in US currency except percentages)	Six Months ended June 30	
	2012	**2011**
Group net income	$24.0m	$11.1m
Total Group comprehensive income	$25.6m	$12.9m
Net income attributable to shareholders	$11.8m	$(2.0)m
Total comprehensive income attributable to shareholders	$15.4m	$(2.9)m
Earnings per common share	3.7¢	(0.7)¢
Total comprehensive income per common share	4.9¢	(1.0)¢
Annualised income return on shareholders' equity	4.1%	(0.7)%
Annualised comprehensive income return on shareholders' equity	5.4%	(1.0)%
Revenue	$639.9m	$688.8m
Total equity	$809.9m	$740.1m

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts expressed in US $000	June 30 2012 (unaudited)	June 30 2011 (unaudited)	December 31 2011 (audited)
ASSETS			
Financial investments	4,229,412	3,945,424	4,092,166
Other investments and assets	1,265,111	1,305,412	1,271,907
Total assets	**5,494,523**	**5,250,836**	**5,364,073**
LIABILITIES			
Policy liabilities	3,023,653	2,944,896	2,980,716
Other liabilities	1,661,007	1,565,795	1,585,824
Total liabilities	4,684,660	4,510,691	4,566,540
EQUITY			
Shareholders' equity	615,093	557,612	607,135
Participating accounts	(2)	1,778	2,201
Minority interest	194,772	180,755	188,197
Total equity	809,863	740,145	797,533
Total liabilities and equity	**5,494,523**	**5,250,836**	**5,364,073**

These financial statements have been approved for issue by the Board of Directors on August 10, 2012.

Director

Director

CONSOLIDATED STATEMENT OF INCOME

Amounts expressed in US $000	Six months to June 30		Three months to June 30	
	2012 (unaudited)	**2011** (unaudited)	**2012** (unaudited)	**2011** (unaudited)
REVENUE				
Net premium revenue	458,377	503,343	226,958	251,237
Net investment and other income	181,523	185,458	85,152	91,706
Total revenue	**639,900**	**688,801**	**312,110**	**342,943**
BENEFITS AND EXPENSES				
Benefits	380,799	442,513	189,894	198,893
Expenses	225,711	230,645	111,041	121,061
Total benefits and expenses	**606,510**	**673,158**	**300,935**	**319,954**
INCOME BEFORE TAXES	33,390	15,643	11,175	22,989
Income taxes	(9,407)	(4,495)	(3,814)	(712)
NET INCOME	**23,983**	**11,148**	**7,361**	**22,277**
NET INCOME ATTRIBUTABLE TO:				
Common shareholders	11,837	(2,006)	2,642	16,480
Participating policyholders	(2,351)	(2,029)	(1,543)	(1,268)
Minority interest	14,497	15,183	6,262	7,065
	23,983	**11,148**	**7,361**	**22,277**
Net income attributed to shareholders - EPS				
Basic earnings per common share	3.7 cents	(0.7) cents	0.9 cents	5.7 cents
Fully diluted earnings per common share	3.6 cents	(0.7) cents	0.9 cents	5.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts expressed in US $000	Six months to June 30		Three months to June 30	
	2012 (unaudited)	**2011** (unaudited)	**2012** (unaudited)	**2011** (unaudited)
NET INCOME	**23,983**	**11,148**	**7,361**	**22,277**
Items net of tax that may be reclassified subsequently to income:				
Available for sale financial assets:				
Unrealised gains / (losses) arising on revaluation	18,846	21,862	5,772	14,706
(Gains) / losses transferred to income	(7,053)	(12,057)	(3,237)	(3,147)
Net change in actuarial liabilities	(3,976)	(9,053)	(3,125)	(9,920)
Retranslation of foreign currency operations	(6,286)	1,014	(4,470)	(378)
	1,531	**1,766**	**(5,060)**	**1,261**
Items net of tax that will not be reclassified subsequently to income:				
Unrealised gains / (losses) arising on revaluation of owner occupied property	80	2	80	2
OTHER COMPREHENSIVE INCOME	**1,611**	**1,768**	**(4,980)**	**1,263**
TOTAL COMPREHENSIVE INCOME	**25,594**	**12,916**	**2,381**	**23,540**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Common shareholders	15,415	(2,864)	462	15,307
Participating policyholders	(2,080)	(2,444)	(1,124)	(1,691)
Minority interest	12,259	18,224	3,043	9,924
	25,594	**12,916**	**2,381**	**23,540**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts expressed in US $000 (unaudited)	Share Capital	Reserves	Retained Earnings	Participating Accounts	Minority Interest	Total
Six months to June 30, 2012:						
Balance, beginning of period	296,048	20,865	290,222	2,201	188,197	797,533
Total comprehensive income	-	3,578	11,837	(2,080)	12,259	25,594
Transactions with holders of equity instruments:						
Changes in reserve for equity compensation benefits	-	2,339	-	-	59	2,398
Dividends declared	-	-	(9,919)	-	(5,826)	(15,745)
Changes in ownership interests	-	-	-	-	83	83
Transfers and other movements	-	(3,123)	3,246	(123)	-	-
Balance, end of period	**296,048**	**23,659**	**295,386**	**(2)**	**194,772**	**809,863**
Six months to June 30, 2011:						
Balance, beginning of period	277,172	(14,406)	302,786	4,347	168,942	738,841
Total comprehensive income	-	(858)	(2,006)	(2,444)	18,224	12,916
Transactions with holders of equity instruments:						
Allotment of common shares	-	-	-	-	360	360
Movements in treasury shares	(1,100)	-	-	-	-	(1,100)
Changes in reserve for equity compensation benefits	-	1,658	-	-	-	1,658
Dividends declared	-	-	(5,765)	-	(6,854)	(12,619)
Transfers and other movements	-	320	(189)	(125)	83	89
Balance, end of period	276,072	**(13,286)**	**294,826**	**1,778**	**180,755**	**740,145**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts expressed in US $000	Six months to June 30	
	2012 (unaudited)	**2011** (unaudited)
CASH FLOWS		
Operating activities:		
Cash from income, interest and taxation	40,545	44,036
Net increase in investments and operating assets	(132,108)	(354,534)
Net change in operating liabilities	46,536	245,832
	(45,027)	(64,666)
Investing activities	(9,364)	(8,055)
Financing activities	(15,583)	(11,145)
Effects of exchange rate changes	306	1,639
Net change in cash and cash equivalents	(69,668)	(82,227)
Cash and cash equivalents, beginning of period	264,659	279,068
Cash and cash equivalents, end of period	**194,991**	**196,841**

NOTE TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting policies set out in note 2 of the December 31, 2011 audited financial statements.