ANNUAL REPORT

2017

Driving Growth Through Performance & Innovation

Sagicor Group Jamaica

Building The Greatest Financial Services Company

Sagicor Group Jamaica's Vision and Philosophy are grounded in a simple but fundamental responsibility to our clients and communities. We recognise that we can only be successful when the individuals and companies we serve, our team members, and our communities are able to achieve their vision of success.

We are therefore committed to innovative, consistent solutions and executions for our clients at all times, that deliver value for our shareholders.

We work to develop a great team and a winning culture, rooted in integrity, disciplined risk management, and responsible growth.

Through philanthropy and team member volunteerism we contribute to a better society today and tomorrow.

OUR VISION

To be a great company committed to improving the lives of people in the communities in which we operate.

OUR PHILOSOPHY

Only when our clients win, we win.

BRAND VISION

To be loved by our clients and admired by our competitors.

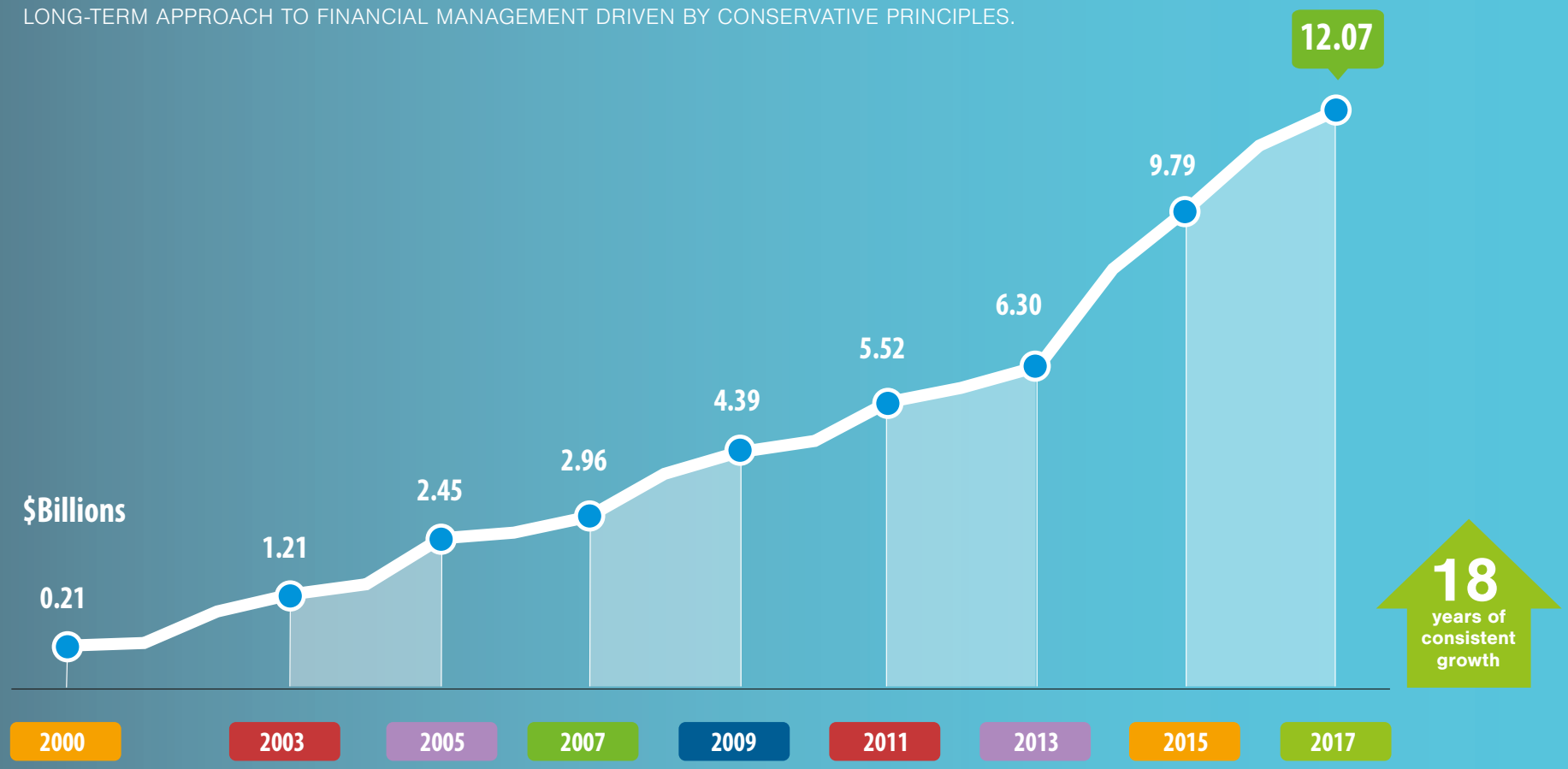
Insight >> Inspiration >> Innovation >>

Execution >> Results

Another record year of profitability

$12.07 BILLION

SAGICOR'S BALANCE SHEET ENDED 2017 IN A STRONG POSITION CONSISTENT WITH OUR LONG-TERM APPROACH TO FINANCIAL MANAGEMENT DRIVEN BY CONSERVATIVE PRINCIPLES.



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STATEMENT OF THE CHAIRMAN **AND PRESIDENT & CEO**

On behalf of the Board of Directors of Sagicor Group Jamaica Limited (SGJ or the Group), we are pleased to share with you the report for our Group of Companies on our 2017 performance.

Building a Strong Group

$12.07B in net profits and an 18-year track record of consistent growth.

Building a Strong Brand

A consistently high brand awareness, averaging over 95% brand recall for over 3 consecutive years.

Building a Strong Team

Team engagement experience at an all-time high of 78.6% for the Group.

2017 has been a year of change, but what has remained consistent is how well our company has performed. Sagicor is truly an exceptional financial group in the Jamaican landscape, with a remarkable heritage and a promising future. Last year, through innovative strategies and technologies, we overcame an increasingly challenging environment and executed on all our key business objectives, reinforcing our foundation as a solid Group. We remained steadfast in our commitment to improve the lives of our fellow Jamaicans – customers, team members, the public and shareholders alike, underscoring our strength and versatility while we continue to build and evolve as an organisation.

> **“Innovation is the ability to see change as an opportunity, not as a threat.”**
>
> *— Steve Jobs —*

Richard Byles, Chairman **Christopher Zacca**, President and CEO

Changing of the guard

We have had the distinct benefit of the strong support of our past Chairman of the Board of Directors, The Honourable R. Danny Williams (C.D.) who demitted office as Chairman in June 2017, and has been appointed to the post of Director Emeritus of Sagicor Group Jamaica.

Upon his retirement as President and CEO of Sagicor Group Jamaica, the stewardship of Chairman of the Board was passed to Mr. Richard Byles in May last year, to support the strategic direction of the Group. The Sagicor Group Jamaica then welcomed Mr. Christopher Zacca who took the reins as President and CEO of the Group in June 2017. The team synergy allowed for a seamless transition in the leadership, and created growth and led to the strengthening of the Group.

The year also saw the transition of three members of our Executive Team – Rohan Miller, Donovan Perkins and Ingrid Card. Rohan Miller, transitioned to the position of Head of Group Treasury with Sagicor Financial Corporation in January 2018. Ingrid Card moved to Sagicor Financial Corporation as Vice President, Corporate Communications and Brand Experience. After 25 years of stewardship, Donovan Perkins retired as CEO of Sagicor Bank, but continues to contribute as a member of the Board of Sagicor Investments Jamaica. We are grateful for the contributions they have made over the years, and wish them every success in their new endeavours.

Philip Armstrong, formerly Deputy CEO of Sagicor Bank Jamaica, served as Acting President and CEO for the bank before transitioning to Executive Vice President of Strategy and Innovation for Sagicor Group Jamaica. He will undoubtedly bring his wealth of experience and knowledge of the brand to his new task.

We also welcome Kevin Donaldson, Donnette Scarlett and Chorvelle Johnson to the Executive Management Team. Kevin Donaldson has taken the mantle as CEO, Sagicor Investments, while Donnette Scarlett leads the

newly structured Group Treasury and Asset Management Division as Senior Vice President, and Chorvelle Johnson has been appointed as CEO of Sagicor Bank. We are excited about the wealth of experience and strategic leadership our new Executives will offer to their Supporting and developing our strong team

To support the changes in 2017, we focused on maintaining a high performance culture and ensuring that we have the best people in the right roles. We continued our commitment to driving team engagement through innovative learning and social activities. Our training programmes were designed to enhance technical skills and develop a strong cooperative culture to grow our business.

We also worked to increase team synergy through the implementation of our engagement and training programmes. We continue to afford recent university graduates an opportunity to gain valuable work experience through our Sagicor Experience Internship Programme, building their confidence, to transition seamlessly into the workforce, all as a part of our commitment to improving Jamaica's youth. These and other team initiatives resulted in us achieving the highest team member satisfaction results with a 1.2% increase over the previous year.

Delivering strong service

The delivery of strong client service was uninterrupted. In 2016 we launched a training programme for all team members in our bank and insurance branches and other client touch point areas, we measured customer reaction on a continuous basis every month and also worked hard to stabilise the new systems. As a result of these efforts, our net promoter score, which measures customer rating, showed improvement, rising to 43% for the Group, which is well above industry standard. We still have more work to do in 2018 as we are intent on delivering great service to all Sagicor clients at all points of contact with our Group.

Innovating and growing

We are consistently looking towards innovations in our business in order to provide the best products and services to our clients. Our recently upgraded Banking and Investments systems allowed us to launch new products seamlessly.

To serve our team, we also upgraded our Human Resource management systems and invested in additional training for our technical team. As we continue to grow and evolve with the changing business environment, we intend to innovate and create new opportunities for growth by leveraging data and technology to lead and differentiate ourselves in the marketplace.

Cross-selling to add value

We see cross-selling our brand as a full-service financial institution as an important opportunity to drive revenue in a slow-growing economy, as well as to offer value-added benefits for our clients. 2017 saw us increase our efforts to offer banking and investment products to our insurance customers through specific, direct offers, as well as to make specialised insurance products available to affinity and workplace groups. The reception has been extremely good and so we have restructured the Group Sales team to pursue this opportunity even more assiduously in 2018.

Building an indomitable presence

In 2017 we focused on cementing the Sagicor brand in the market through major branding initiatives island wide. We rolled out a new brand campaign, "Smiles", which has had a tremendous

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS **$12.07B**

2016: $11.26 BILLION

TOTAL REVENUE **$70.44B**

2016: $59.70 BILLION

EARNINGS PER SHARE **$3.11**

2016: $2.90

DIVIDEND PER SHARE **$1.28**

2016: $1.12

MARKET CAPITALISATION **$148.61B**

2016: $116.78 BILLION

impact in the market. We continue to be recognized by the Jamaican public as a top brand in the country, maintaining our high brand awareness , which averages over 95% for the last three consecutive years

Creating strong communities

Through the Sagicor Foundation Jamaica, we enthusiastically participated in activities that underscored our commitment to corporate social responsibility and supported organizations, individuals and communities in the areas of health, education and sports in 2017.

In February 2017 Sagicor Sigma Corporate Run successfully raised approximately $50.5 million for its beneficiaries, including the Bethlehem Home for Abandoned Children, the Neo-Natal Unit at the Mandeville Regional Hospital and the Special Care Nursery at the Spanish Town Hospital. Additionally, the Sagicor Foundation disbursed approximately $17.6 million in new and renewed scholarships to high achieving students at the secondary and tertiary level island wide. Expanding on this programme, and as a part of our commitment of support to the Jamaican Defence Force, we also made $1 million in scholarships available to children of men and women of the Force. We have also committed $10 million in major improvement projects to three early childhood institutions in Clarendon, Manchester and Hanover via our Adopt-a-School initiative for 2017, which launched in October.

Maintaining value for shareholders

The Group had a good year in 2017, raising stockholders value by generating reasonable growth with strong returns. The growth trend continued with our Team producing improved financial results for the 18th consecutive year. Net profit for the year was $12.07 billion, which is 7% above 2016. This earnings performance was driven primarily by strong business growth across all lines and favourable investment returns. The return on average equity for the Group was 19%. Dividends per share paid in 2017 amounted to $1.28 up 14% on the 2016 amount of $1.12. Revenues were 18% ahead of prior year, reaching $70.44 billion. EPS was $3.11, 7% better than 2016. Rising confidence in the economy, combined with this favourable EPS performance, improved the price per share from $29.90 at 31/12/2016 to $38.05 at 31/12/2017 and market cap from $116.78 billion to $148.61 billion, an increase of 27%. Taking into account the capital gain and dividend per share in 2017, the total return to the shareholder was 26.1%. At the end of 2017, all the regulated companies exceeded their respective minimum capital requirement. In Sagicor Life Jamaica the MCCSR was 186.0% (150% regulated minimum). Sagicor Investments Jamaica and Sagicor Bank Jamaica were 15.64% and 14.91% respectively (10% regulated minimum).

Sound governance

As a major financial group with more than half-a-million customers, thousands of shareholders and three major regulators, we understand the need to practise sound corporate governance. We are pleased to report that the Boards of Directors and the many Committees for the Group and all our subsidiaries met regularly and executed their responsibilities with diligence. They deliberated on matters of management performance, business strategy and risk management.

Our 18-year profit growth track would not have been possible without the support of the persons who serve on our Sagicor Group Jamaica Board and the Boards of each of our businesses. We are grateful for their guidance through the years.

We thank our entire team and our business partners for their continued support and professionalism, perseverance and passion.

We thank our shareholders for their support and confidence

We thank our clients for the confidence placed in us to provide for all their financial needs through Health & Life Insurance, Investment and Commercial Banking, Property Services, and Annuities and Pensions Management. We are committed to continuing to serve you with innovative solutions for your financial needs.

We look forward to the new financial year with optimism, in spite of change or challenge we will continue to innovate in our business and confidently strive to innovate for greatness.

Richard Byles
Chairman

Christopher Zacca
President & CEO

March 6, 2018

PERFORMANCE HIGHLIGHTS

SLJ INDIVIDUAL LINE DIVISION

Increased New Business

In Jamaica, the Division achieved yet another industry record for New Annualised Premium Income writing $3.39 billion, 12% more than in 2016 and holding a market share of 60%. This is inclusive of individual health sales activity.

$3.39B

2016 - $**3.02B**
2015 - $**2.65B**

SLJ EMPLOYEE BENEFITS DIVISION

Increased New Business

Group Insurance and annuity premiums were much higher than last year as a result of very strong growth in the Annuities portfolio. The Division wrote $8.86 billion of new business during the year, a significant increase over 2016.

$8.86B

2016 - $**3.69B**
2015 - $**4.63B**

SAGICOR INVESTMENTS

Top Stockbrokerage and Unit Trust

For the 3rd consecutive year, Sagicor Investments has been named the #1 Stockbroker by the Jamaica Stock Exchange (JSE) and remains the largest Fund Managers with $115.7 billion under management for the Sigma Global Funds an increase of 27% over 2016.

$115.7B FUM

2016 - $**91.0B**
2015 - $**73.9B**

SAGICOR BANK

Largest Syndicated Loan

In 2017 the Bank was responsible for the largest raised and funded syndicated transaction in the market on behalf of Jamaica Energy Partners Limited.

USD 91M

Operating Efficiency Ratio

This measure expresses administrative expenses as a percentage of total revenue.

When normalized the Group operating efficiency ratio was 30% for 2017 and 29% for 2016 (2015: 29%). The increase was influenced by business expansion, remaining within a robust range for operations.

30%

2016 - **29%**
2015 - **29%**

Net Profit Increase

It was another record year for Sagicor Group Jamaica as our Team continued its trend of improved profitability for the eighteenth consecutive year. Net profit, attributable to Stockholders for the year was $12.07 billion, which is 7% above prior year.

Net Profit:

$12.07B

2016 - $**11.26B**
2015 - $**9.79B**

Customer Advocacy (NPS)

As a Group our team delivered an improved Net Promoter Score, which measures the likelihood of a customer recommending our products and services. These Group scores showed an increase over 2016. We remain committed to putting our customers first to improve their experience

43%

2016 – **37%**
2015 – **30%**

Employee Engagement (LOMA)

The measure of employee satisfaction via our LOMA Team Member Survey showed an increase of 1.2% over 2016, which is the highest satisfaction rating to date.

78.6%

2016 – **77.4%**
2015 – **75.9%**

GROUP 10-YEAR **FINANCIAL STATISTICS**

YEAR ENDED DECEMBER 31, 2017

		2017	2016	2015	2014	2013	Revised 2012	Revised 2011	Revised 2010	Revised 2009	Revised 2008
SALES:											
INSURANCE AMOUNTS											
Individual Life - Sums Assured	$m	184,455	176,329	171,246	151,131	149,096	137,571	150,624	116,311	119,432	86,120
Group Life - Sums Assured	$m	11,718	6,109	9,678	6,940	4,988	1,710	2,358	1,462	5,053	5,212
Total New Insurance Amount	**$m**	**196,173**	**182,438**	**180,924**	**158,071**	**154,084**	**139,281**	**152,982**	**117,773**	**124,485**	**91,332**
NEW ANNUALISED PREMIUMS											
Individual Life and Health	$m	3,614	3,341	2,918	2,656	2,583	2,530	2,110	1,998	1,943	1,432
Individual Annuities	$m	103	401	387	83	117	131	194	90	45	-
Group Life and Health	$m	817	510	794	496	647	636	184	194	311	604
Group Health Single Premiums	$m	9	26	33	49	-	-	56	356	-	1,447
Group Annuities	$m	2,323	2,007	1,900	1,209	1,456	1,820	1,139	1,279	1,302	810
Bulk Annuities Single Premiums	$m	5,713	1,147	1,904	2,212	4,820	428	2,153	-	1,699	6,141
Group Pensions	$m	2,284	1,756	3,392	4,348	475	212	-	111	-	-
Total New Annualised Premiums	**$m**	**14,863**	**9,187**	**11,328**	**11,053**	**10,098**	**5,757**	**5,836**	**4,028**	**5,300**	**10,434**
IN FORCE:											
INSURANCE AMOUNT											
Individual Life - Sums Assured	$m	1,289,703	1,198,090	1,075,967	996,768	908,068	813,598	734,195	666,096	622,513	527,376
Group Life - Sums Assured	$m	772,050	661,581	601,357	591,020	493,945	553,171	491,577	468,407	571,731	424,576
Property and Casualty	$m	76,036	67,937	43,940	40,135	34,481	29,058	22,957	19,584	134,787	118,864
Total Insurance Amounts in Force	**$m**	**2,137,789**	**1,927,608**	**1,721,264**	**1,627,922**	**1,436,494**	**1,395,827**	**1,248,730**	**1,154,087**	**1,329,031**	**1,070,815**
Number of Individual Life policies in force		520,888	492,355	440,328	421,937	407,927	393,411	376,872	361,548	352,345	335,931
Number of New Individual Life policies		68,131	63,968	56,164	59,449	59,318	60,226	55,547	49,782	50,231	45,226
FINANCIAL POSITION & STRENGTH:											
Total Assets [1]	$m	352,037	340,955	300,390	284,216	198,310	174,532	160,372	142,731	134,530	116,934
Pension Funds under Management [2]	$m	**186,761**	154,734	130,311	98,209	85,506	79,725	74,399	64,569	55,336	46,709

GROUP 10-YEAR **FINANCIAL STATISTICS**

YEAR ENDED DECEMBER 31, 2017

		2017	2016	2015	2014	2013	Revised 2012	Revised 2011	Revised 2010	Revised 2009	Revised 2008
Other Funds under Management	$m	141,023	113,842	95,616	78,865	45,692	40,683	22,304	20,081	19,610	19,418
Total Assets Under Management	**$m**	**679,819**	**609,531**	**526,317**	**461,290**	**329,508**	**294,940**	**257,075**	**227,381**	**209,476**	**183,061**
Bank Loans and Advances, net of provision for credit losses	$m	61,329	56,038	43,760	37,302	10,819	9,390	9,258	9,501	8,686	8,442
Customer Deposits	$m	84,280	75,166	62,924	56,044	12,468	11,411	10,600	9,017	8,782	7,457
Invested Assets [5]	$m	293,363	290,118	256,506	232,678	180,330	155,730	144,942	127,941	114,745	97,042
Policyholders' Funds (including Segregated Funds)	$m	95,493	86,390	77,617	71,143	64,538	52,534	47,532	42,735	42,047	35,290
Shareholders' Equity	$m	68,502	56,411	46,569	46,065	35,926	32,856	28,411	25,203	19,863	15,576
Market Capitalisation	$m	148,609	116,778	78,113	40,033	39,867	37,986	37,610	25,650	25,575	21,001
OPERATING RESULTS:											
Total Revenue	$m	70,444	59,701	54,998	45,630	42,356	35,507	33,108	29,436	31,418	29,860
Total Policyholder Benefits and Reserves [3,5]	$m	32,584	25,838	23,868	22,770	23,231	17,767	16,519	14,064	15,678	16,793
Total Commissions, Expenses, and Taxes [5]	$m	26,933	23,108	21,278	17,515	12,660	11,668	10,835	10,501	10,854	8,524
Net Profit, Attributable to Shareholders [5]	$m	12,070	11,258	9,793	8,513	6,298	5,865	5,523	4,671	4,390	3,928
FINANCIAL RATIOS:											
Return on Average Assets	%	3	4	3	4	3	4	4	3	3	4
Return on Average Shareholders' Equity	%	19	22	21	21	18	19	21	21	25	25
Share Price	$	38.05	29.90	20.00	10.25	10.60	10.10	10.00	6.82	6.80	5.60
Earnings Per Share	$	3.11	2.90	2.51	2.21	1.67	1.56	1.47	1.24	1.17	1.05
Price Earnings Ratio	$	12.23	10.31	7.97	4.64	6.35	6.47	6.80	5.49	5.81	5.33
Dividends Per Share	$	1.28	1.12	0.73	0.63	0.40	0.56	0.65	0.43	0.57	0.44
Administration Expenses and Depreciation to Revenue	%	30 [4]	29 [4]	29 [4]	29 [4]	22 [4]	19 [4]	20 [4]	22 [4]	21 [4]	21 [4]
"Commissions and Related Sales Expenses to net premium income"	%	14 [4]	14 [4]	14 [4]	14 [4]	15 [4]	14 [4]	15 [4]	15 [4]	14 [4]	14 [4]

Footnotes:

1 - Includes Segregated Funds

2 - Includes Sagicor Pooled Funds and Self-Directed Funds

3 - Includes movement in Actuarial Liabilities

4 - These ratios reflect a 10% weighting for single premiums and excludes other large items of distortion

5 - Prior period computations have been adjusted to include Segregated Funds

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT THE FIFTH ANNUAL GENERAL MEETING of the Company will be held on Friday, the 25th day of May 2018 at 3:00 p.m. in The Auditorium, R. Danny Williams Building, 28-48 Barbados Avenue, Kingston 5 to consider and, if thought fit, pass the following Resolutions:

ORDINARY BUSINESS

1. **To receive the Audited Accounts and the Report of the Directors and Auditors for the year ended December 31, 2017.**

   Resolution No. 1

   THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2017 be and are hereby adopted.

2. **To elect Directors.**

   Resolution No. 2:

   That the election of Directors be made en bloc.

3. **To re-elect retiring Directors.**

   1. Article 98 of the Company's Articles of Incorporation provides that one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are Peter Clarke and Paul Hanworth.

   2. Directors Jeffrey Cobham and Richard Downer were invited under Article 97(f) to continue in office for a further one (1) year under Article 97(f) and are subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.

   Resolution No. 3:

   THAT Directors Peter Clarke, Paul Hanworth, Jeffrey Cobham and Richard Downer, who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc.

4. **To fix the remuneration of the Directors.**

   Resolution No. 4:

   THAT the amount of $29,663,220.48 included in the Audited Accounts of the Company for the year ended December 31, 2017 as remuneration for their services as Directors be and is hereby approved.

5. **To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.**

   Resolution No. 5:

   THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

6. **To ratify interim dividends and declare them final.**

   Resolution No. 6:

   THAT the interim dividends of Seventy (70) cents paid on 5th May, 2017 and Fifty-eight (58) cents paid on 31st October 2017, respectively, be and are hereby ratified and declared as final for the year ended December 31, 2017.

SPECIAL RESOLUTION – AMENDMENT OF ARTICLES

7. **To remove the requirement for Director shareholdings as provided in Article 79 of the Company's Articles of Incorporation and amend the age of retirement of Directors.**

   Resolution No. 7:

   That the Company's Articles of Incorporation be amended as follows:

   (i) Article 79 of the Company's Articles of Incorporation be deleted in its entirety.

   (ii) Article 97(f) of the Articles of Incorporation of the Company be and is hereby amended by increasing the age of retirement of a Director from sixty-five years to seventy-two years. The subsection of the Article now reads as follows:

   "The office of a Director shall be vacated if the Director:

   (f) attains the age of seventy-two years, provided that if a Director shall attain that age during his term of office, he shall be entitled to retain his position of Director until the next Annual General Meeting. Notwithstanding the foregoing, the Board at its absolute discretion may invite a former Director or any other person who has attained the age seventy-two years to be a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation".

DATED 28th day of February 2018

BY ORDER OF THE BOARD

Janice A.M. Grant Taffe
Corporate Secretary

REGISTERED OFFICE
28-48 Barbados Avenue
Kingston 5, Jamaica

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a member of the Company. Enclosed is a Proxy Form for your convenience which must be completed and lodged at the Company's Registered Office, at 28-48 Barbados Avenue, Kingston 5 not less than 48 hours prior to the time appointed for the meeting.

A Form of Proxy is enclosed for your convenience.

DIRECTORS' REPORT

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2017. The Financial Statements reflect the consolidated results of Sagicor Group Jamaica Limited (SGJ) and its subsidiaries.

	2017 J$000's	2016 J$000's
OPERATING RESULTS:		
Group Profit before tax	14,993,605	14,212,019
Taxation	(2,923,782)	(2,953,980)
Net Profit after tax	12,069,823	11,258,039
Attributable to:		
Stockholders of the Company	12,069,823	11,258,039
STOCKHOLDERS' EQUITY:		
Stockholders' equity brought forward	56,410,982	46,569,411
Share capital, opening	8,552,562	9,147,723
Treasury shares	(137,511)	(595,161)
Share capital, ending	8,415,051	8,552,562
Reserves, opening	4,203,984	(823,888)
Net gains recognised in equity	2,894,490	4,677,982
Stock options and grants schemes value		
of services rendered	37,090	31,902
Stock options and grants exercised/expired	(55,927)	(44,015)
Transfers from reserves	442,446	362,003
Reserves, ending	7,522,083	4,203,984
Retained earnings, opening	43,654,436	38,245,576
Total comprehensive income	14,919,703	10,338,540
Transfers (to)/from reserves	(442,446)	(362,003)
Treasury shares	(567,484)	(232,422)
SGJ dividends paid	(4,999,212)	(4,335,255)
Retained earnings, ending	52,564,997	43,654,436
Stockholders' equity carried forward	68,502,131	56,410,982

Dividends

Interim dividends of 70 cents per share were paid on May 5, 2017 and 58 cents per share on October 31, 2017.

Directors

Article 98 provides that one third of the Directors shall retire from office at each Annual General Meeting. Directors Peter Clarke, Paul Hanworth, Jeffrey Cobham and Richard Downer retire under this Article and, being eligible, offer themselves for re-election.

Auditors

The retiring Auditors, PricewaterhouseCoopers, having expressed their willingness to continue in office, will do so in accordance with the provisions of Section 154 of the Companies Act. A resolution authorising the Directors to fix the remuneration of the Auditors will be presented at the Annual General Meeting.

Chairman
March 6, 2018

BOARD OF DIRECTORS

RICHARD O. BYLES B.Sc., M.Sc.
Chairman
(Appointed June 1, 2017)
Citizen of Jamaica

Mr. Richard Byles is the Chairman of Sagicor Group Jamaica Limited. Mr. Byles holds a Bachelor's degree in Economics from the University of the West Indies and a Masters Degrees in National Development from the University of Bradford, England. He is the Board Chairman of Sagicor Bank Jamaica Limited, Sagicor Life of the Cayman Islands Limited, Sagicor Real Estate X Fund and Desnoes & Geddes Ltd. (brewers of Red Stripe). He is also a director of Sagicor Investments Jamaica Limited, Sagicor Foundation Jamaica and Pan-Jamaican Investment Trust Limited where he was Chief Executive Officer for 13 years. He is a former Vice President of the Private Sector Organisation of Jamaica (PSOJ) and former Co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the implementation of the IMF programme in Jamaica.

CHRISTOPHER ZACCA, B.Sc., MBA, CD, JP
President and CEO, Sagicor Group Jamaica
(Appointed 2017)
Citizen of Jamaica

Mr. Christopher Zacca is an astute business man with a wealth of business and management experience in both the public and private sectors spanning over three decades.

He is highly respected in the private sector where he has held senior management positions at Desnoes and Geddes, ATL Group, Air Jamaica Ltd. and served as President of the Private Sector Organization of Jamaica.

His track record in public sector service is equally impressive having served as special advisor to the Prime Minister from 2009 to 2011. He is a former Chairman of the Development Bank of Jamaica and the National Health Fund.

Mr. Zacca holds an MBA from the University of Florida and a B.Sc in Engineering from the Massachusetts Institute of Technology.

THE HON. R.D. WILLIAMS, OJ, CD, JP,
Hon. LL.D (UTech), Hon. LL.D (UWI)
Director Emeritus
(Appointed June 1, 2017)
Former Chairman
(Demitted office May 31, 2017)
Citizen of Jamaica

Dr. the Hon. R. Danvers (Danny) Williams is the founder of Life of Jamaica Limited, now Sagicor Life Jamaica, serving as President & CEO on two separate occasions. Dr. Williams also serves on the boards of a number of Sagicor Group Jamaica member companies.

In 1972 Dr. Williams was awarded the National Honour of Commander of the Order of Distinction (CD) and in 1993 was conferred with the Order of Jamaica (OJ) for voluntary service to his community. He served the Government of Jamaica for three years (from 1977 to 1979) as a Senator, Minister of State and Minister of Industry and Commerce, respectively. He was conferred twice with the degree of Doctor of Laws (Hon) by the University of Technology in 2005 and by the University of the West Indies (Mona) in 2013. Dr. Williams currently serves on the boards of several major Jamaican companies, organisations and foundations. He is Director Emeritus of Jamaica Broilers Group Limited and Sagicor Group Jamaica Limited and serves as the Chairman for Sagicor Foundation Jamaica.

PETER E. CLARKE B.A.
(Appointed 2012)
Citizen of Trinidad &Tobago

Mr. Peter Clarke is a financial consultant. He is a director of Sagicor Financial Corporation and several other companies in the Group, including Sagicor Life Inc. and Sagicor Asset Management Trinidad and Tobago Ltd., He is the holder of a Bachelor of Arts degree in History from Yale University and a law degree from Downing College, Cambridge University.

Mr. Clarke is the Chairman of Guardian Media Ltd., a director of the Trinidad and Tobago Stock Exchange and a director of the Trinidad and Tobago International Financial Centre Limited.

JEFFREY COBHAM B.A., Dip. Mgmt.
(Appointed 2003)
Citizen of Barbados and Jamaica

Mr. Jeffrey Cobham sits on the boards of Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Property Services Limited and Sagicor Life of the Cayman Islands.

Mr. Cobham is a member of the board of Stocks and Securities Limited and Pulse Investments Limited. He is a representative of The Chancellor to the University of the West Indies Mona Campus Council, and sits on its Finance and General Purposes Committee and its Audit Committee.

JACQUELINE COKE-LLOYD
(Appointed 2010)
Citizen of Jamaica

Mrs. Jacqueline Coke-Lloyd is the Founder/Principal Director of Make Your Mark Consultants with over 30 years of expertise in General Management, Human Resource Development, Negotiation, and Employment Relations. She is a graduate of the University of Technology Jamaica and the International Training Centre of the International Labour Organisation (ILO), Turin, Italy.

Mrs. Coke-Lloyd is a SHRM Certified Behavioural Coach and is currently pursuing her Doctorate in Transformational Leadership. She has served on several local boards including the National Housing Trust (NHT), Jamaica Productivity Centre, University of Technology Jamaica (UTech), Young Entrepreneurs Association of Jamaica, and the Jamaica Employers Federation (JEF). On International Boards such as the International Labour Organization (ILO) and the Caribbean Employers Confederation (CEC)

She is the former CEO of Jamaica Employers' Federation (JEF) and is a member of the Women Business Owners of Jamaica (WBO), Women's Leadership Initiative (WLI), PSOJ, and the Human Resource Management Association of Jamaica (HRMAJ). She also serves as Member of the International Council of Women Business Leaders (ICWBL) USA and as an advisor to the MSc in Workforce Education and Training at the University of Technology, Jamaica.

RICHARD DOWNER CD, FCA
(Appointed 2008)
Citizen of Jamaica

Mr. Richard Downer currently serves on the Board of Sagicor Group Jamaica and is Chairman of the Audit Committee and a member of the Risk Management Committee. He is a director of Sagicor Life of Jamaica Limited and Chairman of its Audit Committee and a member of the Investment & Risk Committee.

Mr. Downer, former senior partner of PricewaterhouseCoopers in Jamaica, is also a member of the Rating Committee of CariCRIS Limited and the Mentor of Dolphin Cove Limited and Tech Limited. Mr. Downer has served on other private sector boards, including Sagicor Investments Limited, Sagicor Bank Limited, Victoria Mutual Building Society, Lascelles deMercado & Co. Ltd, and ICD Group Limited. In the public sector, he has served as Executive Director of the Bureau of Management Support in the Office of the Prime Minister of Jamaica and a director of the Bank of Jamaica and was Chairman of the Coffee Industry Board. He has also served on the boards and audit committees of the National Education Trust, the Overseas Examination Commission and the Tourism Enhancement Fund. He has advised the governments of sixteen countries on privatization and was Agent of the Minister of Finance as Temporary Manager of several troubled financial institutions.

Mr. Downer was made a Commander of the Order of Distinction for services to accountancy and being a pioneer in privatization and has been given the Distinguished Member award by the Institute of Chartered Accountants of Jamaica and a place in the Munro College Hall of Fame for services to accountancy.

PAUL A.B. FACEY, B.Sc., MBA.
(Appointed 2005)
Citizen of Jamaica

Mr. Paul Facey holds a B.Sc in Marketing and Management from the University of South Florida and an MBA in Finance from Florida International University Business School. He has a wide range of experience in banking, investment, manufacturing, retail and distribution.

Mr. Facey is the Chief Investment Officer at PanJam Investment Limited. He currently sits on the Boards of PanJam, Jamaica Property Company Limited, Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited.

STEPHEN B. FACEY B.A., M.Arch
(Appointed 2004)
Citizen of Jamaica

Mr. Stephen B. Facey is the Chairman and Chief Executive Officer of PanJam Investment Limited (formerly Pan-Jamaican Investment Trust Limited). He has over 35 years of experience in architecture, real estate development and management, and private equity investing. Under Mr. Facey's leadership, PanJam continually creates shareholder value by investing across the Jamaican economic landscape.

An Architect by training, Mr. Facey holds a B.A. in Architecture from Rice University and a M.Arch. from the University of Pennsylvania. His passion has always been for real estate. As such, he is currently involved with both public and private organisations that represent that industry. Mr. Facey is the Chairman of Jamaica Property Company Limited, the Jamaica Developers Association, Kingston Restoration Company Limited and the New Kingston Civic Association.

In keeping with the Facey Family's commitment to the development of Jamaica's youth, Mr. Facey is the Chairman of the Boys' Town Infant and Primary School, as well as the C.B. Facey Foundation, the charitable arm of PanJam.

Mr. Facey is also the Chairman of New Castle Group of Companies. He is a Director of Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Sagicor Foundation Jamaica, Chukka Caribbean Adventures Limited and the National Gallery of Jamaica, and a Trustee of the Institute of Jamaica.

MARJORIE FYFFE CAMPBELL J.P., BSc (Hons.), M.Sc., FCA, DBA
(Appointed 2003)
Citizen of Jamaica

Dr. Marjorie Fyffe Campbell is a Management Consultant with over 30 years' experience in Finance, Accounting and Executive Management and holds a Doctorate in Business Administration (DBA) from the Mona School of Business and Management, with emphasis in Corporate Governance, an MSc in Accounting and a BSc (Hons) from the University of the West Indies. She is a Fellow of the Institute of Chartered Accountants of Jamaica, a member of the Hospitality, Financial and Technology Professionals and is a Justice of the Peace/Lay Magistrate. She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica

Dr. Fyffe Campbell possesses extensive experience in Finance and Accounting, Corporate Governance, Risk Management and Property Development and Management. She is a former Adjunct Lecturer in Financial and Managerial Accounting and Enterprise Risk Management Governance at the Mona School of Business and Management. She is also a member of the Board of Directors of Sagicor Financial Corporation (SFC), Sagicor Life Cayman and Sagicor Property Services Limited.

PAUL HANWORTH M.A., M.Sc., A.C.A., C.P.A
(Appointed 2008)
Citizen of Jamaica and the United Kingdom

Mr. Paul Hanworth is the Chief Operating Officer of PanJam Investment Limited, a multi-faceted investment holding company in Kingston, Jamaica. He is a Certified Public Accountant (USA) and a Chartered Accountant (England & Wales), and holds Masters Degrees in Management from Rensselaer Polytechnic and in Classics from Sidney Sussex College, Cambridge University. He is Chairman of the Risk Management Committee and a member of the Audit Committee, and is a director of Sagicor Life of Jamaica Limited and a member of its Audit Committee.

Prior to joining PanJam, Mr. Hanworth worked with KPMG in the USA and England for 14 years, with Diageo in the USA and South Africa for 9 years, and with the Mechala Group (now ICD Group) in Jamaica for 6 years. He is a director and chairs the Audit Committee of British Caribbean Insurance Company, and is a director of Jamaica's National Health Fund, as well as the chair of its Finance Committee. He also sits on the board of a number of PanJam's subsidiary and associated companies, and chairs the Listed Companies Committee of the Private Sector Organisation of Jamaica. He founded Jamaica's first specialty fine wine business in 2004, which he sold in 2012.

BOARD OF DIRECTORS

STEPHEN MCNAMARA CBE, LLD
(Appointed 2014)
Citizen of St. Lucia and Ireland

Mr. Stephen McNamara was called to the Bar at Lincoln's Inn, and in St Lucia in 1972. He is the senior partner of McNamara & Company, Attorneys-at-Law of St. Lucia. The barrister/solicitor specialises in the representation of foreign investors in St Lucia in the Tourism, Manufacturing and Banking sectors. He served as Chairman of the St Lucia Tourist Board for nine years. He was appointed Non-Executive Chairman of Sagicor Financial Corporation, the Group's Holding Company, on 1 January 2010, having formally served as Vice Chairman since June 2007, and is the Chairman of the Group's main operating subsidiary Sagicor Life Inc. and also of Sagicor USA and a number of other subsidiaries within the Group.

Mr. McNamara's St Lucia-based service includes the Board of St Lucia Electricity Services Ltd, where he was elected as the Chairman in December, 2015 and served until his retirement at the end of 2017 and as President of the St Lucia Tennis Association.

Mr. McNamara was made a Commander of the Order of the British Empire (CBE) in the 2015 Queen's Birthday Honours for public service and services to the legal profession. Also in 2015 he was awarded an honorary doctorate from the University of the West Indies for his outstanding achievements and contribution to the region in the areas of business, sport and general philanthropy for more than forty years.

PETER K. MELHADO BSc, MBA
(Appointed 2014)
Citizen of Jamaica

Mr. Peter Melhado is President & CEO of ICD Group Limited. He joined Manufacturers Group in 1993 and became its CEO in 1995 until its merger with PanCaribbean in 2004. In that time, he was responsible for the growth and development of Manufacturers, leading to the merger with Sigma to create Manufacturers Sigma Merchant Bank, then one of the leading financial and asset management companies in Jamaica.

Mr. Melhado currently serves as Chairman of Sagicor Investments Jamaica Limited, and is also the Chairman of CGM Gallagher Group, West Indies Home Contractors, Social Commerce Inc (Puerto Rico), American International School of Kingston and Industrial Chemical Company. His current directorships include British Caribbean Insurance Company, Couples Resorts, IWC (St Lucia), Advantage Communications and Red Stripe. He is a former Vice President of the Private Sector Organisation of Jamaica.

DR. DODRIDGE MILLER FCCA M.B.A., LLM, Hon. LLD
(Appointed 2001)
Citizen of Barbados

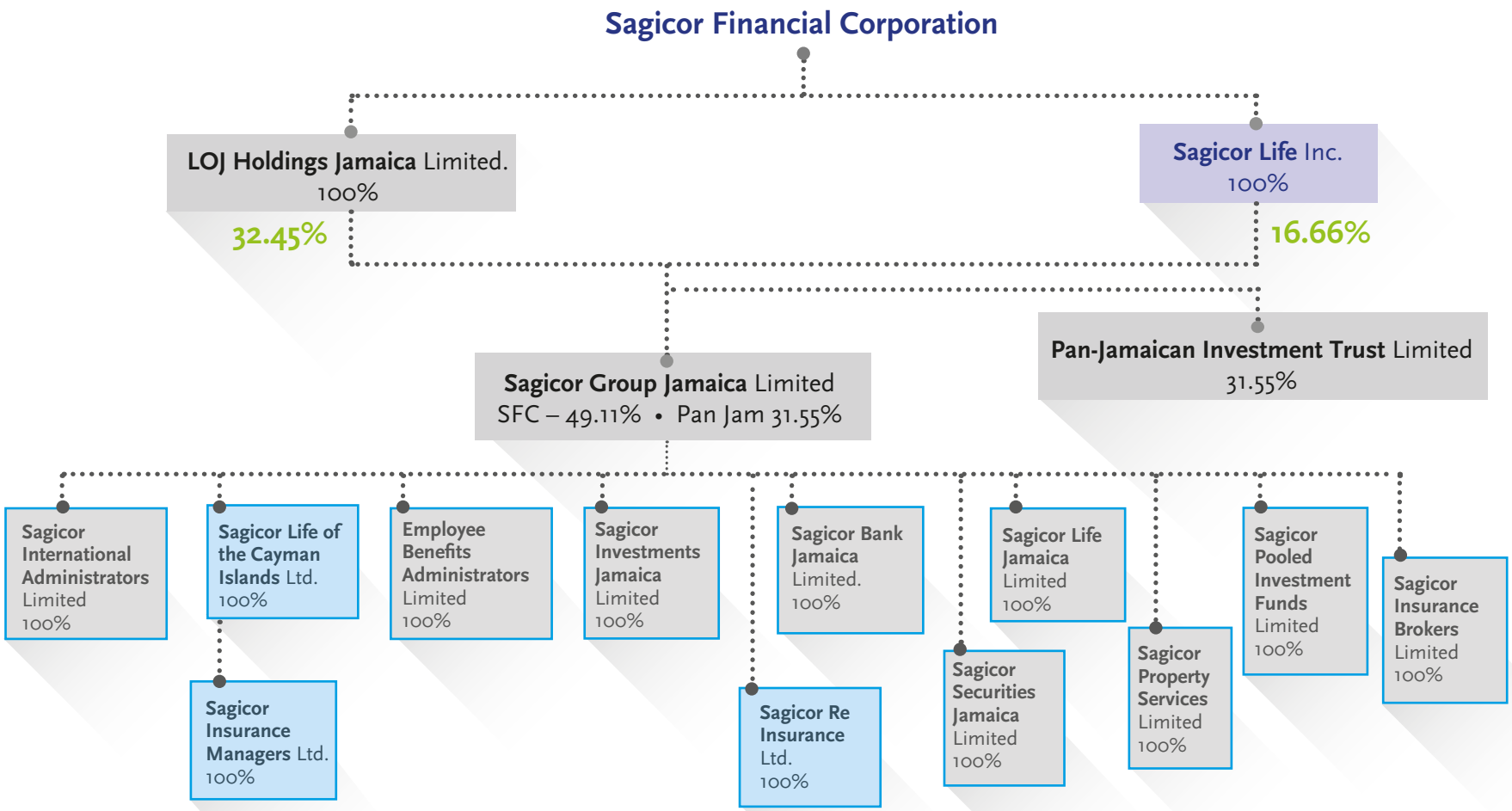
Dr. Dodridge Miller was appointed Group President and Chief Executive Officer of Sagicor Financial Corporation Limited in July 2002, and has been a director since December 2002. A citizen of Barbados, Mr. Miller is a Fellow of the Association of Chartered Certified Accountants (ACCA), and obtained his MBA from the University of Wales and Manchester Business School.

He holds an LLM in Corporate and Commercial Law from the University of the West Indies and, in October 2008, he was conferred with an Honorary Doctor of Laws degree by the University of the West Indies. He has more than 30 years' experience in the banking, insurance and financial services industries.

SAGICOR GROUP JAMAICA

ORGANISATIONAL STRUCTURE

AS AT DECEMBER 31,2017



- SFC – listed on Barbados, T&T and London Stock Exchanges
- SGJ – listed on Jamaica Stock Exchange
- Pan Jam Investment Trust – listed on Jamaica Stock Exchange

FUNDS UNDER ADMINISTRATION

- Pooled Pension Funds
- Self Direct Pension Funds
- GEASO
- GPASO
- Segregated Insurance Funds
- Sigma Global Funds

Associate & Joint Venture

- Sagicor Costa Rica SCR S.A. 50%
- Sagicor Real Estate X Fund Limited 29.3%

Domiciled in:

- Jamaica
- Cayman
- Barbados

Note: *1. Percentages in the boxes reflect ownership interest of the significant shareholders.*

TO BE INNOVATIVE WE MUST BE BOLD

INNOVATIVE ENGAGEMENT

OUR CLIENTS MOTIVATE US

At Sagicor our philosophy, "only when our clients win, we win", guides all that we do to ensure our customers have the best interaction and experience whenever they do business with us. We take pride in serving our clients and strive to always provide a warm and friendly service as well as a clean and comfortable environment for our valued customers.

Our clients inspire us to keep on top of our game, challenging us to continuously improve on our products and services, always finding innovative and creative ways to better serve them. Our hundreds of thousands of clients deserve only the best and we will go above and beyond to not only meet but exceed our clients' needs.

No matter where our clients are in the world, locally, regionally or internationally, each and every one of our clients are treated with the utmost priority.

As our clients are the backbone of our business, we ensure our processes are as seamless and smooth as possible for greater efficiency in conducting transactions. We want to build and maintain a long-lasting relationship with our clients as we continue to be with them at every stage and phase of their lives, helping them to achieve their dreams.

Howard Smith, branch manager, Sagicor Bank, Hope Road engages in conversation with Sagicor Bank client, Joelle Smith of CoWorkinJa.

INNOVATIVE ENGAGEMENT

OUR TEAM UNITES US

Our talented Sagicor team is comprises of individuals from a broad cross-section of the communities we serve all across Jamaica. Together they reflect a variety of backgrounds, disciplines and perspectives that make us a stronger Sagicor each day.

We remain committed to supporting our clients and communities, both achieved by the committed people, who wear the badge of Sagicor, delivering unique ideas, innovative solutions and exceptional service. Therefore at the heart of what we do is a dedicated effort to develop and advance every individual based on their skills and talents, and reward them for their energies and achievements with access to courses and variety of team rewards.

Maintaining a united, motivated team is not only a smart thing to do, it is the right thing to do. We embrace a culture of teamwork, support, productivity, and empowerment because they are what bring out the best in our team – and they are also the things that help us achieve a better future.

Our Team Members of the Year Awards are chief among many honours granted to recognise our exceptional team members. The annual prizes are given to individuals who demonstrate outstanding Client Service, Creativity, Innovation, and Social and Community Involvement. In 2017 our top nominees were Deyhmia Cross – Talent Acquisition Officer; Anique Mighty – Client Relationship Associate; Jason Bailey – Enterprise Risk Management Officer; Kadia Burrell – Assistant Manager Brand Experience; Stephen Levy – Pre-Underwriting Associate; Amanda Hamilton-Roberts – Client Care Officer; and Tarah Williams – Administrative Assistant. Congratulations to Stephen Levy who earned the top prize.

INNOVATIVE ENGAGEMENT

OUR COMMUNITY INSPIRES US

Sagicor Group Jamaica is committed to improving and bettering the lives of the people in the communities in which it operates and has undertaken a number of initiatives to the benefit of hundreds of thousands of Jamaicans. With offices spread across the length and breadth of Jamaica, Sagicor's warmth, love and care for people can be felt by all those who interact with us and interface with our brand.

Emphasis is placed on health and education and that gives us the opportunity to have a long-lasting and positive impact on the lives of many Jamaicans, whether by affording their loved ones an educational scholarship or contributing life-saving medical equipment to the nation's health-care facilities, we have touched many lives.

The strength, resilience and passion of our people inspire us to continue to be a good corporate citizen as we recognise the great need that exists in our society. We will continue to be goodwill ambassadors and provide meaningful contributions to our fellow Jamaicans so that our country and its people can flourish, bloom and grow.

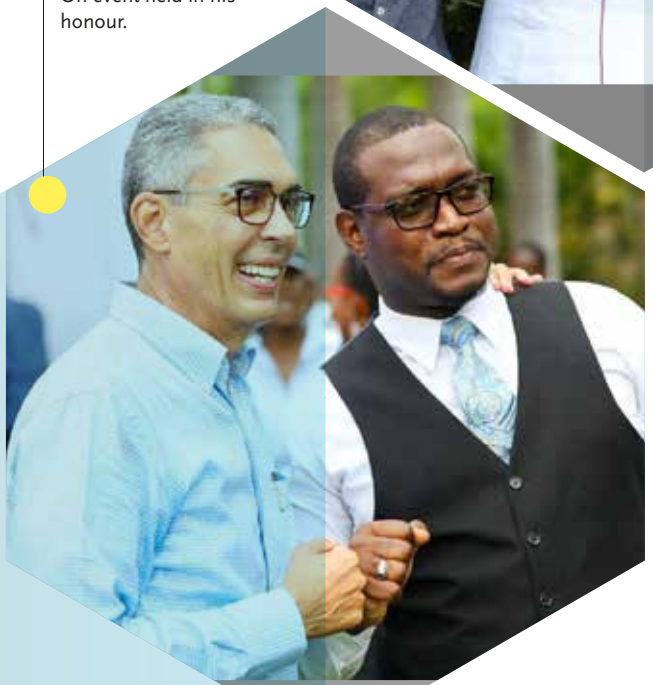
Students of the Small Treasures Daycare are deeply engaged by the story Sherika Nelson (centre), Sagicor team volunteer, tells at Sagicor's Reading is Cool event.


Lots of love
Mr Byles
You are amazing
Thankyou

SAIL ON, RICHARD... WELCOME ABOARD CHRIS

After 13 Successful Years as the Captain of Sagicor, President and CEO, Richard O. Byles made his final docking in April 2017 at his "Sail On" retirement function, which saw him passing on the "Captain's Hat" to Christopher Zacca, who officially took over on May 4, 2017.

Richard Byles (right), Chairman of the Sagicor Group poses for a photo with entertainers Romain Virgo (left) and Marcia Griffiths at his farewell celebration after he transitioned to the chairmanship position last year. Byles captained the Sagicor ship for over 13 years and was lauded for his work at the celebration.



Richard Byles, Chairman of the Sagicor Group knocks fist with a Sagicor team member at the Sail On event held in his honour.

SAIL ON

The entire Sagicor team turned out on the lawns of Hope Zoo to bid farewell to the man they hailed as President and CEO and who steered Sagicor to 14 years of record growth and profitability, keeping Sagicor at the top of its game in the industry.

Team members from across the company's various divisions showered Byles with words of commendation and lauded him for his unparalleled success and unmatched leadership style. There were many heartfelt testimonies from his colleagues, including a moving tribute by the Hon. R. Danny Williams, Director Emeritus of Sagicor Group Jamaica who spoke highly of Byles, his business acumen, and the many successes he achieved as the head of Sagicor Group Jamaica.

As part of the entertainment package, team members dedicated stellar performances in honour of the stalwart, with additional performances by comedic duo Ity and Fancy Cat, Ashe, Romaine Virgo and Marcia Griffiths.

Byles gave an emotional response, thanking the Sagicor family for their outpouring of well wishes and support over the many years. He also used the platform to symbolically pass the "captain's hat" to incoming President and CEO Christopher Zacca, welcoming him aboard the Sagicor ship.

Byles gave an emotional response, thanking the Sagicor family for their outpouring of well wishes and support over the many years. He also used the platform to symbolically pass the "captain's hat" to incoming President and CEO Christopher Zacca, welcoming him aboard the Sagicor ship.

Zacca, an astute business man with a wealth of business and management experience both in the public and private sectors spanning over three decades started his official duties as the President and CEO of the financial conglomerate on May 4.

A highly respected leader, Zacca has held senior management positions at Desnoes and Geddes, ATL Group, Air Jamaica Ltd and served as President of the Private Sector Organization of Jamaica. He was also a special advisor to the Prime Minister from 2009 to 2011 and former Chairman of the Development Bank of Jamaica and the National Health Fund.

To officially usher in the new President and CEO, Sagicor hosted a Cocktail Reception in honour of Christopher Zacca, to signal the new chapter. The event was held at the poolside cabana at the Spanish Court Hotel in May 2017 and was abuzz with titans of local industries and the corporate world.

The new President and CEO in his address to the audience reiterated his commitment to continuing the Sagicor legacy left behind by R. Danny Williams and Richard Byles, which is that of "only when our clients win, we win."

Zacca has proudly taken up the mantle to lead a Sagicor Strong team of over 2,250 team members and pledged to lead "earnestly with discipline, fortitude and integrity.

1. Sagicor team members document their fond memories of Richard Byles, Chairman of the Sagicor Group and former President & CEO.
2. Sagicor team members at the Sail On event held at Hope Zoo to commemorate the years of service offered by Sagicor Group Jamaica Chairman, Richard Byles.
3. Members of Sagicor Group Marketing Department snap a fun photo with Chairman of the Sagicor Group, Richard Byles (centre) at the Sail On farewell event staged last year in honour of his 13 years of service to the company.
4. Team members enjoy the entertainment packages at the Sail On event.

LEADERSHIP TEAM

Philip Armstrong
Deputy CEO & Director
Sagicor Bank

MARK CHISHOLM
MBA (HONS.), J.P.
Executive Vice President,
Individual Life Insurance Division

President & CEO
Sagicor Life of the Cayman Islands

Mark's experience in the insurance industry spans over 25 years. Over this period he has moved up the corporate ladder to his current position of Executive Vice President with direct responsibility for the Individual Life Division which encompasses sales in Jamaica and Sagicor Life of the Cayman Islands. Mark is also responsible for spearheading the Sagicor Group Jamaica's group sales efforts, and also has responsibility for

Group Client Experience and BusinessIntelligence.

WILLARD BROWN
FSA, B.SC. (HONS.)
Executive Vice President
Employee Benefits

Willard has served the Group in various capacities in Information Technology, Employee Benefits Division and Employee Benefits Administrator Ltd. He is currently the Executive Vice President with direct responsibility for the Employee Benefits Division which provides products and services to groups of employees or members through their employers, associations or other institutions to manage their respective benefits programmes. He also has oversight of all actuarial resources within Sagicor Life Jamaica and is also a director of Employee Benefits Administrator Ltd.

CHRISTOPHER ZACCA,
B.SC., MBA, CD, JP
President and CEO,
Sagicor Group Jamaica

Christopher Zacca joined Sagicor Group Jamaica as President & CEO on May 1, 2017. With over three decades of experience in the private and public sectors, he has brought a wealth of knowledge in business management to the Group. He sits on the boards of all Sagicor Group Jamaica member companies. Zacca's expertise spans a wide range of industries and has expertise in General Management, Asset & Investment Management, Innovation, Strategic Management, International Business, Corporate Finance and Information Technology. In almost a year at the helm of Sagicor Group Jamaica, he has led two of the largest transactions in the company's history – the Jamaica Energy Partners syndicated loan and the Sagicor/Playa Partnership – and continues to position the Sagicor Group for growth and innovation.

IVAN B. O'B. CARTER
MBA, M.SC., FLMI
Executive Vice President,
Finance and Group CFO

Ivan is the Executive Vice President, Finance and Group CFO for Sagicor Group Jamaica. He is responsible to the President and the Board of Directors for directing the Accounting, Financial Reporting, Financial Management, Taxation and Regulatory Reporting functions of the Group in accordance with International Financial Reporting Standards (IFRS), local laws and regulations and Sagicor Group policies; Strategic Financial Management of the organisation; leadership of the Group's General Insurance and Captive Management interests. He sits on the Board of Directors of a number of Sagicor Group Jamaica member companies. Ivan is also the Deputy Chairman of 138 Student Living Jamaica Limited.

PHILIP ARMSTRONG,
AMP(HBS), B.SC.
Deputy CEO
Sagicor Bank Jamaica Limited

As the Deputy CEO, Philip had direct responsibility for Bank Operations, the Credit Card Business, and Treasury. He was the lead Business Integration Executive following the RBC Jamaica acquisition in 2014. Philip is a member of the board at Sagicor Bank Jamaica Limited. He is also a member of Sagicor Group Jamaica's Executive Committee, and Sagicor Bank Jamaica's Credit and Risk Committees. Philip is the Chairman of the South East Regional Health Authority (SERHA).

Philip assumed the role of Acting President & CEO upon the retirement of Donovan Perkins on September 30, 2017.

Rohan Miller

President & CEO
Sagicor Investments
Executive Vice President
Sagicor Group Treasury and
Asset Management

Janice Grant Taffe

Senior Vice President
General Counsel & Corporate Secretary

Ingrid Card

Vice President,
Group Marketing
Executive Director, Sagicor Foundation

Karl Williams

Senior Vice President
Group Human Resources & Corporate Services

Donovan Perkins
President & CEO
Sagicor Bank

ROHAN D. MILLER
B.SC. (HONS.), MBA
President and CEO
Sagicor Investments Jamaica Limited
Executive Vice President,
Sagicor Group Treasury and Asset Management

Rohan has been the Chief Investment Officer and Executive Vice President for the Investments Division of Sagicor since March 1, 2011 after joining the company in 1993. His responsibilities include overseeing the Treasury Management, Investment Management, Investment Services, Property Management, Real Estate Development, and the Sagicor Sigma Funds. He is instrumental in the development of new investment products for retail and institutional investors. *Effective January 2, 2018, Rohan Miller transitioned to the position of Head of Treasury with Sagicor Financial Corporation*

JANICE GRANT TAFFE
LL.B. (HONS.), CLE
Senior Vice President,
General Counsel & Corporate Secretary

Janice is corporate secretary to the board and its local non-banking subsidiaries. Janice is also its General Counsel with oversight responsibility for the Group's legal, regulatory and corporate secretarial services and manages the overall corporate governance framework. Under her leadership of the legal resources, the implementation of major investment and corporate strategies took place which have helped to position the company as a major player in the financial services and the real estate sectors. Her experience spans 20 years in the areas of corporate and commercial law, with a considerable experience in pensions, real estate transactions and insurance law. She has been a member of senior management since 1997.

She is a member of the Jamaica Bar Association and sits as a member of its Continuing Legal Education Committee. She is also member of the Corporate Counsel Association (Caribbean).

KARL WILLIAMS
B.SC., EXECUTIVE MBA
Senior Vice President
Group Human Resources & Corporate Services

Karl is the SVP, Group Human Resources & Corporate Services at Sagicor Group Jamaica Limited. His leadership spans management disciplines of Marketing & Sales, Learning & Development and Human Resources. His responsibilities include Group Sales with a focus on product and distribution strategies for cross/up selling and to enhance coordination across all business lines. He also has executive oversight of Procurement, Facilities and Records Management, Security Operations and Business Intelligence. Karl is the President of the Human Resource Management Association of Jamaica (HRMAJ), a Director of the Jamaica Institute of Financial Services (JIFS) and the National Insurance Fund (NIF).

INGRID CARD B.SC. (HONS), MBA
Group Marketing
Executive Director,
Sagicor Foundation

Ingrid leads the Marketing and Communications Team responsible for the creation and implementation of Sagicor Group Jamaica's Marketing and Public Relations strategies in order to maximize market share, build brand equity and cultivate brand loyalty. She also provides leadership for the Group's philanthropic initiatives through Sagicor Foundation. Ingrid has over 16 years of experience in Marketing and Public Relations. She joined Sagicor Life Jamaica Limited in August 2009 as the Marketing & Communications Manager, having served in similar capacities within media and hospitality sectors. *As at January 2, 2018 Ingrid Card transitioned into her new role as Vice President for Group Marketing at Sagicor Financial Corporation*

DONOVAN H. PERKINS
B.A. (HONS.), MBA
Former President & CEO
Sagicor Bank Jamaica Limited

In 2014, Donovan was appointed Chief Executive Officer with a mandate to grow an expanded Sagicor Bank, arising from our acquisition of RBC Royal Bank (Jamaica). Results have improved under his leadership. He currently sits on the boards of Pan Jamaican, Jamaica Producers, Sagicor Investments and has previously served on and chaired the Boards of public and private sector entities including companies listed on the JSE. *After 25 years of service to the financial sector, Donovan Perkins retired as the President and CEO of Sagicor Bank effective September 30, 2017.*

ONLY WHEN OUR CUSTOMERS WIN, WE WIN

Sagicor Group Jamaica in 2017 focused its efforts on putting smiles on our clients' faces at every touch point across our various business lines. With over two million visits to our service halls and over 600,000 interactions with customers via telephone and our online chat facility last year, the Sagicor Group took a customer centric approach to business and ensured that the comfort, development and improvement of our clients were at the forefront of all business initiatives.

Driven by innovation and technology, Sagicor continued to improve on its internal systems and processing to ensure a more effective and efficient service delivery for our clients, resulting in an overall improved client experience.

With this focus, the group substantially decreased our clients' wait time across business lines, increased communication with clients, developed greater and more meaningful relationships and attained the industry's best in quality interaction. Sagicor not only ensures our customers' comfort in interfacing with our platforms and services but also takes a holistic approach to enhancing and transforming the client's life, with our willingness to meet and work with them at whatever stage and phase of their life.

At Sagicor, we understand that it is because of our clients why we are able to do what we do and we always keep that at the forefront of our minds. Our team members, whether front line or back-end, understand and appreciate the importance of our clients and the high value placed on ensuring that we not only meet, but exceed their customer service and client experience expectations.

At Sagicor we are here to put a smile on our clients' face.

Let us put a smile on your face!

2 MILLION
SERVICE HALL VISITS

600,000
CLIENT INTERACTIONS VIA PHONE

EFFECTIVE, EFFICIENT
SERVICE DELIVERY THROUGH
INNOVATION & TECHNOLOGY

MANAGEMENT'S DISCUSSION & ANALYSIS

The Group achieved solid results in 2017 and generated exceptional shareholder value. We produced the historically best results of $12.07 billion in consolidated net profit for the year, a 7.2% improvement over 2016's $11.26 billion.

OUR PERFORMANCE

Sagicor Group Jamaica (SGJ, Sagicor or the Group) is a leading financial services group in Jamaica, commanding the largest market share in many of the lines of business in which it operates, it is also the third-largest conglomerate on the Jamaica Stock Exchange, measured in terms of profitability. The Group has a diversified business model with the main segments of Individual Insurance, Employee Benefits and Banking contributing about one third each to the Group's bottomline.

The economic space in which the Group operates was favourable during the year. The growth trajectory of Sagicor Group Jamaica continued into 2017. In the end we produced what are our historically best results of $12.07 billion in consolidated net profit for the year, a 7.2% improvement over 2016's $11.26 billion. Earnings per stock unit were $3.11 compared to $2.90 in 2016 and the return on average Stockholders' Equity (ROE) was 19% compared to 22% in 2016.

Total revenue of $70.44 billion was up on prior year by 18%. Stockholders' Equity at the year-end stood at $68.50 billion, up from $56.41 billion as at December 2016, a 21.4% increase. Total assets of the Group grew by 3.3% to reach $352.04 billion (2016: $340.95 billion).

The new Precautionary Stand-By Arrangement (PSBA) with the Government of Jamaica (GOJ) was approved by the Executive Board of the International Monetary Fund (IMF) in November 2016. Based on the results of performance through the end of December 2017, Jamaica met the targets for the Quantitative Performance Criteria (QPCs) and Indicative Targets for the IMF PSBA as at the end-of December 2017. Notwithstanding the strong performance in key areas, Jamaica's economic growth fell to less than 1% during 2017 as the spectre of crime continued to grip the country.

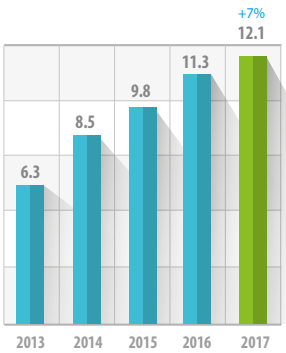
The economies of the Cayman Islands and Costa Rica showed good growth in 2017.

2017 FINANCIAL PERFORMANCE HIGHLIGHTS

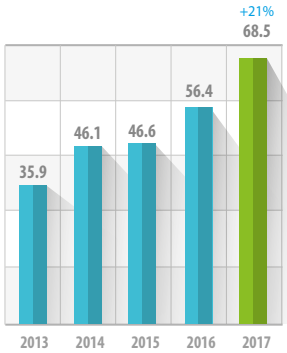
	Dec 2017 Audited	Dec 2016 Audited	% Change
Operating Results (Income Statement Data):			
Net Profit, attributable to Stockholders - J$ billions	12.07	11.26	7%
Total Revenue - J$ billions	70.44	59.70	18%
Financial Position & Strength (Balance Sheet Data):			
Total Assets of Sagicor Group Jamaica - J$ billions	352.04	340.95	3%
Total Assets under management - J$ billions	679.82	609.53	12%
Stockholders' Equity - J$ billions	68.50	56.41	21%
Stockholders' Equity to total assets	19%	17%	12%
Profitability:			
Return on average Stockholders' Equity (ROE)	19%	22%	-14%
Return on average assets (ROA)	3%	4%	-25%
Group efficiency ratio (Admin. expenses/Revenue)*	30%	29%	-3%
Earnings per stock unit (EPS) - J$	3.11	2.90	7%
Dividends paid per stock unit - J$	1.28	1.12	14%
Other Market Information:			
SGJ Share Price - J$	38.05	29.90	27%
Market capitalisation - J$ billions	148.61	116.78	27%

*Normalised & before segregated funds

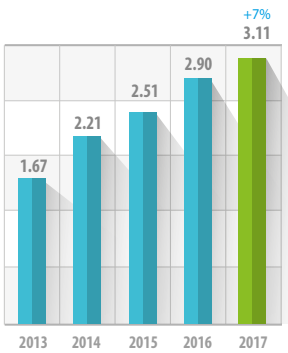
Net Profit Attributable to Shareholders
J$ BILLIONS



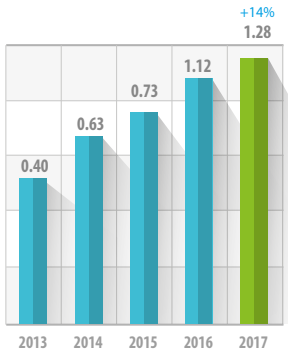
Stockholders' Equity
J$ BILLIONS



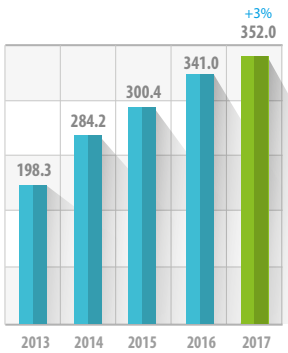
Earnings Per Share
J$ DOLLARS



Dividends Per Share
J$ DOLLARS



Total Assets
J$ BILLIONS



Financial Services challenges which impact our operations:

- **The macro-economies in which we operate. Some factors include:**
  - Interest rates and yield curves
  - Currency fluctuations
  - Inflation
  - Employment/unemployment rates
- **Competition, including from multi-line conglomerates**
- **The high cost to invest in new technologies and continually upgrade existing systems**
- **Stringent regulations**
- **Onerous accounting and actuarial standards**
- **Performance of capital markets and exchanges**

THE ECONOMIC ENVIRONMENTS

SAGICOR GROUP JAMAICA OPERATES IN THE ECONOMIES OF JAMAICA, THE CAYMAN ISLANDS AND COSTA RICA.

JAMAICA

Jamaica's economy showed resilience and continued to perform creditably in 2017. Since the commencement of the economic reform programme in 2013, the economy has stabilised. This performance is a direct result of the implementation of bold, post-crisis reforms, including the fiscal consolidations, shifting towards indirect taxation, lowering of interest rates and adopting more flexible exchange rates. These reform measures were also accompanied by the strengthening of the financial sector regulation and the full re-engagement of the domestic capital markets.

Macroeconomic discipline and visible reforms have boosted stability and confidence. The more recent economic data has suggested that Jamaica's economic conditions continue to improve.

During the year, real GDP is estimated to have grown by 0.5%. This represents the fifth consecutive year of GDP growth. However, the performance was adversely impacted by the flood rains (during May - July). This event is estimated to have depressed agricultural production in the second and third quarters below earlier expectations.

Within the context of the weather events, the modest but positive growth reflects the growing resilience in domestic demand along with favourable external environment, with accommodative financial conditions globally and stronger export demand. The strengthening in local demand conditions is partly attributable to the rebalancing from direct to indirect taxes, which is among the factors contributing to the expansion in construction and manufacturing industries. These industries recorded growth of 1.0% and 1.6%, respectively and was accompanied by expansion in Hotels & Restaurants (up 3.9%).

It was anticipated that the economy would benefit from a one-time boost to GDP from the shifting of personal income tax to consumption tax. Tax break targeted at middle-income groups tends to increase demand for goods and services which eventually raise the demand for labour. The success of this initiative supported employment generation during the year. The unemployment rate as at December 2017 was 11.7%, compared with 13.2% in December 2016. This rate represented the lowest recorded in ten years, that is, since December 2009.

Additionally, inflation for the 12-month ending December 2017 has pierced 5.0%, as food prices are pushed up temporarily by the impact of flood rains during 2017. However, the rate of price increases (inflation) remains within the Central Bank's projected range of 4.0% - 6.0%.

The consequent general improvement in economic conditions has led to Standard and Poor's Global Ratings and Fitch Ratings reaffirming Jamaica's 'B' ratings in September 2017 and February 2017, respectively.

Given that the outlook is assessed to be Stable, Jamaica's sovereign risk premium has trended to an all-time low. The yield on the GOJ 10-year global bond fell 60 bps to 5.0% over the 12-month period ending December 2017.

Additionally, the differential in the average spread between indicative yields on GOJGBs and US Treasury Bills continue to narrow. The narrowing suggests the market has assigned a lower probability of an adverse credit event. This perception follows the continued confidence in the economy in the context of the country's positive performance under the 3-year Stand-By Arrangement (SBA) with the IMF.

Confidence indicators suggest that businesses continue to have a more positive outlook as investor confidence is at an all-time high, attracting foreign direct investment. Financial market conditions are stable and credit to the private sector continues to expand.

The positive trends in business and consumer confidence are conducive to increased domestic and foreign investments, which will support increased economic activity over the medium-term.

At the end of December 2017, the BOJ's weighted average selling rate closed at J$125.00 to the US dollar relative to J$128.44 at the start of the year. At the end of December, the YTD appreciation was 2.9%, relative to a depreciation of 6.6% for the similar period in 2016.

The continued appreciation since mid-September largely reflects the combination of improved supply conditions and more clarity in market pricing. The increased market efficiency is a result of the implementation of several initiatives by the BOJ.

There has been a more balanced movement in the exchange rate, consistent with the rate being fairly valued. This kind of movement, which is quite different from the historical pattern, may become the norm. It also signals the need for market participants to pay more attention to incoming economic data to inform market position.

The Current Account deficit recorded in the country's Balance of Payments (BOP) declined from 10.4% of GDP in FY 2012/13 to 2.5% in FY 2016/17. The projected Current Account deficit for FY 2017/18 is 2.4% of GDP, and is expected to average around 3.0% over the medium term.

The improving position reflected the combination of higher energy prices offset by an uptick in tourism receipts, manufacturing and agricultural exports and ongoing import substitution. The significant narrowing of the current account deficit has supported the accumulation in non-borrowed reserves.

At the commencement of the September 2017 quarter, the BOJ transitioned its policy rate to the overnight (O/N) deposit from the 30-day Certificate of Deposit (CD). The move was intended to strengthen the monetary policy transmission mechanism, meaning, how quickly and fully a change in the policy rate leads to changes in market interest rates and lending rates.

In November, BOJ reduced the overnight deposit (benchmark) rate to 3.25% following the reduction in August 2017 to 3.50% from 3.75%. Changes in the policy rate will be guided by monthly inflation data going forward. The policy rate will therefore be increased if the assessment suggests that inflation will tend to exceed the upper bound of the target, i.e., over 6.0%. The policy rate will, conversely, be reduced if inflation is projected to fall below the lower bound of the target, i.e., below 4.0%.

During the month the offering of the GOJ T-bill resulted in declines relative to the previous month. The yield on the 90-day and 180-day T-bill declined to 4.18% (down 9bps) and 4.63% (down 81bps), respectively.

The Central Government's Primary Surplus target of 7.0% was exceeded in FY 2016/17 with an outturn of 7.6% of GDP. This performance was driven by a combination of strong revenue collections ($8.6bn or 1.8% higher than budget) and lower total expenditure ($5.0bn or 1.0% less than budget). The primary balance target for FY 2017/18 and beyond remains at 7.0% of GDP.

Central Government generated a marginally lower fiscal deficit in FY 2016/17 (0.2% of GDP) as compared to FY 2015/16 (0.3% of GDP). The original Budget which was approved in March 2017 had programmed a fiscal deficit of 0.3% of GDP.

Wage/GDP ratio has trended downwards from 10.0% in FY 2015/16 to 9.5% projected in FY 2017/18. The GOJ intends to achieve the targeted 9.0% by the end of FY 2018/19;

The Economic growth momentum being experienced provides the basis for overcoming poverty and lifting living standards across the country.

The future is being built on strong foundations given the implementation of sound macroeconomic policies.

Within this context the Bank of Jamaica has forecast real GDP to expand within the range of 2.0% - 3.0% for FY2018/19 with further strengthening over the medium term.

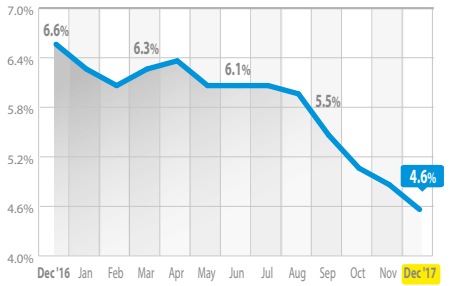
But a sudden tightening in global financial conditions could trigger disruptive capital outflows that could impact the gains achieved thus far and weaken the country's growth prospects. In addition, the outlook could be adversely impacted by ongoing wage negotiations with public sector workers, natural disasters and spike in oil prices.

Given that the downside risks appear to be moderate, the growth momentum is expected to continue over the near to medium term as a result of: (i) Stronger-than-projected domestic demand associated with expected increase in employment and an increase in the access to loans and advances; (ii) Stronger-than-expected external demand, especially impacting the Tourism sector, (iii) Higher-than-expected capacity utilisation at production plants, especially, within the Mining & Quarrying industry.

KEY ECONOMIC STATISTICS:

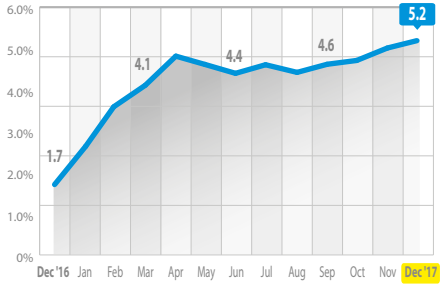
- Growth in Real Gross Domestic Product (GDP) was estimated at 0.5% for the 12-month period to December 2017 compared to 1.5% in 2016.
- The average savings rate (domestic currency) was 1.57% at the end of December 2017. The rate at end 2016 was 1.34% for the year.
- The 6-month Treasury Bill rate decreased by 193 bps to 4.63%. The rate at December 2016 was 6.56%.
- The average lending rate declined to 14.63% at end of November 2017 from 16.20% at the end of December 2016 (16.21% - November 2016).
- Inflation ended the 12-month period to December 2017 at 5.2%, an uptick relative to 1.7% last year.
- The Jamaica Stock Exchange main index grew (50%), advancing to 288,382. The market advanced 27.6% in 2016.
- The Jamaican dollar appreciated by 2.9% against the US$, during the 2017 calendar year, versus a 6.6% decline in 2016 with the weighted average daily selling price of $125.00 as at December 29, 2017.
- The unemployment rate at December 2017 was 11.7%, which reflects a 1.5% decline when compared to the previous year and the lowest for a calendar year since 2009.
- The primary surplus as a per cent of GDP (7.6%) for FY 2016/17 surpassed the target of 7.0%. A primary balance target of slightly higher than 7.0% is targeted for FY 2017/18 and beyond.
- Debt/GDP declined to 103.3% as at December 2017 from 120.6% in December 2016.
- The NIR remains in a strong position, increasing to US$3.2B at end-December 2017 from US$2.7B at end-December 2016.

180-Day T-Bill Movements
% PERCENTAGE

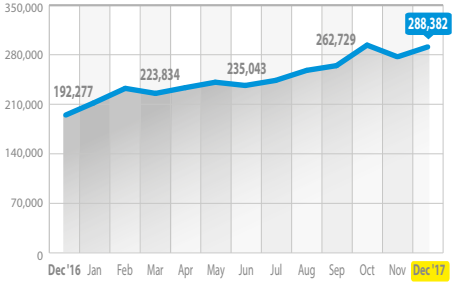


J$ vs US$ Exchange Rate Movements
DOLLARS

12-Month Inflationary Changes
PERCENTAGE



JSE Main Index
PERCENTAGE



THE CAYMAN ISLANDS

Available indicators have shown that the Cayman Islands' real gross domestic product (GDP) was 3.1% for 2016 and an estimated 2.4% for 2017.

There was growth in all sectors with the exception of agriculture and fishing. This growth was attributed to the (7.0%) expansion in the construction industry; thus, enabling other dependent sectors such as hotels and restaurants (4.5%), electricity & water supply (4.1%) and business activities (3.6%) to experience progression as well. The unemployment rate was 4.2% for 2016 and is estimated at 4.9% for 2017.

The Finance and Insurance sectors, which happen to be the largest contributor to GDP, grew by 1.2% for the first three quarters of 2017. However, during the review period, credit to public and private sectors declined sharply by 18.8% and 0.4%, respectively. Consequently, the net domestic assets declined by 2.2% to end the quarter at $3.0 billion. In light of the decline in credit and domestic assets, the outcome is still consistent with the Government's broader debt reduction and fiscal management policies. Central government borrowings also decreased by 12.2%, while borrowings by public authorities declined by 35.8%.

The reduction in overall private sector borrowings was underpinned by a 9.1% decline in credit to businesses as net lending to the production and manufacturing sector fell by 18.1%. Similarly, credit to the trade and commerce sector and other financial corporations declined by 8.0% and 22.3%, respectively. In contrast, credit to the services sector improved by 25.7%.

Despite being the largest component of domestic credit, a rise in household loans by 3.3% was not sufficient to outweigh the fall in business loans. The movement in household credit largely reflected a rise of 5.3% in borrowings for domestic property. Notably, loans for motor vehicles, education and technology also increased while loans for miscellaneous purposes fell over the period.

The Financial Services sector was characterised by declines in the number of bank and trust licences, insurance licences and mutual funds for the first nine months of 2017. In contrast, registration of new companies and new partnerships increased while stock market activities expanded.

Continued consolidation and restructuring in the global banking industry weighed on the number of banking and trust companies licensed in the Cayman Islands. Accordingly, the number of licensed Bank and Trust companies at the end of September 2017 declined by 11.4% to 155 relative to September 2016. The number of Class 'A' Bank & Trust licences remained unchanged at 11 while the number of foreign banks or Class 'B' licences decreased by 20 to 144.

The insurance industry contracted in the first three quarters of 2017, evidenced by a decline in the number of licences to 733 relative to 740 at the end of September 2016.

Domestic insurers, reflected as Class 'A' licences, declined from 29 to 28. Similarly, captive licences fell from 711 to 705. Within captives, a reduction in Class 'B' licences from 685 to 677 accounted for the contraction. In contrast Class 'C' licences rose by 1 to 25 and Class 'D' licences increased by the same amount to 3.

Healthcare and Workers' Compensation continued to dominate the captive insurance market accounting for 32.1% and 21.6% of the market, respectively. The reduction in captive insurers relative to the end of September 2016 was driven by Healthcare which fell by 4.2% to 226. North America remained the main source market of the captive insurance business accounting for 89.8% (633 licences).

Total visitor arrivals to the Cayman Islands stood at 1,495,148 for the first three quarters of 2017, a 5.2% reduction when compared to a year ago. This downturn was associated with fewer cruise arrivals, as air arrivals increased for the period.

COSTA RICA

For calendar year 2017, the economy grew by 3.9% (2016 – 4.25%), and is forecast to grow by 3.8% during 2018. Annual inflation remained low, reaching 2.57% at the end of December 2017, and was anticipated to sustain a similar level with, a target of 3% for 2018. Key export markets, the external sector, tourism, financial services and value-added shared services should continue to be the main industries to support growth.

The country has been under pressure to introduce fiscal measures to improve the country's credit rating and current account deficit to GDP which increased to 6.2% (7.1% outlook for 2018). Central Government debt to GDP grew to 49.2% (2016 - 45.9%).

OUR OPERATING RESULTS

The Group had another good year in 2017. We raised stockholders' value by generating reasonable profit growth and strong returns. Net profit was $12.07 billion, a 7% improvement over prior year. Earnings per stock unit were $3.11 compared to $2.90 in 2016.

This earnings performance was positively driven primarily by:

- Strong growth across all business lines
- Favourable investment returns
- Favourable insurance benefits experience

At the same time some factors dampened the results, including:

- The strengthening of the J$ in Q4 2017
- Lower yields on investment securities and declining re-investment rates
- Unexpected expenses
- High credit losses in Banking

Our Financial Condition and Managed Funds

Total assets, as at December 2017, of the Group grew to reach $352.04 billion, up from $340.95 billion as at December 2016, a 3% increase. During the year there was some deleveraging within the Group which had the effect of reducing on-balance sheet invested assets. The Sagicor Investment Management Accounts (SIMA) in Sagicor Investments Bank were replaced by Repurchase Agreements and a large portion moved to acquire units in the Sagicor Sigma Global Funds (managed funds). We repaid margin loan facilities in Sagicor Life Cayman. Sagicor Bank also paid down repurchase liabilities and inter-bank borrowings.

Total assets under management, as at December 2017, including Group Assets, Pension Funds' assets managed on behalf of clients and Unit Trusts, were $679.82 billion, a 12% increase over the 2016 amount of $609.53 billion. The growth in assets manifests portfolio expansion and stock market increases.

Actuarial liabilities grew during the year to reach $77.92 billion mainly from new business and decrements on the in-force block. There were releases of reserves from experience gains in premium persistency, mortality, morbidity and expenses. Modelling refinements also contributed positively.

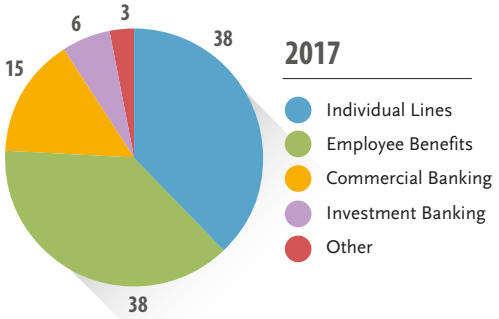
At the 2017 year-end, Stockholders' Equity stood at $68.50 billion as against $56.41 billion as at December 2016 (21% increase). Apart from solid earnings, there was good appreciation of unrealised fair-values of securities being carried as available-for-sale in Equity Reserves and the re-measurement of retirement benefits

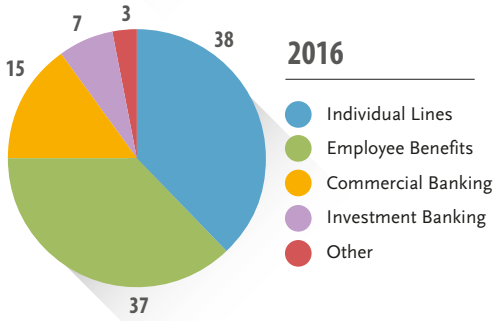
Revenue by Business Segment

	2017 J$M	%	2016 J$M	%
Individual Lines	26,872	38%	23,116	39%
Employee Benefits	26,723	38%	22,220	37%
Commercial Banking	10,846	16%	9,181	15%
Investment Banking	4,406	6%	4,054	7%
Other	1,597	2%	1,130	2%
Total	70,444	100%	59,701	100%

Revenue By Business Segment

PERCENTAGE (%)



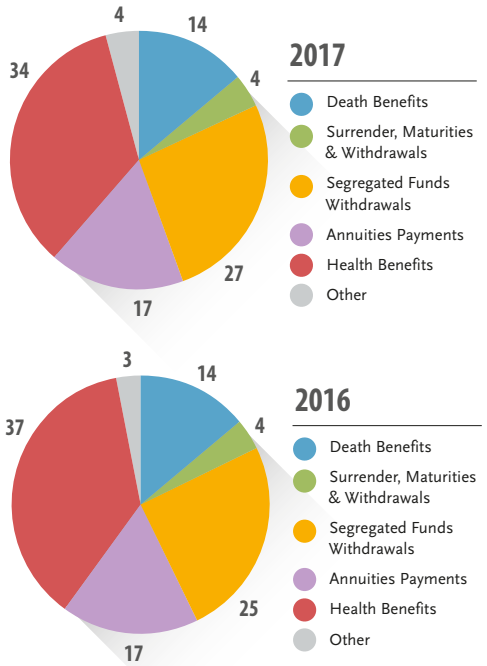


Benefits by Expense Type

	2017 J$M	%	2016 J$M	%
Death Benefits	2,972	14%	2,915	14%
Surrenders, Maturities & Withrawals	943	4%	806	4%
Segregated Funds Withdrawals	5,886	27%	5,356	25%
Annuity Payments	3,830	17%	3,642	17%
Health Benefits	7,400	34%	7,606	37%
Other	878	4%	728	3%
Total	21,909	100%	21,053	100%

Benefits by Expense Type

PERCENTAGE (%)



Total dividends of $5.00 billion were distributed to stockholders during 2017 compared to $4.34 billion in 2016. Dividends per share were $1.28 as against $1.12 in 2016. The dividend pay-out ratio during the financial year was 41% compared to 39% in 2016.

obligations positively impacted. The earnings return on average Stockholders' Equity (ROE) was 19% whereas the return for 2016 was 22%.

Total dividends of $5.00 billion were distributed to stockholders during 2017 compared to $4.34 billion in 2016. Dividends per share were $1.28 as against $1.12 in 2016. The dividend pay-out ratio during the financial year was 41% compared to 39% in 2016.

With a 27% increase in share price from $29.90 to $38.05, market capitalisation of SGJ at December 2017 was $148.61 billion, up from the 2016 level of $116.78 billion.

Revenue, Expenses and Profitability

Consolidated Revenue of $70.44 billion grew by 18% over prior year and contributed to the profit result of $12.07 billion.

Net Premium Income of $41.00 billion, which accounts for 58% of revenue, was 22% up on 2016. Earned premiums for the Individual lines of business of $21.33 billion were higher by 11%, influenced by record new business in Jamaica and improved conservation of the in-force block. Group Insurance and annuity premiums of $20.25 billion were much higher as a result of very strong growth in the Annuities portfolio. Sagicor Bank's revenue of $10.85 billion was 18% up on last year as the loans, cards and payments business expanded, while Sagicor Investments' revenue of $4.4 billion was 9% higher than last year. Group consolidated investment income of $20.61 billion, before interest expense and capital gains, was 5% higher than in 2016. Yields on invested assets were lower in 2017. However, realised capital gains from securities traded, excluding segregated funds, were significant at $2.87 billion. Fees and Other Revenues of $8.02 billion increased over the prior year by 17% primarily as a result of enlarged portfolios, especially as we continue to grow the credit cards channel.

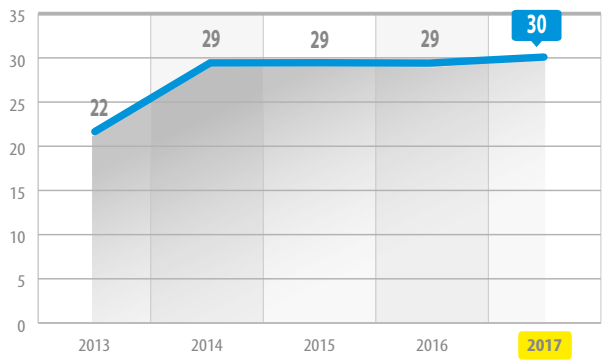
Overall Benefits cost to Premium Income was generally favourable with the higher claims cost reflecting portfolio growth. Policy benefits, including death claims, health claims, annuity payments, surrenders and fund withdrawals, totalled $21.91 billion, net of reinsurance recoveries. The amount for last year was $21.05 billion.

Liabilities under Annuities and Insurance Contracts

	2017 $ '000	2016 $ '000
Group annuities	44,392,609	39,225,538
Group insurance	4,952,099	4,919,710
Individual insurance	28,573,805	24,564,091
Total	**77,918,513**	**68,709,339**

Sagicor Group Efficiency Ratio (normalised)

PERCENTAGE (%)



The change in Insurance and Annuities actuarial liabilities of $10.68 billion compared to $4.78 billion in 2016 emanated mainly from new annuity contracts in 2017. The decline of investment yields and lower assumed investment rates also led to higher actuarial liabilities from the present-value of future obligations. These increases were tempered somewhat by the continued upward trend in new business and reserve releases due to experience gains and refinements to the actuarial assumptions.

Group administration expenses, including depreciation and amortisation of software, of $18.29 billion, were 22% higher than 2016. The increase was influenced by business expansion, including cards and payments, higher credit losses in banking and team members compensation for annual increments, bonuses and share based incentives. The normalised Group efficiency ratio of administration expenses to total revenue was 30% (2016: 29%).

The Group also benefited from the performance of the associate company, Sagicor Real Estate X Fund, which contributed profits of $582.68 million for 2017 on SGJ's General Funds 21% interest, an increase of 60% over last year. There was significant fair value appreciation of certain hotel properties.

However, profitability was negatively impacted by currency fluctuations with the strengthening of the J$ in Q4 as the Group's US$-denominated assets exceed the liabilities; declining interest rates including assumed re-investment rates for long-term insurance and annuities cash in-flows; realised and other fair-value losses on certain securities; certain unexpected expenses; and some deleveraging of the balance-sheets.

Comprehensive Income

Total Comprehensive Income, including net profit for the year and movements in reserves held in Equity, moved from $15.02 billion for 2016 to $17.81 billion in 2017. Along with higher profits, there were improvements in unrealised fair value gains on available-for-sale securities and some real estate properties during 2017. The J$ appreciated against the US$ during the 2017 calendar year by 2.86%, versus depreciation of 6.6% in 2016, leading to unrealised FX losses from overseas operations of $436.73 million in 2017 compared to gains of $678.91 million in 2016. Conversely, re-measurement of retirement benefits obligations generated a positive $2.85 billion in 2017 whereas the amount for 2016 was a charge of $919.50 million.

Cash Flows

Group consolidated cash generated from operating activities was $12.72 billion relative to $13.35 billion in 2016, partly influenced by reduced Deposit and Security liabilities and repayments towards borrowings. Liquidity of the Group remained strong with available Cash and Cash Equivalents at the year-end being $18.81 billion, up from $13.20 billion in 2016.

CAPITAL ADEQUACY

Life Insurance Companies MCCSR

	SLJ 2017	SLJ 2016	SLC 2017	SLC 2016
Regulated Ratio	150%	150%		
Actual Ratio	186.0%	156.1%	236.0%	233.7%

Banking Companies Risk Capital

	COMMERCIAL BANKING		INVESTMENT BANKING	
	SBJL 2017	SBJL 2016	SIJL 2017	SIJL 2016
Required capital base to risk weighted assets	10%	10%	10%	10%
Actual capital base to risk weighted assets	14.9%	13.7%	15.6%	12.9%

Sagicor Life Jamaica Limited (SLJ) carried a MCCSR ratio of 186.0% at December 31, 2017, compared to the ratio for last year, which was 156.1%. The improvement was driven in part by the significant growth in Retained Earnings and the positive impact of re-measurement of Retirement Benefits obligations.

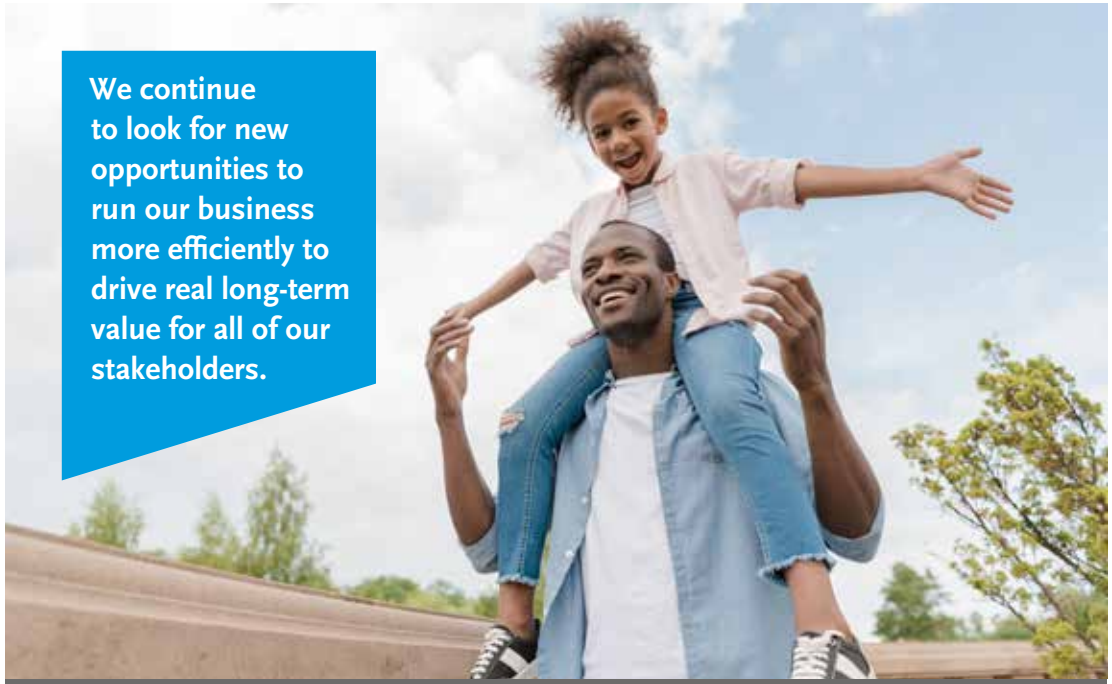
CAPITAL ADEQUACY

The risk-weighted capital ratios of Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited were 14.9% (2016: 13.7%) and 15.6% (2016: 12.9%) respectively. The required minimum regulatory ratio is 10%.

The Jamaica Insurance Act and Regulations require life insurance companies to carry a Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio of at least 150%. The MCCSR measures the ratio of available capital to required capital for insurance companies. Sagicor Life Jamaica Limited (SLJ) carried a ratio of 186.0% at December 31, 2017, compared to the ratio for last year, which was 156.1%. The improvement was driven in part by the significant growth in Retained Earnings and the positive impact of re-measurement of Retirement Benefits obligations.

The Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations stipulate that the minimum capital requirement for a local Class A insurer shall be the greater of US$300,000 or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. The prescribed capital must be at least 125% of the minimum capital requirement. As at the balance sheet date the prescribed capital requirement for Sagicor Life of the Cayman Islands Ltd (SLC) was US$16,216,000 (2016: US$31,618,000) and available capital when expressed as a percentage of prescribed capital was 363.0% (2016: 168.3%). This improvement was mainly due to lower asset default risk. At the same time, the MCCSR ratio for Sagicor Life Cayman (SLC), based on Canadian Regulatory Standards, was 236.0% (2016: 233.7%).

Capital adequacy of Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited is managed in accordance with techniques based on guidelines developed by the Financial Services Commission (FSC), The Bank of Jamaica (BOJ), Basel 11 and the Group's Risk Management and Compliance department. The regulated required capital base to risk weighted assets is 10%. At the year-end Sagicor Investments Jamaica Limited (SIJL) had a ratio of 15.6% (2016: 12.9%) and Sagicor Bank Jamaica Limited (SBJ) 14.9% (2016: 13.7%).



We continue to look for new opportunities to run our business more efficiently to drive real long-term value for all of our stakeholders.

A.M. Best

B++

FINANCIAL STRENGTH RATING

bbb

ISSUER CREDIT RATING

Stable

OUTLOOK

CariCRIS

jmAAA

JAMAICA NATIONAL SCALE
HIGHEST CREDIT WORTHINESS RATING

Stable

OUTLOOK

INDUSTRY RATINGS

In July 2017, A. M. Best rating agency upgraded the Sagicor Life Jamaica Limited (SLJ) Financial Strength Rating (FSR) of B+ (Good) and the Issuer Credit Rating (ICR) of "bbb- with a stable outlook to a FSR of B++ and an ICR of bbb with a stable outlook.

In its rating rationale, A. M. Best highlighted that the ratings reflect strong earnings in SLJ's core business lines, an adequate risk-adjusted capital position, strong brand recognition and a favourable market position.

SLJ retained the highest creditworthiness rating of jmAAA on the Jamaica national scale with a stable outlook, from Caribbean Information and Credit Rating Services Limited (CariCRIS), following a review in February 2018. CariCRIS pointed out that the rating reflects the company's strong profitability, underpinned by a comprehensive suite of products and services, consistently good capitalisation levels, improved liquidity, strong brand equity and its market leadership position in the Jamaican life insurance industry.

The rating assessments of Sagicor Life Jamaica benefited from improvements in the Jamaican macro-economy reflected in the current country ratings.

SEGMENT PERFORMANCE

OUR CORE INSURANCE AND BANKING BUSINESSES PRODUCED GOOD RESULTS AND RETURNS ON CAPITAL. OUR LARGEST MARKET IS JAMAICA AND WE ARE A MAJOR PLAYER IN THE CAYMAN LIFE INSURANCE SECTOR. STRATEGICALLY WE ARE SEEKING TO EXPAND OTHER FINANCIAL SERVICES INCOME STREAMS AND MAKE INROADS INTO CENTRAL AMERICA.

CONTRIBUTION TO GROUP NET PROFIT

- 33% INDIVIDUAL LINES
- 38% EMPLOYEE BENEFITS
- 15% SAGICOR BANK
- 17% SAGICOR INVESTMENTS

Net Profit by Geographic Segment

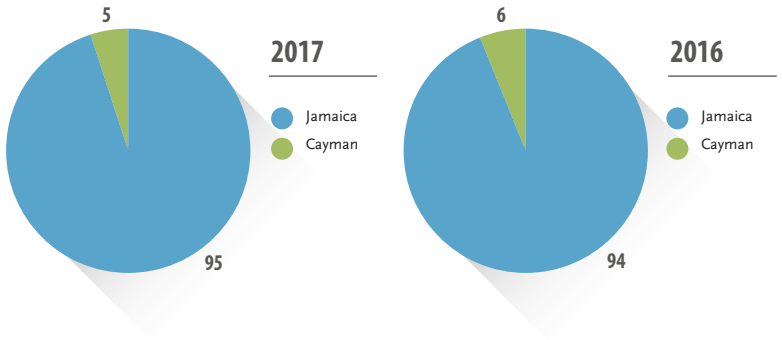
	2017 J$M	2016 J$M	2015 J$M	2014 J$M	2013 J$M
Jamaica	11,574	10,115	8,781	7,468	5,338
Cayman	506	1,135	1,045	1,089	1,125
Costa Rica	(10)	8	(33)	6	(10)
Total	**12,070**	**11,258**	**9,793**	**8,563**	**6,453**

Revenue by Geographic Segment

	2017 J$M	%	2016 J$M	%
Jamaica	66,673	95%	56,793	94%
Cayman	3,771	5%	3,393	6%
Other	0		(485)	
Total	**70,444**	**100%**	**59,701**	**100%**

Revenue by Geographic Segment

PERCENTAGE (%)



BUSINESS SEGMENT

INDIVIDUAL INSURANCE DIVISION

The Individual Insurance Division provides individual clients with life and health insurance policies, individual annuities, investment products, living benefits and other insurance-related solutions through our wide range of products. The Division is serviced through a large distribution network of 465 financial advisors in the Branch Distribution System and 36 Agency and Brokerage House Affiliates in Jamaica (Sagicor Life Jamaica or SLJ) and the Cayman Islands (Sagicor Life of the Cayman Islands Ltd or SLC).

A very important measure of any life insurance company's business growth is the continuous positive movement in the block of in-force policies. In 2017 the Division's block of in-force policies (combined SLJ & SLC) grew by 6% versus a target of 4% and an actual of 6% in 2016. This represents actual policy count of 520,888.

The Division earns its revenues principally from insurance premiums; mortality charges and other fees; contributions to Segregated Funds and investment income on assets assigned to cover the liabilities and surplus requirements of the portfolios.

The Division contributed $4.02 billion in profits; the 2017 results were generated from strong revenues of $26.87 billion, which were 16% higher than in the prior year.

The results were driven by excellent new business sales, improved conservation, favourable benefits experience, release of actuarial reserves (mainly from better premium persistency, expense efficiencies and morbidity on Living Benefits coverages) and continued tight control of operating costs. There was an attractive return on the capital allocated to the Division.

Net benefits expense, including Segregated Funds, was $10.10 billion a decrease of 14%, compared to the 2016 amount. Net death claims of $1.85 billion were 3% more than in 2016. Surrenders expense was $843.86 million, up from $797.16 million in 2016. While Segregated Funds encashments were $5.79 billion, moving from $5.22 billion in 2016. Individual health claims were $495.36 million (2016: $509.71 million) with a claims ratio of 88%. Other benefits, inclusive of maturities and annuity payments totalled $1.11 million, reflecting a 31% increase when compared to 2016. Commissions, expenses and taxes totalled $8.33 billion and were 16% more than 2016.

In Jamaica, the Division achieved yet another industry record for New Annualised Premium Income writing $3.39 billion, 12% more than in 2016 and holding a market share of 61%, up from 57% last year. This is inclusive of individual health sales activity. New Individual Life policies sold were 65,486 showing a 6% increase when compared to 2016; this was accompanied by a larger average case size

Individual Insurance Division (Cont'd)

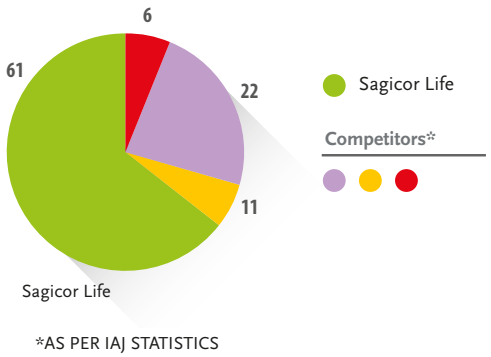
compared to 2016. The number of new cases sold represented 64% (2016: 60%) of total cases sold by the entire industry.

Sagicor Life of the Cayman Islands was challenged during the year and only generated New Individual Life and Annuities Premium Income of US$1.71 million, whereas US$2.55 million was delivered in 2016. Several operational and strategic changes are being made in the Cayman market to boost performance.

Individual Insurance Division
High level P&L for 2017 and 2016

	2017 J$M	2016 J$M	% Variance
Revenue	26,872	23,116	16.2%
Benefits	(10,103)	(11,715)	13.8%
Movement in Actuarial liabilities	(4,418)	(1,058)	-317.6%
Commissions	(4,132)	(3,644)	-13.4%
Expenses	(2,930)	(2,664)	-10.0%
Taxes (including asset tax)	(1,265)	(861)	-46.9%
Net Profit	4,024	3,174	26.8%

Individual Life New API Market Share Jamaica - 2017



*AS PER IAJ STATISTICS

BUSINESS SEGMENT

EMPLOYEE BENEFITS DIVISION

The Employee Benefits Division provides group health, group life, creditor life and personal accident insurance to institutional clients and associations. The Division provides pension funds administration services and annuity products to corporate clients. The Division also provides administration services to the Government of Jamaica employees and pensioners health insurance programmes.

The Division focuses on building financial security programmes that balance the needs of both employer and employees. Sagicor Life Jamaica is the largest provider of these services in Jamaica. The Employee Benefits business operates in a highly competitive environment where most contracts are renewed annually and competition is mainly driven by price and service.

On revenues of $26.72 billion, a profit contribution of $4.57 billion was generated during 2017.

The Employee Benefits Division earns its revenues from insurance premiums; annuity contributions; fees from the administration of pension funds under management; fees from administrative service only contracts and

investment income earned on assets, which support liabilities of the portfolios and required surplus.

In 2017, the Division generated record new business in Group Insurance, Annuities and Pensions. Premiums accounted for 75% of revenue and grew across all product lines.

Earned premiums for Group Life and Group Health grew by 2% and 12% respectively. The annuities line had a particularly strong year and produced increased contributions of 152% over the prior year. The Division earned investment income commensurate with the portfolio growth. There were realised capital gains from sale of securities and unrealised foreign exchange loss recorded. The result was a total revenue increase of 20.3% over the prior year.

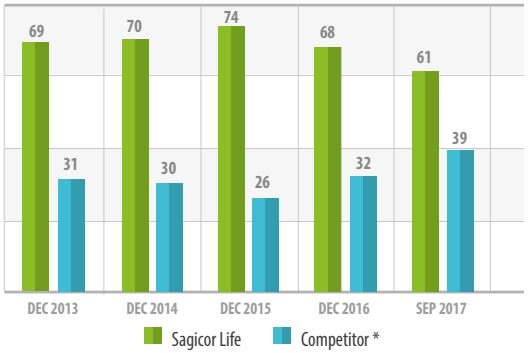
Net benefits experience was favourable with an expense of $11.81 billion, relatively the same as in 2016. Net death claims of $1.20 billion were level with 2016 while health claims of $6.9 billion were lower than in 2016 by 3%. Annuity payments of $3.67 billion were 5% higher than prior year. The change in actuarial liabilities was significantly higher in 2017 than in 2016, due to the strong increase in annuity business written during the year. There was a significant release of actuarial liabilities due to a reduction in administration expenses and refinements to the actuarial assumptions. Commissions, expenses and taxes totalled $4.14 billion and showed a small increase over the 2016 amount. The Division also continued to produce an attractive return on the allocated capital.

Employee Benefits Division

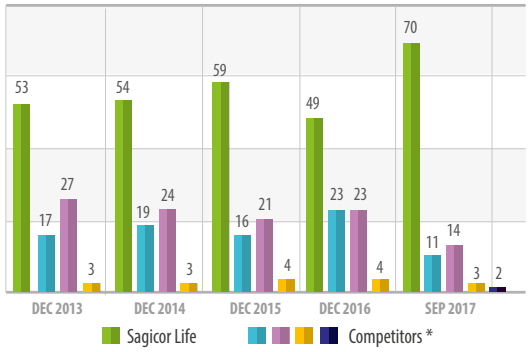
High level P&L for 2017 and 2016

	2017 J$M	2016 J$M	% Variance
Revenue	26,723	22,220	20.3%
Benefits	(11,806)	(11,826)	0.2%
Movement in Actuarial liabilities	(6,215)	(1,548)	-301.5%
Commissions	(801)	(816)	1.8%
Expenses	(2,683)	(2,467)	-8.8%
Taxes (including asset tax)	(651)	(784)	17.0%
Share of (Loss)/Profit from Joint Venture	(10)	8	-225.0%
Net Profit	**4,557**	**4,787**	**-4.8%**

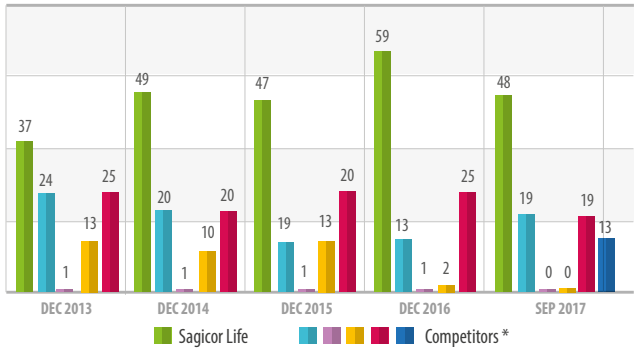
Group Health - New Annualised Premium Income (API)
PERCENTAGE (%)



Group Life - Sums Assured
PERCENTAGE (%)



Creditor Life - Sums Assured
PERCENTAGE (%)



*AS PER IAJ STATISTICS

BUSINESS SEGMENT

SAGICOR BANK JAMAICA LIMITED

Sagicor Bank aims to become the preferred commercial bank in Jamaica with a focus on delivering superior client experience through excellence in products, lending, operations, payments and continued digitisation. We are well on the path to improvement and growth. Indeed, the net promoter score (NPS) – an assessment of the Bank's client satisfaction, jumped from -5% in 2016 to 35% by the end of 2017.

Our strategy to become the preferred bank

Product development continued during the year with the launch of products such as the Prime-Plus Savings Account and others are in the pipeline. Customer deposits grew by 12%. New loans disbursements exceeded $27.00 billion and the Loans portfolio grew by 9%.

New credit card sales and total card spend were at a high. Sagicor Bank also closed a significant syndicated loan deal during the year in collaboration with Sagicor Investments.

For the year 2017, the Bank generated after tax profits of $1.78 billion, which was $84 million or 5% less than prior year. While an additional $1.67 billion (18%) in net revenues was generated in 2017, above the $9.18 billion earned in 2016. The greater margin of increase in operating expenses by $1.80 billion (28%) led to the Bank's lower comparative profit performance in 2017. Essentially, expenses grew with the ongoing build-out of the Bank but revenues did not grow at a brisk enough pace. Credit losses, net of recoveries, in 2017, were $861 million higher than prior year in part due to portfolio growth but the level of non-performing loans to gross loans increased in 2017 to 3.27% compared to 3.12% in 2016. Expenses being $937 million higher than prior year emanated primarily from expanding capacity, staffing costs, continued investment in technology and the expansion of electronic channels.

Assets of $125.25 billion were $9.95 billion (8.6%) above last year. The sale of $4.23 billion mortgages in June 2017 contributed to the lower than expected lending performance in this area. Funds from the sale were used to repay inter-bank borrowings of $1 billion and to repay repurchase liabilities. Furthermore, asset portfolio growth was expected to be funded by an expansive customer deposits strategy which was not fully realised as customer deposits grew about 12%.

In March 2017, the Bank issued two (2) classes of redeemable preference shares at 7.75% and 8.25%, which garnered $2.1 billion. This liquidity was also used to pay down repurchase liabilities. The return on average equity was 9% in 2017.

Commercial Banking Division

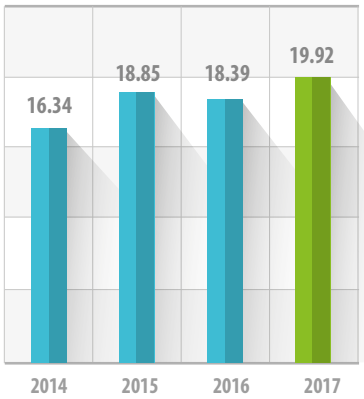
High level P&L for 2017 and 2016

	2017 J$M	2016 J$M	% Variance
Revenue	10,846	9,181	18.1%
Expenses	(8,179)	(6,381)	-28.2%
Taxes (including asset tax)	(890)	(939)	5.2%
Net Profit	**1,777**	**1,861**	**-4.6%**

Sagicor Bank Jamaica

SBJ Stockholders' Equity

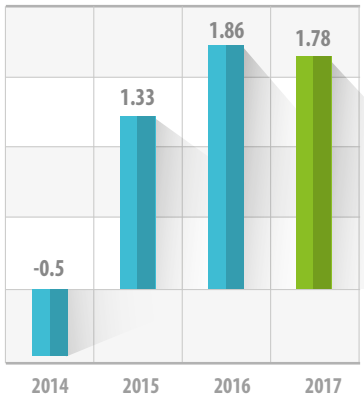
J$ BILLIONS



Sagicor Bank Jamaica

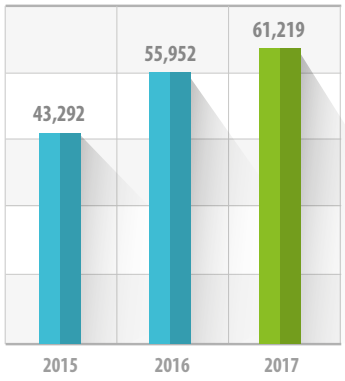
Profit/(Loss)

J$ BILLIONS

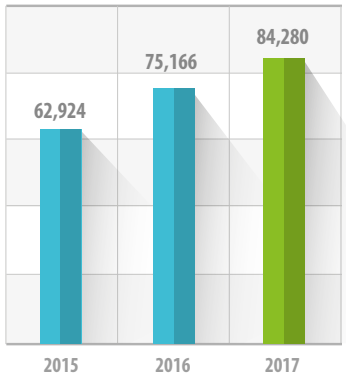


Sagicor Bank Jamaica (Cont'd)

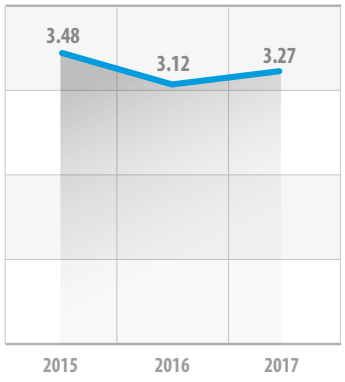
Sagicor Bank Jamaica
Loans, Net of Provision for Credit Losses
J$ MILLIONS



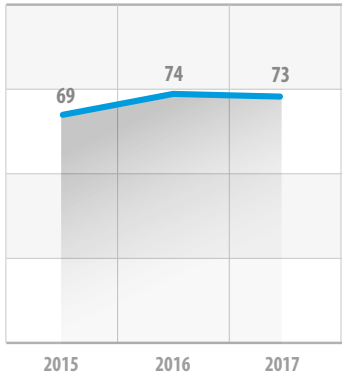
Sagicor Bank Jamaica
Customer Deposits
J$ MILLIONS



Sagicor Bank Jamaica
Non-Performing Loans to Total Loans
PERCENTAGE (%)



Sagicor Bank Jamaica
Loans to Deposit Ratio
PERCENTAGE (%)



BUSINESS SEGMENT

SAGICOR INVESTMENTS JAMAICA LIMITED

The vision for Sagicor Investments is to become the leader in asset management, investment banking, research and wealth management across the Caribbean. Sagicor Investments is currently the market leader in key segments. We are the number one collective investment scheme manager in Jamaica based on funds under management, controlling over 45% of the market. We are the number one stockbroker in Jamaica based on value traded for 2017, controlling over 29% of the value traded on the JSE.

Sagicor Investments Jamaica Market Performance

	2017	2016	2015	2014	2013	2012
Market Share Stockbrokerage (value trading)	28.33%	29.64%	43%	9%	12%	27%
Market Position Stockbrokerage	#1	#1	#1	#1	#1	#1

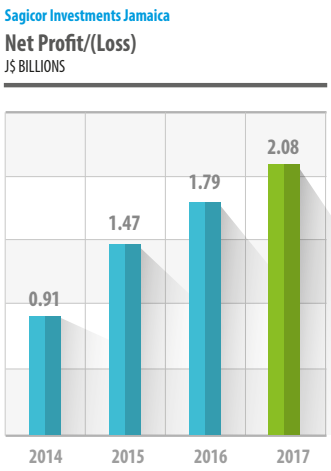
2017 saw exponential growth in our capital markets unit driven by over US$250 million in capital raised through our exemption distribution and other capital market placements. These solutions addressed the needs of our corporate clients as well as provided our investors with attractive investment options. We offer the most diverse range of asset management solutions through our eighteen (18) funds with market-leading performance in all segments namely equities, real estate, cash equivalents and bonds.

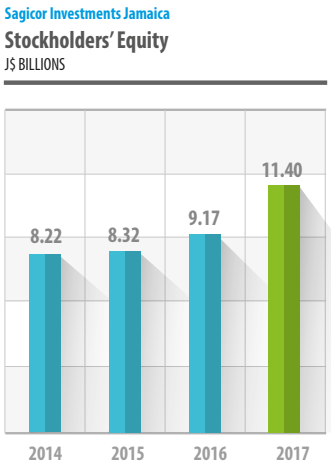
This year, Sagicor Investments generated profits of $2.08 billion which was $289 million or 16% greater than last year. The Bank's non-interest activities were the primary contributors to its higher comparative profit performance in 2017.

Net interest income of $2.13 billion was 7% lower than in 2016 as our activities focused on growth of our off-balance sheet portfolios through the Sigma Global Funds. There was also a reduction in margin facilities and related assets. This shift in the business model contributed to fee-based income increasing by 46% to $1.02 billion.

Net trading income grew by a healthy 18% to $1.22 billion when compared to 2016. Expenses were largely controlled at $1.49 billion, which was 5% below prior year.

Assets of $81.14 billion were $1.85 billion (2%) below the December 2016 level and liabilities were lower by 7% or $5.37 billion. This strategy of de-leveraging the balance sheet also reduced the asset default risk and influenced the increased capital asset ratio (CAR) of 15.64%, up from 12.91% at the end of 2016. The return on average equity for 2017 was 20%.





Investment Banking Division

High level P&L for 2017 and 2016

	2017 J$M	2016 J$M	% Variance
Revenue	4,406	4,054	8.7%
Expenses	(1,464)	(1,555)	5.9%
Taxes (including asset tax)	(865)	(710)	-21.8%
Net Profit (before amortisation of purchased intangibles)	2,077	1,789	16.1%

SAGICOR TREASURY AND ASSET MANAGEMENT

The Sagicor Life Treasury and Asset Management Division manages the Investment portfolios for all companies within the Group, except for Sagicor Bank. These portfolios include pension clients, annuitants, individual policyholders, group insurance clients, Sagicor Investments clients, Sigma Funds as well as stockholders. As at December 31, 2017 the Division's total assets under management totalled $554.57 billion.

Sagicor Life General Fund

The total invested assets of Sagicor Life Jamaica General Fund grew from $93.19 billion (2016) to $98.72 billion at the end of 2017, representing an increase of 6%. The portfolio generated income before capital gains and interest expense of $7.3 billion, representing a yield of 8%. Sagicor Life Jamaica's General Fund is invested primarily in Government of Jamaica JAD and USD bonds, as well as other sovereign and corporate bonds and notes, mortgage loans, equities and real estate.

The invested assets of Sagicor Life of the Cayman Islands' General Fund totalled $13.68 billion at the end of 2017. The investments in this portfolio are heavily weighted towards international corporate bonds, with significantly less exposure to the regional sovereign bonds, equities, real estate and mortgage loans. The portfolio produced income of $937.89 million, before capital gains and interest expense charges, with a yield of 5%.

Segregated Policy Investment Funds

Sagicor manages segregated investment funds on behalf of policyholders of both Sagicor Life Jamaica Limited (SLJ) and Sagicor Life of the Cayman Islands (SLC). The policyholders share all the rewards and risks associated with the performance of these funds.

SLJ's segregated investment funds under management totalled $25.0 billion at the end of 2017, representing a 20% increase over the $20.9 billion at the end of 2016. The funds are unitised and provides clients with the opportunity to create diversified portfolios across asset classes, mainly: local and international stocks, bonds and real estate, both locally and globally. In addition, policyholders can structure their portfolios and invest in assets that protect against the major investment risks; namely currency risk, interest rate risk and inflationary risks.

The Equity and Real Estate funds were the top performing funds generating positive returns of 34% and 15% respectively. These performances were in keeping with overall market trend, as the local stock market reflected strong growth for the third consecutive year and valuations in the real estate market increased over the evaluation period. These segregated funds continue to provide solid, long-term returns for our policyholders, as they have done consistently, for more than 30 years.

SLC's segregated funds under management totalled $2.9 billion at the end of 2017. These funds are invested in global equities and fixed-income securities. The Cayman International Equity Fund had the strongest return at 25%.

Pension Funds

Sagicor Life Jamaica, as a licensed investment manager, operates three pension investment structures as follows:

- **Pooled Funds**
- **Self-directed Funds**
- **Deposit Administration Funds**

The total pension funds under management increased by 21%, from $154.73 billion in 2016 to $186.76 billion at the end of December 2017.

Through these three structures, we offer our clients the most flexible and diverse range of investment options of local and global stocks and bonds, as well as a diversified real estate portfolio that spans commercial, warehousing and tourism properties located across Jamaica. This allows pension fund trustees to efficiently diversify, thereby reducing the overall level of investment risk for their respective pension plans. The structure also facilitates better duration matching of the pension liabilities and assets.

The Pooled Funds comprise nine unitised funds, the assets of which are segregated from the assets of SLJ, and held in a wholly owned subsidiary trust company, Sagicor PIF Limited. Sagicor manages pension funds on behalf of

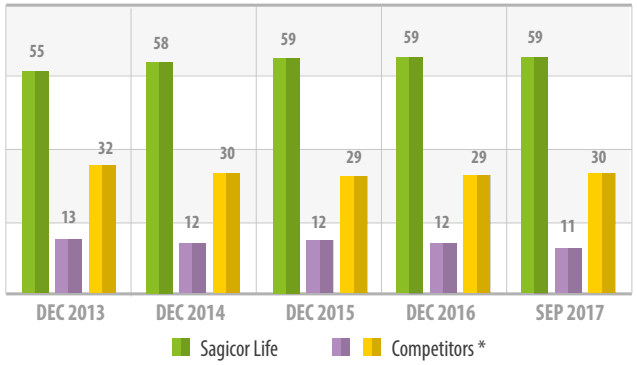
corporate clients as approved superannuation funds, as well as for individuals through an approved retirement scheme known as 'Sagicor Lifestyle'.

Within an economic climate of declining inflation and interest rates, and a vibrant stock market, the average yield of the Pooled Funds portfolio was 16%, with all nine Pooled Funds generating substantial positive real returns for the period, and seven of the nine funds outperforming their respective benchmarks. The top performing Pooled Fund was the Pooled Equity Fund, which generated 12-month returns of 44%, followed by the Pooled Mortgage & Real Estate Funds, which generated a 31% return.

Sagicor has a proven track record of pension fund management spanning forty-five years, and we continue to deliver strong performance through the experience, dedication and hard work of our team. We are proud of our achievements which include being Jamaica's top investment manager both in funds under management and performance.

Our main objective is to generate real long-term investment growth for our clients based on a prudent long-term asset allocation strategy which incorporates diversification.

Pension Funds Under Management
MARKET SHARE (%)



*AS PER IAJ STATISTICS

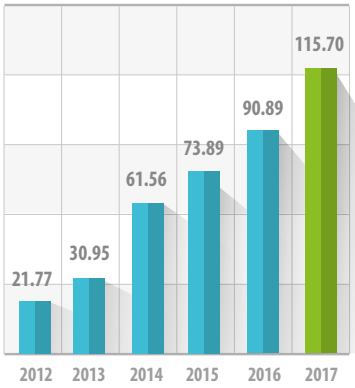
Sagicor Sigma Global Funds

In 2017, the Sagicor Sigma Global Funds (Sigma) continued to be the largest, best performing and most diversified collective investment scheme (CIS) in the region. Sigma is entrusted with more funds under management than any other investment manager in Jamaica, helping Jamaicans to achieve their investing goals. At December 2017, total funds under management (FUM) amounted to $115.70 billion, an increase of 27% over 2016 because of strong asset performance and increased subscriptions from investors.

During 2017, global financial markets, particularly the equities markets, experienced unprecedented growth rates as equity valuations appreciated to record highs.

The S&P 500 Index gained approximately 20% in 2017, while improving investor sentiment influenced the appreciation in the JSE Main Index of approximately 50%.

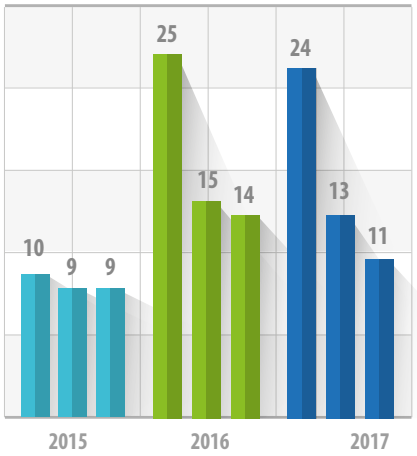
Sagicor Sigma Global Funds
Funds Under Management
J$ BILLIONS



SIGMA FUNDS UNDER MANAGEMENT **$115.70B**

2016: $90.89B

Sagicor Sigma Global Funds
Top 3 Performing Funds 2015 - 2017
PERCENTAGE YIELD (%)



2015
Sigma Real Estate.....10%
Sigma Equity.....9%
Sigma Global Venture.....9%

2016
Sigma Equity..... 25%
Sigma Global Venture.....15%
Sigma Real Estate..... 14%

2017
Sigma Equity.....24%
Sigma Diversified Portfolio 13%
Sigma Real Estate.....11%

The buoyancy in equities was also reflected in commodity prices, including oil, driven by the stronger momentum in global demand.

This is part of a broader trend across global financial markets, where low interest rates, an improved economic outlook and increased risk appetite boosted asset prices and suppressed volatility. Also, given that favourable outlook, Jamaica's sovereign risk premium has trended to all-time lows. The yield on the GOJ 10-year global bond fell 60 bps to 5.0% over the 12-month period ending December 2017.

The increased subscription was driven by the suite of Sigma Funds offered to investors. During 2017, Sigma Global Funds added two new products which helped to maintain the Funds' position of being the most diverse and affordable in the market. In November 2017, the new portfolios, Sigma Principal Protector (JMD) and Sigma Principal Protector (USD), were launched. This increased the total number of portfolios on offer to eighteen (18). Investors then had direct replacements for Repurchase Agreements in both local currency (JMD) and United States currency (USD). These initiatives have made our Sigma Global Funds more attractive to both our existing and prospective clients.

In 2017, the Sigma Equity Fund was the top performing fund in the portfolio, generating outstanding returns of 37% which was in keeping with the vibrancy of our local stock market. The Sigma Diversified Bond Fund also generated strong return for our clients, at 16%. Sigma Bond and Sigma Global Equity portfolios generated relatively attractive returns of 10% and 8%, respectively.

Hilton Rose Hall

Sagicor Real Estate X Fund Limited

Sagicor Real Estate X Fund Limited ("X Fund Group"), a St Lucian International Business Company, is the largest publicly traded real estate investment company in Jamaica that is listed on the Jamaica Stock Exchange ("JSE"). It is a leading private sector investor in the Jamaican commercial and tourism real estate market, through its investments in the Sigma Real Estate Portfolio (Sigma Real Estate) and ownership of the Hilton Rose Hall Beach Resort & Spa (Hilton Rose Hall) in Montego Bay, part ownership of Jewel Grande (formerly Palmyra) in Montego Bay and ownership of the DoubleTree by Hilton at the entrance of Universal Orlando (DoubleTree Orlando) in Florida through a wholly owned subsidiary, X Fund Properties Limited.

The Sigma Real Estate Portfolio has property investments in the tourism sector with full ownership of three Jewel Resorts-branded hotels; a 56% holding in Jewel Grande Montego Bay; and the commercial real estate sector through ownership of four office/retail business properties, three industrial/warehousing properties and three prime land holdings slated for development. The net earnings in the portfolio, which forms the basis for appreciation of Sigma Portfolio unit values in X Fund Group, was based on 2017 revenue of $12.12 billion, EBITDA of $4.90 billion and net profit of $4.28 billion. The portfolio had property revaluation gains of $5.02 billion during the period.

The Sagicor Real Estate X Fund Limited Group (X Fund Group) earned revenue of $13.01 billion for the year, an improvement of 27% over 2016. With expenses for the year of $10.0 billion and taxation of $268 million, the X Fund Group generated net profit attributable to stockholders of $2.7 billion for the period. This was another strong performance by the Group. Earnings per stock unit were $1.22.

X Fund Group contributed earnings of $582.68 million (2016: $356.55 million) to Sagicor Group Jamaica.

Sagicor Property Services Limited

Sagicor Property Services Limited (SPS), our property management subsidiary, provides property management, leasing services, project management, rental services and real estate sales for Sagicor Group-owned and third-party properties. Its primary revenue sources are fee-based income from the various services offered.

For 2017, property management fees earned by SPS increased by 7% to $132.1 million, from $123.6 million earned in 2016. The targets for project management fees, leasing commission, sales/ rental commissions were also exceeded.

At the end of 2017, SPS managed approximately 2.8 million square feet of prime commercial and residential real estate across the island, making the company the largest private property manager in Jamaica.

SPS' medium- to long-term goal is to significantly increase its footprint in the local real estate sales market through several strategies. We recognise that there have been improvements in the performance of the real estate market, and so we continue to intensify efforts to take advantage of this opportunity. We are also working to increase the volume of third party properties under management.

Sagicor Insurance Managers Ltd

Sagicor Insurance Managers Ltd. (SIM), our Cayman Islands subsidiary which manages Captive Insurance Companies, continues to make a positive contribution to Group results. Among its client base are private sector companies and the prestigious Caribbean Catastrophe Risk Insurance Facility, Segregated Portfolio Company (CCRIF SPC), the first multi-country risk pool in the world, which provides Parametric Insurance products to 16 CARICOM member countries. SIM has provided insurance management services to CCRIF SPC since its inception in 2007.

SIM has been at the forefront of initiatives for CCRIF SPC as it expands its service offerings to regional governments. Current service offerings include the Excess Rainfall Product offered from 2015/16 and Earthquake and Tropical Cyclone policies from inception. Parametric Insurance coverage has been taken up by Central American countries for the first time in 2015/16 underwritten by its own segregated portfolio. The University of the West Indies is also a CCRIF SPC beneficiary through its UWI Scholarship Programme. This is aimed at enhancing the development of expertise and capacities in the region in the area of Disaster Risk Management.

SIM continues to provide value-added services through partnerships with risk intermediaries, insurance and reinsurance companies in the region and elsewhere.

Sagicor Costa Rica

Sagicor Costa Rica, a joint venture with Banco Promerica, received approval in 2013 to operate as a composite insurance company. We can conduct business in the Costa Rican Life and P&C insurance business. The build-out of products, distribution and administrative capacity is ongoing. Sagicor continues to gain traction in the market as demonstrated by the renewal of business and new sales. The profit results for 2017 were negatively impacted by significant claims.

OPERATIONAL CAPABILITIES AND TECHNOLOGY

Sagicor Group Jamaica's operational capabilities include the mix of team members, financial advisors, brokers, health-care providers, consultants, suppliers and all other entities along the supply and value chains. We carefully manage and synchronise the roles of the entities that contribute to the delivery of our offerings. For those internal, there are a number of ongoing programmes, including envisioning and training. Strong relationships are built with external partners to ensure the best value and convenience for our clients.

In addition to our people, internal systems, processes and structures are pivotal to the delivery of the promise. We cultivate a competitive environment that spurs innovation and is performance driven. We continuously seek to improve operations by streamlining workflows, automating processes and leveraging the best available technologies. Indeed, there are a high number of new initiatives each year and the most outstanding are recognised at the Annual Awards gala in March, where we celebrate excellence in achievements.

Operations are governed by best practice frameworks and guidelines.

HOW WE MANAGE RISK

Sagicor Group Jamaica operates in a wide cross-section of financial services, which exposes it to a variety of insurance, financial, business and operational risks; risks deemed inevitable consequences of such business operations. The Group's aim is to achieve an appropriate balance between risk and return, in order to maximise stockholder value and to minimise potential adverse effects on the Group's financial performance and reputation.

The Group utilises an Enterprise Risk Management framework with clear terms of reference and which includes policies and procedures designed to identify, analyse, measure and manage risks from all sources. This is supplemented with an organisational structure with delegated authorities and responsibilities from the Board of Directors to Executive Management Committees and Senior Managers.

The Framework defines the Group's risk appetite which informs the company's strategies, policies and limits, developed with regulatory guidance as well as inputs from Board of Directors and Executive Management. These policies also provide guidance to the business units through the setting of boundaries and tolerances for various categories of key risks.

The risk management process is interactive as Executive Management and business process owners participate in the identification and assessment of existing and emerging risks enterprise-wide. Key risks and mitigation strategies are identified during this process, and the ownership of risks assigned to the relevant executives for management and reporting. The risk assessment activities are ongoing, with monitoring and reporting of the key risks to ensure that they remain relevant to the business strategies of the Group. This process provides for quarterly reporting to the Board of Directors and other Board Committees on the management of financial risks, as well as operational risks.

Board Audit and Compliance Committee

The Board Audit Committee is a committee of the Board comprising independent directors, and is responsible for:

- Overseeing management's monitoring of internal controls, compliance with regulations and the Group's risk management policies, and adequacy of the risk management framework to risks faced by the Group;
- Reviewing the Group's annual and quarterly financial statements, related policies and assumptions;
- Reviewing the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department and the Enterprise Risk Management & Group Compliance Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

Risk Management Committee

The Risk Management Committee comprises a majority of independent directors. As part of its Terms of Reference, the Committee:

- Oversees the Group's enterprise risk management framework;
- Approves the investment policies within which the Group's investment portfolios are managed;
- Ensures that the Group's origination and management of risk is consistent with stated risk appetite and policy;
- Reviews the effectiveness of the Group's risk policies and processes, legal and regulatory requirements.

Asset/Liability Management Committee

The Group has in place Asset/ Liability Management (ALM) Committees comprising key members of the respective Leadership Teams. These Committees:

- Monitor the profile of the Group's assets and liabilities;
- Plan, direct and monitor various financial risks, including interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provide guidance to the investment managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitor market variables and establishes the credited rate for various investment contracts;
- Monitor any change in strategy given changing macro-economic conditions impacting the respective companies within the group.

Anti-Money Laundering (AML)

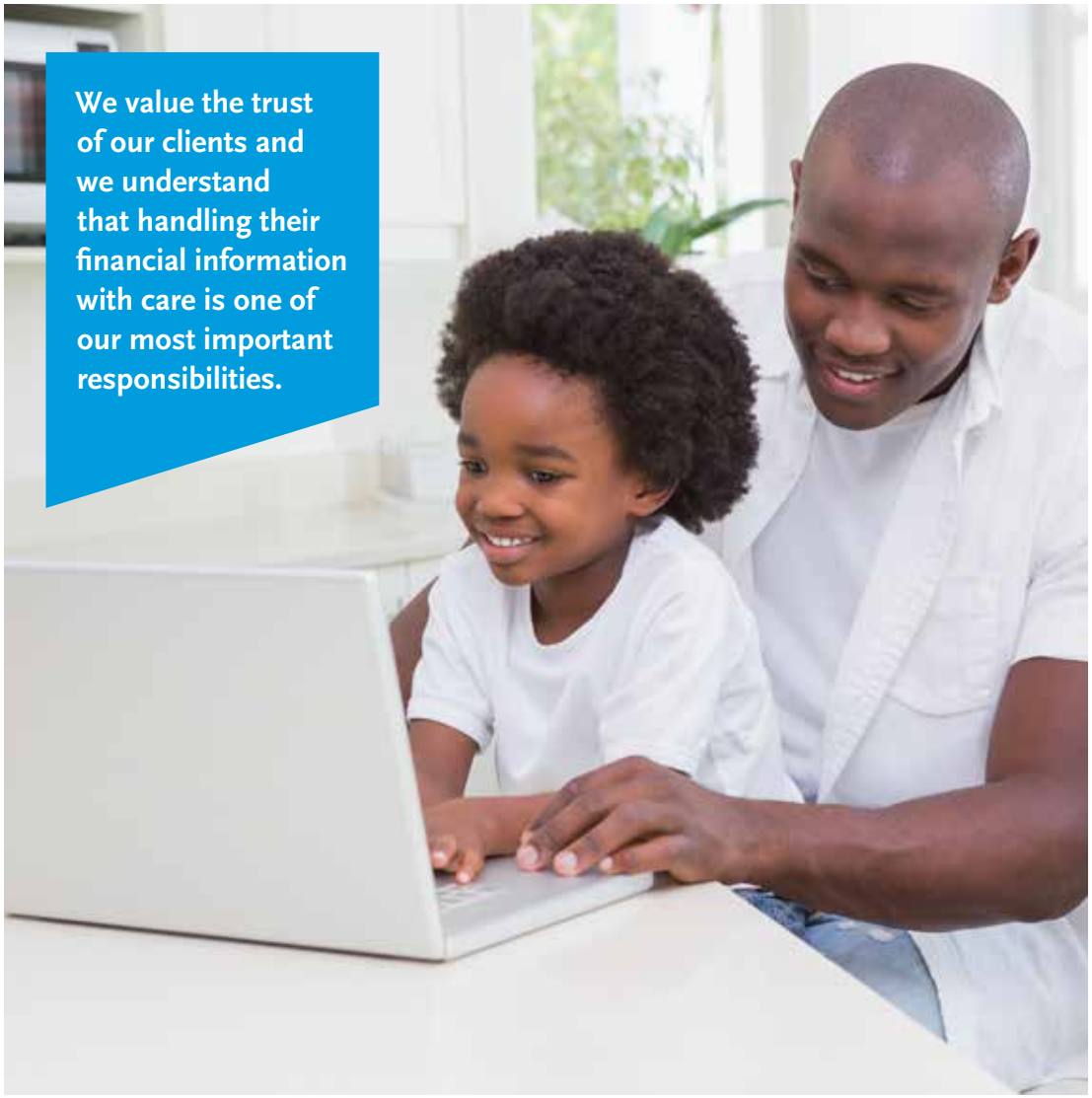
The Group has assigned responsibility for AML and anti-fraud policies to the Enterprise Risk Management & Group Compliance department. The primary responsibilities in this area include:

- Maintaining and communicating the AML and anti-fraud policies and procedures;
- Interrogating financial transactions on a daily basis to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-money laundering and anti-fraud controls and awareness programmes are in place; and
- Filing the required AML reports with Management, Board of Directors and Regulatory bodies.

Regulatory Compliance

The Board has assigned responsibility for ensuring compliance with regulatory standards to the Executive Management; with the day-to-day compliance function managed by the Vice President, Enterprise Risk Management & Group Compliance who is responsible for:

- Keeping abreast of laws and regulations affecting the business;
- Developing, managing and maintaining the compliance framework of the Sagicor Group Jamaica, ensuring the appropriate implementation of regulatory changes within the business;
- Developing and implementing compliance policies; providing guidance to Management and the Board on regulatory changes impacting the Group and ensuring the appropriate implementation of operational processes to manage these changes;
- Monitoring the timely submission of all required regulatory filings by the respective departments across the group;
- Providing compliance updates and performance reports to Management, the Board of Directors, and the Audit and Compliance Committees of the Board.



Information and Data Security

The Group treats the reliability and security of its information, technology infrastructure and customer databases as a top priority. In this regard, we have implemented and continually maintain or improve the requisite policies, standards, procedures and technologies required to protect against, detect and report on critical system failures, loss of service availability or any material breach of data security, particularly involving confidential customer data.

We value the trust of our clients and we understand that handling their financial information with care is one of our most important responsibilities. As such, only team members who need to know a customer's financial information or to perform certain functions are provided with authorised access, which is also monitored.

The Group operates under a detailed and rigorous information security policy and programme designed to protect the confidentiality, integrity and availability of our customers' information. The Board of Directors has approved this policy and programme, and the Board is kept informed of the overall status of our information security programme. The information security programme is also subject to ongoing examination by auditors and regulators. In addition, we have a strict code of ethics for all employees. This code requires confidential treatment of customer information. Additionally, all employees with access to customer information must complete information protection training annually. The Group also maintains physical, electronic and procedural safeguards to protect against unauthorised access to customer information.

Business Continuity

Identified among the top risks for Sagicor Group Jamaica are business continuity and information technology recovery arrangements to support mission-critical business functions. To manage and mitigate these risks, the following frameworks are in place:

A Corporate Business Continuity Plan (BCP)

A Corporate Emergency Response Plan (ERP)

An Information Technology Disaster Recovery Plan (IT DRP)

The Corporate Business Continuity Plan (BCP) was developed with input from all business units and approved by the Board of Directors. The BCP ensures the continuity of critical business functions in the event of business disruptions and helps to minimise the impact on team members, customers and other stakeholders, thus enabling the continued provision of certain critical services in the event of a disruption, crisis or emergency. The BCP seeks to address events such as natural disasters, loss of utilities, loss of services by external providers, organised &/or deliberate disruption and other organisational threats.

The Corporate Emergency Response Plan (ERP) was developed in synchrony with the BCP and is aimed at protecting employees, visitors, contractors and anyone else in the various facilities through which we operate. The plan assigns roles and responsibilities for the implementation of the plan during an emergency. Establishes communication procedures, equipment, and a primary and alternate Emergency Operations Center location. The plan also establishes mitigation procedures and protective actions to safeguard the health and safety of personnel.

The Information Technology Disaster Recovery Plan (IT DRP) was developed in congruence with the BCP and encompasses the policies and procedures related to preparing for recovery or continuation of the technology and communications infrastructure after a recoverable disaster or emergency. Our IT infrastructure also includes a high level of redundancy, resilience and data security features, and alternative computing sites, aimed at ensuring the availability, integrity and confidentiality of the information asset.

To ensure that our BCP and IT DRP recovery strategies, policies and procedures are relevant, regular simulation exercises form part of our preparedness strategy, which are used to refine our recovery procedures and inform the ever-greening of our Business Continuity and IT Disaster Recovery Policies and Plans.

USE OF TECHNOLOGY

Sagicor Group recognises the criticality of technology as an important lever of business, especially in financial services. It is our vision to develop the Group as a leading digital financial services organisation in the Caribbean. We strive to deliver reliable, innovative and cutting-edge technologies for business growth, new capabilities, efficiencies, penetration into new market segments and to offer a superior client experience. As we continued to build out the technology strategy in 2017, the new technologies launched with increased capabilities included:

- **Enhancements to our Internet Banking platform.**
- **Expansion and upgrade of our ATM and Point of Sale (POS) fleet**
- **Upgrade of our Credit Card and Debit Card platforms**
- **Upgrade of the Group Insurance administration system**
- **Expansion of the online pensions services**
- **Upgrade of our Human Resources administration system**
- **Enhancements to other core technologies**
- **Network infrastructure upgrades**
- **Updates to our reports generation technologies**
- **Enhanced safeguards for the information asset through new and improved technologies, procedures and policies.**

OUR CORPORATE STRATEGY

Strategic thinking, strategic planning, financial modelling, performance measurement, performance-driven compensation and benchmarking against the best of class in the world are central to how we manage our business.

Annually, the overarching vision and objectives are first set at the Group level. In support of the Group vision and objectives, each business unit and operating department conduct detailed SWOT analyses, determine specific objectives and identify strategies to address the SWOT and attain objectives, always ensuring congruence with the Group vision. These detailed plans are used to build the Group strategic plan with supporting budgets for a three-year planning horizon. Our Board of Directors approves the strategic plans and budgets in December each year.

Amidst the local and global competitive and economic challenges, we at Sagicor will continue to exploit our advantages and opportunities while managing risks and exposures.

Primary areas of strategic focus to propel growth and increase stockholders value in 2018

01 Various business development and growth strategies.

02 Harnessing the organisational realignment and changes to the Executive Leadership Team.

03 Refined Governance and Risk Management structures.

04 Engraining a One Sagicor Culture among our Teams.

05 Developing the Leadership talent within the Group.

06 Restructuring of the Group's investment in the hospitality sector.

07 Transformation of the client-on-boarding processes.

08 Pursuit of acquisition opportunities.

09 Resourcing and promoting an Innovation drive.

10 Expanding Sagicor Investments and the wealth management services it offers beyond Jamaica by establishing a subsidiary company in Cayman.

11 Expanded use of data analytics and governance.

12 Enhancing the focus on Group cross-sales and up-selling

OUTLOOK

The year 2017 can be described as a transition year for Sagicor Group Jamaica. I took up presidential responsibilities in May, former President Richard Byles assumed Chairmanship in June and former Chairman Dr. the Honourable Danny R. Williams was appointed Director Emeritus. Later in the year, there was some organisational realignment and several changes were made to the Executive Leadership Team. These changes have helped to further strengthen and position the Group to deliver top-class performances demonstrated in improved measures such as profitability, brand recognition, clients' satisfaction, team members' satisfaction levels and the total return to stockholders.

We maintain a confident and optimistic outlook as Jamaica continues its pursuit of fiscal responsibility coupled with efforts to spur strong growth. We are looking to the future with anticipation.

ACKNOWLEDGEMENT

We express deep appreciation to all team members, financial advisors and brokers who all contribute to the achievements of the Group.

Thanks also to our loyal clients for their trust and commitment; to our supportive business partners; to our stockholders for their continued confidence and to our Directors for their diligence and wise counsel.

You all make Sagicor strong!

Christopher Zacca, C.D., J.P.
President & Chief Executive Officer
March 6, 2018

R. DANNY **WILLIAMS**

Insurance veteran, philanthropist and family man

Jamaican Insurance pioneer and veteran Dr. The Hon. R. Danny Williams officially passed the baton of Chairmanship of Sagicor Group Jamaica to the company's immediate Past President and CEO, Richard Byles, on Thursday, June 1, 2017, the birthday of Sagicor, formerly Life of Jamaica, which was founded by Williams on June 1, 1970.

R. Danny Williams has served almost 65 years in the insurance industry since he started his first job at 19 years old on April 1, 1953, with North American Life. He made the best of his first job, rising through the ranks due to his strong work ethic and continuous pursuit of higher education.

Throughout his corporate climb, Williams also prioritised pursuing his own business ventures. With a demanding schedule, he relied on the support of his wife and father to attend to his personal businesses, including filing tax returns and income tax returns for the various enterprises.

He attributes much of his success to his wife Shirley, whom he married in June 1954. She supported not only the growth of his ventures but also ensured that he made time for his family.

In the period following Jamaica's independence in 1962, the country saw an insurgence in locally driven projects and businesses. It was during this time that R. Danny Williams, Adrian Foreman, Manley McAdam, Donald Davidson, Herbert Hall and Peter Rousseau came up with the idea to establish the first locally controlled life insurance company.

At the time, the Jamaican insurance industry was still in its infancy and lacked many of the necessary human resources, such as a local actuary, to establish such a business. Despite the many challenges, Williams remained resolute about developing the industry. For him, the major driver was the potential success that lay in the local market where foreign insurance conglomerates like North American Life operated its most successful operations on the island.

A Jamaican through and through, R. Danny Williams developing his beloved country has always made a top priority since he first encouraged North American Life Assurance Company of Canada to offer a stake of the company to the Jamaican public. This steadfast commitment would see the birth of Life of Jamaica on June 1, 1970.

This was in part possible because Danny Williams was able to lead his team to raise JA$2.5 million through public subscriptions of shares, which also shored up public confidence and interest for the local enterprise. A feat he believes to be one of his most memorable moments with Sagicor and its predecessor Life of Jamaica, as many of the shares were purchased by staff members.

Over his tenure with the company, the Hon. R. Danny Williams served as President on two occasions and was appointed Chairman of the board in 2010. It was with this undeniable dedication, commitment and passion in mind that he was announced as Director Emeritus of Sagicor Group Jamaica at the company's 2017 Annual General Meeting, where he performed his last official duties as Chairman of the Group. Under this new role, he will continue to attend company board meetings and provide valuable input towards the direction if its growth and development.

With such a strong tie to Sagicor Group Jamaica, his retirement from chairmanship was celebrated in fine style at the elegant Spanish Court Hotel's Worthington extension property and saw a strong turnout of the country's business heavyweights, professional associates, close friends, as well as Williams' family which spanned across three generations.

Tributes flowed freely throughout the evening and there was nothing but kind words from various Sagicor Group Jamaica and Sagicor Financial Corporation (parent company of Sagicor) Executives, senior government officials and family.

A humbled Williams, in an emotional speech, thanked his special guests for their support and for coming out to officially usher him into retirement in such fine style. The man, many described as the "kindest man they know", recalled some of his finest memories with the company over the past 47 years since he began Life of Jamaica, a company that would later become the financial giant Sagicor Group Jamaica. He recounted his journey with the Group as one that was greatly rewarding and fulfilling, sharing with guests that he was only trying to make a difference in the lives of his fellow Jamaicans.

The event featured a surprise performance from legendary music band Third World, a personal favourite of Williams, who had the crowd moving throughout their entire set.

It was an unforgettable and memorable evening most fitting for the insurance maven and philanthropist.

CORPORATE GOVERNANCE

Sagicor Group Jamaica Limited (the Company) and its subsidiaries (the Group) is committed to maintaining a high standard of corporate governance by adopting and complying with the principles and guidelines set out in the Code of Corporate Governance. This Code is influenced by applicable laws and regulations and internationally accepted corporate governance best practices and is available on our website at www.sagicorjamaica.com.

OUR COMMITMENT TO OUR SHAREHOLDERS

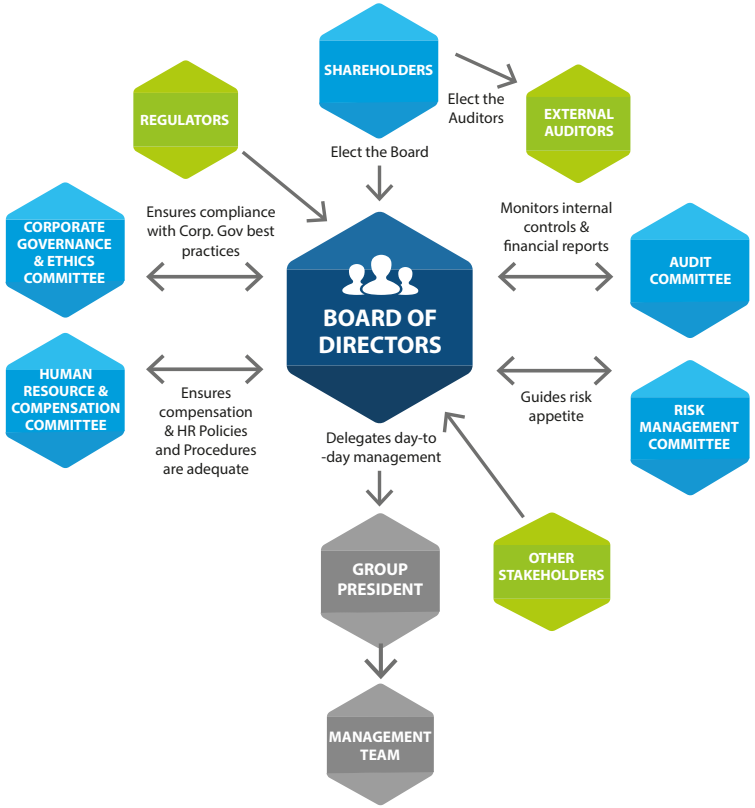
The Board is committed to maintaining high standards of corporate disclosure and transparency and ensures that all shareholders are provided with adequate and timely information on the Group's performance. Our shareholders are able to proactively engage the Board and management during a question and answer session at the Company's Annual General Meeting and are given clear guidelines before voting at the General Meeting of the shareholders.

The Minutes of the Annual General Meetings are prepared and made available to shareholders for review at the meeting and uploaded to the Company's Website.

The Board is committed to maintaining high standards of corporate disclosure and transparency and ensures that all shareholders are provided with adequate and timely information on the Group's performance.

CORPORATE GOVERNANCE FRAMEWORK

The Group's corporate governance framework is best illustrated in the diagram below:



The primary role of the Board is to protect and enhance shareholder value through strategic direction to the Group. As trustees, the Board has a fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth.

THE ROLE OF THE BOARD

The primary role of the Board is to protect and enhance shareholder value through strategic direction to the Group. As trustees, the Board has a fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill and diligence and exercises independent judgement.

In 2017 the Board undertook:

- setting the strategic direction of the Company and overseeing its implementation;
- approving material transactions and capital initiatives;
- approving the enterprise risk management framework (including risk appetite, risk management strategy and control and compliance systems) and monitoring its effectiveness;
- approving the appointment of the Chief Executive Officer and the remuneration arrangements for certain key executives; and
- monitoring the performance of management and the business.

OVERALL BOARD RESPONSIBILITIES AND ACTIVITIES

Strategic Planning

- Approving and administering a consolidated Group Strategic Plan.
- Directing Management in the formulation of the Group's Strategic Plan.
- Reviewing and approving the Group's financial objectives and action plans.
- Reviewing and approving the Group's annual strategic plan including operating and capital expenditure programmes and plans.

Enterprise Risk Management

- Identifying the Group's inherent risk profile and internal control priorities and ensuring that Management's plans and supervision of such risk is adequate, independent and objective.
- Approving the Group's policies for identifying, originating, administering, monitoring and reporting the Group's significant risks.
- Approving major capital expenditures, raising capital, allocation of capital among lines of business, transactions within the Board's reserved power, organisational restructuring and other major financial activities.

Performance Evaluation

- Reviewing and approving annual performance targets for Group President/CEO, and other executive officers.
- Reviewing and approving the process within the Group for identifying high potential officers.

Communication

- Reviewing the Group's communications programme, including measures for receiving feedback from stakeholders.
- Ensuring that infrastructure is in place for accurate, timely and full public disclosure of disclosable events, transactions and conditions.
- Reviewing due-diligence processes and controls for certifying the Group's financial statements.

Internal Controls

- Reviewing and approving the Group's Code of Conduct and Management's plans for instilling the right value system in the Company.
- Ensuring the Group's compliance with applicable legislative, regulatory and internal policy requirements.

Corporate Governance

- Ensuring the maintenance of corporate governance policies and guidelines and a code of ethics consistent with regulatory and legal requirements, industry best practices and company needs.
- Establishing the protocols for subsidiary supervision.

BOARD COMPOSITION AND STRUCTURE

We believe that our Board needs to have an appropriate mix of executive and independent directors to maintain its independence, and separate its functions of governance and management. Appointment of Directors throughout the Group is subject to prior approval of our regulators.

As at December 31, 2017, the Board is comprised of fourteen (14) directors: Thirteen (13) Non-Executive Directors (seven (7) of whom are independent) and one Executive Director (being the President and Group CEO). The offices of Chairman and Chief Executive Officer are kept separate to ensure transparency and independence.

President and Group Chief Executive Officer, Mr. Richard O. Byles retired effective April 30, 2017. Mr. Christopher Zacca assumed leadership of the Group as President and Group CEO on May 1, 2017. He now serves as the highest-ranking officer of the Group and is responsible for running the day-to-day operations of the Group and the management of the key objectives and leads the Executive Team. He is responsible for the development of the strategy of the Group including opportunities for growth and implementing policies and strategies across the Group.

OUR CHAIRMAN

Dr. the Hon. R.D. Williams C.D., O.J., LL.D., J.P. stepped down as Chairman of the Group effective May 31, 2017 but retained his position as a non-executive director in the post of Director Emeritus. Mr. Richard Byles, former President and Group CEO was appointed as the Chairman of the Board effective June 1, 2017. The Chairman is responsible for the efficient and effective functioning of the Board and ensuring that the Board Agenda covers the key strategic issues which are relevant to the Group's business including the approval and periodic review of Management's action plans.

DIRECTOR INDEPENDENCE

Independence is based on criteria agreed by the Board and outlined in the Group's Corporate Governance Code and in accordance with local laws and regulations.

It includes:

- A Director that has not within the last five years been an employee or officer in the Sagicor Group.
- A Director that has not received additional remuneration from the Company (apart from a director's compensation) nor participate in the Group's share option or a performance-related pay scheme, and is not a member of the Company's pension scheme.
- A Director (or their immediate family) that has not within the last three years had a material business relationship with the Group either director or as a shareholder, director or senior executive officer or an employee of a company that makes payments to, or receives payments from, the Group for property or services in an amount which, in any single fiscal year, exceeds the greater of US$0.5 million, or 2% of such other company's consolidated gross revenues.
- A Director (or their immediate family member) who is not a current or former partner or employer (within the last 3 years) of a firm engaged as an internal or external auditor within the Sagicor Group.
- A Director that does not hold cross-directorships or has significant links with other Company directors through involvement in other companies or bodies (unless the board can argue a case for independence).
- A Director that does not
  - (i) control
  - (ii) hold investment equal to 15% or more of his/her net worth
  - (iii) serve as an officer; or
  - (iv) have or be deemed to have a material influence

on the management of an entity where the Group beneficially owns 5% or more of any class of equity securities of such entity.

Directors are required to submit to an annual self-assessment of their compliance with these criteria and any conflict of interest requirements.

In 2017 the Directors who met the independent criteria were:

- Dr. the Hon. R. Danny Williams
- Mr. Richard Downer
- Mr. Peter Melhado
- Mrs. Jacqueline Coke-Lloyd
- Mr. Jeffrey Cobham
- Dr. Marjorie Fyffe Campbell
- Mr. Peter Clarke

Directors Skillset

BOARD EXPERTISE

The composition and size of the Board are determined based on the skills and core competencies of its members to ensure an appropriate balance of skills and expertise. The Board considers that its members possess the necessary competencies and knowledge in wide and diverse areas relevant to the business.

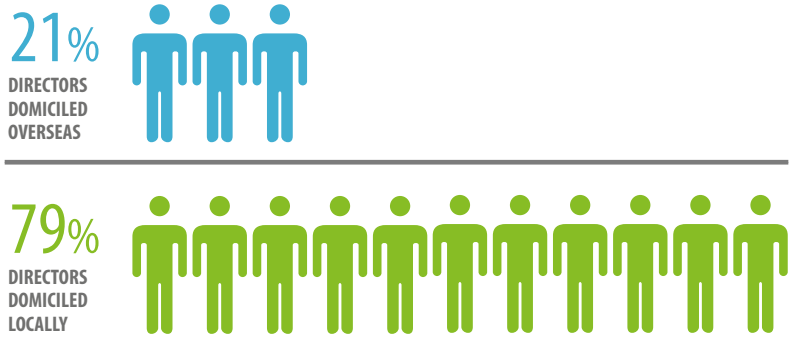
These include areas of international business, banking, corporate finance, mergers and acquisitions, strategic management, human resources, corporate governance, corporate law, asset management, insurance, property management, information technology, marketing and general management. This breadth of knowledge and expertise provides for diversity of opinions and invaluable support to the decision-making process which underpins the need for independent and critical thinking. Additionally, Directors are afforded the opportunity through training to build on or to be exposed to other disciplines.

APPOINTMENT, TERM, ELECTION & RETIREMENT

The Corporate Governance and Ethics Committee evaluates the Board size and composition annually and may recommend directors for appointment by the shareholders. Directors serve for three (3) years and are eligible for re-election to hold office up to age 65 and on a discretionary basis (in accordance with the Company's Articles of Incorporation) may be appointed after the age of 65 for a specified period.

The Company's Articles of Incorporation mandate the retirement of at least one third of the Directors at the Company's Annual General Meeting (who are required to retire by rotation) each year, and qualifies the retiring Directors for re-appointment by the shareholders.

Directors Paul Hanworth and Peter Clarke retire by rotation and are eligible for re-election. Additionally, the Corporate Governance and Ethics Committee recommends that Directors Richard Downer and Jeffrey Cobham be



allowed to continue to serve as director of the company given their institutional knowledge and expertise which are relevant to the Group's strategic direction and performance. All four (4) directors are being recommended for re-election by the shareholders having regard to their expertise, core competences and performance and their willingness to devote the time required to effectively perform their role as directors.

DIRECTOR ORIENTATION AND TRAINING

All new Directors inducted to the Board are introduced to the business through a formal orientation process. Current Directors and senior management provide an overview of the Company's operations, and introduce the organisation structure, services, group structure and subsidiaries, constitution, Board procedures, matters reserved for the Board and major risks and risk management strategy of the Group. One new director, President and Group CEO Christopher Zacca, was appointed to the Board in 2017.

The Board's existing Directors receive periodic training relating to the core business of the Company and its subsidiaries, including the drivers of the business lines and their products. Directors are also kept abreast of trends in the business and regulatory environment and informed of trends in financial reporting. Directors are also required to participate in annual mandatory AML/CFT (Anti-Money Laundering & Counter Finance Terrorist Activity) training.

Training programmes attended by directors as arranged by the Group included: -

- October 9, 2017 – Compliance & Risk Management for Strategic Planning by Chris Pryce and Christopher Harris (Citi)
- October 27, 2017 – Corporate Governance – Enhancing Board Effectiveness by Greta Bogues (J. Wray & Nephew Ltd.)
- October 27, 2017 – A Great Company – How to Manage This – Richard Byles (Sagicor Group)
- October 27, 2017 – IFRS Update – Ivan Carter (Sagicor Group)

Our annual strategic Board/Management Retreat was held over two days in October 2017. Along with the Directors across the Group, the senior executives from business and support functions were invited to present the strategic plans of the business lines. The objective of the retreat is to allow the Directors carry out an in-depth assessment of the strategic plans of the business units, evaluate the issues impacting on the business and determine the future direction of the Group.

BOARD OPERATIONS

Board Meeting Attendance Report

In 2017, the Board held eleven (11) formal meetings. Additional meetings were held to deal with other urgent matters. With the Board being represented by Directors residing in other countries, in accordance with the Company's Articles of Incorporation, video/teleconferencing facilities are utilized to enable those Directors to participate. The critical agenda items which were covered at board meetings during the year included:

- Approval of the year-end Audited Financial Statements;
- Review and approval of the quarterly unaudited financial statements and Reports to the stockholders;
- Approval of the Company's Budget and Strategic Plan for 2018--2020;
- Consideration and approval of interim dividend payments to stockholders;
- Approval of major investment activities including new products and strategic business initiatives;
- Monitor the performance of executive management in the implementation and achievement of strategic objectives and financial performance of the lines of business and subsidiaries of the Group;
- Receive and approve reports/decisions of Board Committees; and
- Consider and approve new Corporate Policies and approved amendments to existing policies.

BOARD COMMITTEES

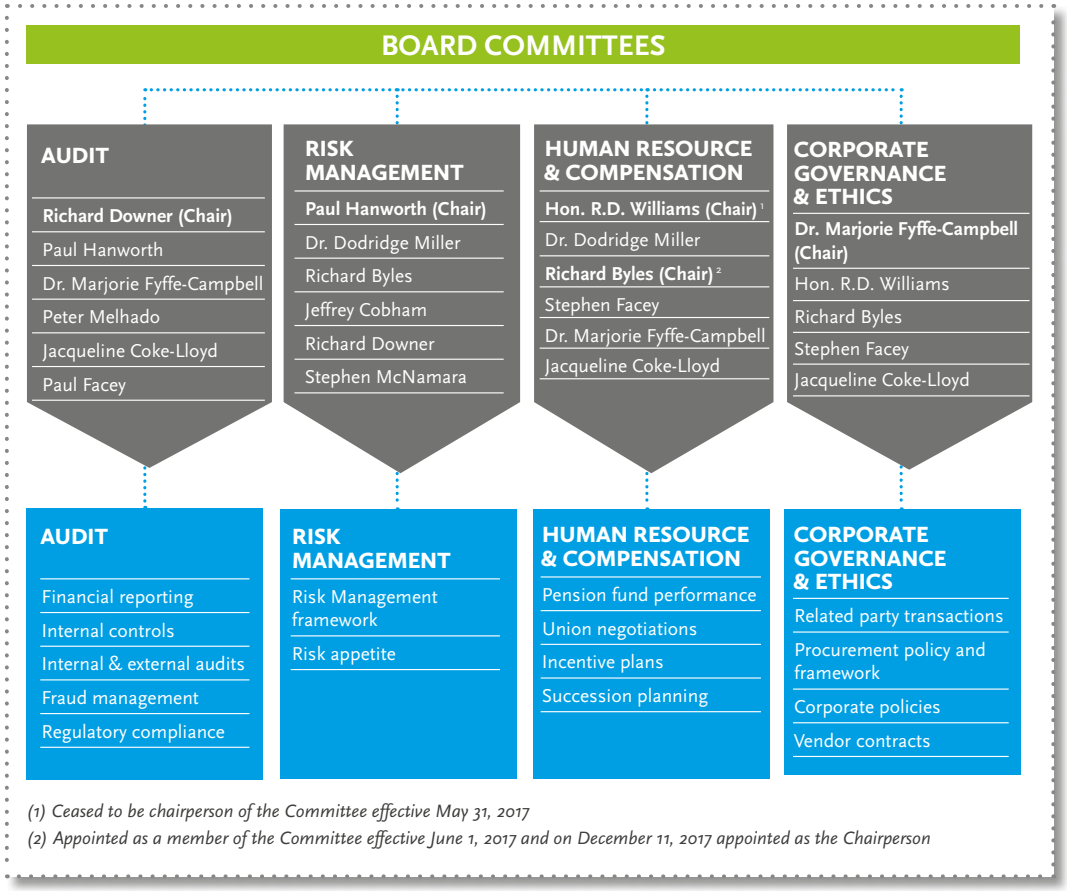
The Board has delegated certain of its authorities to various Board Committees to focus on complex and specialised issues facing the Group. Currently, the Board has four (4) committees – Audit, Corporate Governance and Ethics, Human Resources and Compensation and Risk Management. Each Committee operates under its own terms of reference with clearly defined mandates given by the Board. These Committees make recommendations and report on a regular basis to the Board who retains ultimate responsibility for all decisions taken.

Certain Board functions are also delegated to Executive Management through the President and Chief Executive Officer with defined limits of management's power and authority to enable it to execute and manage the business on a day-to-day basis in line with the approved policies, strategies and applicable laws.

The Board Committees meet periodically (typically on a quarterly basis) to examine issues which fall within their respective mandate and report on its activities to the Board. Committee members are appointed by the Board of Directors immediately following the Annual General Meeting each year and hold office for three (3) years or until they cease to be Directors. All Committees except the Risk Management Committee consist entirely of non-executive directors. Members of the Executive Management Team are invited to attend meetings and participate through presentation of discussion documents and development of strategies.

DIRECTORS	ATTENDANCE
Hon. R.D. Williams	11
Dr. Dodridge Miller	8
Richard Byles	11
Stephen Facey	9
Paul Hanworth	7
Jeffrey Cobham	9
Dr. Marjorie Fyffe Campbell	9
Richard Downer	7
Stephen McNamara	7
Peter Melhado	6
Jacqueline Coke-Lloyd	10
Paul Facey	9
Peter Clarke	10
Christopher Zacca*	5

* For the period June 1, 2017 – December 31, 2017



(1) Ceased to be chairperson of the Committee effective May 31, 2017
(2) Appointed as a member of the Committee effective June 1, 2017 and on December 11, 2017 appointed as the Chairperson

Audit & Compliance Committee

The Audit and Compliance Committee has responsibility for monitoring the effectiveness of the Company's internal control systems and compliance with applicable regulations and laws. It also oversees the internal and external audit processes.

Audit Committee meetings are regularly attended by key members of the management team.

The Committee met five (5) times during the year to:

- review and recommend the approval of the audited financial statements to the Board
- consider and approve inter alia the financial reports of the Company and its subsidiaries and disclosures to the shareholders and regulators
- review and assess the main areas of operational risk management and internal control processes
- review the activities of the internal and external auditors and assess the level of compliance with legal and regulatory requirements.
- approve the Annual Audit Plan and the Audit Charter during the period.
- consider the management of fraud activities across the Group
- recommended the Anti-Fraud framework for approval by the Board.
- Considered the Company's compliance with local laws and regulations.

Business conduct and integrity

Sagicor believes that its reputation as an ethical and trustworthy provider is essential to align clients' and shareholders' interests.

COMMITTEE ATTENDANCE

AUDIT & COMPLIANCE COMMITTEE

DIRECTORS	ATTENDANCE
Paul Hanworth	● ● ● ● ●
Dr. Marjorie Fyffe-Campbell	● ● ● ●
Richard Downer	● ● ● ● ●
Peter Melhado	● ● ●
Jacqueline Coke-Lloyd	● ● ● ● ●
Paul Facey	● ● ● ●

RISK MANAGEMENT COMMITTEE

DIRECTORS	ATTENDANCE
Dr. Dodridge Miller	●
Richard Byles	●
Paul Hanworth	● ●
Jeffrey Cobham	● ●
Richard Downer	● ●
Stephen McNamara	●
Christopher Zacca[1]	●

(1) Appointed as a member of the Committee effective June 1

HUMAN RESOURCE AND COMPENSATION COMMITTEE

DIRECTORS	ATTENDANCE
Hon. R.D. Williams[1]	● ● ●
Dr. Dodridge Miller	● ● ●
Richard Byles[2]	●
Stephen Facey	● ● ●
Dr. Marjorie Fyffe-Campbell	● ● ●
Jacqueline Coke-Lloyd	● ● ●

(1) Ceased to be chairperson of the Committee effective May 31, 2017
(2) Appointed as a member of the Committee effective June 1, 2017 and on December 11, 2017 appointed as the Chairperson

CORPORATE GOVERNANCE AND ETHICS COMMITTEE

DIRECTORS	ATTENDANCE
Hon. R.D. Williams	● ● ● ●
Richard Byles	● ● ●
Stephen Facey	● ●
Dr. Marjorie Fyffe-Campbell	● ● ● ●
Jacqueline Coke-Lloyd	● ● ● ●

● CHAIRPERSON ● DIRECTOR

The Risk Management Committee oversees and assesses the Group's risk appetite in respect of financial and regulatory risks. The Group President and CEO and Chief Risk Officer regularly attend meetings of the Committee.

Risk Management Committee

The Committee met twice during the year to:

- consider and approve the Risk Management Charter and the Top Risks which are likely to impact the business and the effectiveness of the risk management framework on a Group-wide basis.
- Review and approve risk management principles and policies recommended by the risk committees of each subsidiary who are charged to monitor financial, regulatory and operational risks.

Human Resource and Compensation Committee

The Human Resource and Compensation Committee has overall responsibility for the Human Resource policies and practices and ensures that human resource practices conform with the strategic goals and compensation policies. The committee also has oversight of the Management Succession plans and the staff Pension Plan.

Meetings of this committee are regularly attended by the Group President & CEO, the Senior Vice President – Group Human Resources and the Chief Financial Officer.

The Committee met three (3) times during the period to:

- consider and approve the annual and long-term incentive plan for executives and the bonus payment to staff
- approve changes to the Charter and review the Pension Fund Performance and amendments to benefits to members
- consider issues affecting team members
- give oversight to the union negotiations and issues which are likely to affect the business arising from the exercise
- monitor the annual team member Satisfaction Survey
- consider amendments to the Pension Plans proposed by Management

Corporate Governance and Ethics Committee

The Corporate Governance and Ethics Committee is charged with ensuring compliance with best practice of Corporate Governance and Ethics. The Committee's

mandate also includes the management of the process for director succession, nomination and re-election, performance evaluation of the Board, directors' peer review, directors' compensation, related party transactions and issues relating to any potential conflicts of interest. The President and the Chief Financial Officer regularly attend these meetings as invitees.

The Committee met four (4) times in 2017. Among the matters considered by the Committee:

- reviewed and approved Related Party Transactions
- approved the Procurement Policy and Framework (as revised)
- reviewed the process for dealing with potential conflicts of interest
- reviewed the list of Corporate Policies to ensure that these were being updated periodically
- reviewed the Company's procurement process
- approved contracts awarded to suppliers and vendors

PERFORMANCE EVALUATION

A key function of the Board as a fiduciary of the shareholders is to ensure consistent monitoring and review of its effectiveness as a Board, the effectiveness of its committees and each individual Director.

The Board works along with the Corporate Governance Committee to establish the evaluation criteria for the performance of each Director as well as the overall Board.

The evaluation process consists of three elements:

(i) Self-Assessment

(ii) Board Assessment

(iii) Peer Assessment

The assessment is a key part of the process of reviewing the functioning and effectiveness of the Board and for identifying possible paths for improvement. Each Director is requested to evaluate the effectiveness of the Board dynamics and relationships, information flow, decision-making of the directors, Company performance and strategy and the effectiveness of the whole Board and its various committees. Arising from the exercise, the Board Chairman meets with the Directors and discusses their performance and gaps, if any are highlighted, and action plans established to improve performance.

The evaluation of the President and Chief Executive Officer, Management and the Company Secretary is also covered under this review process. Action plans and issues are monitored over the following period which included adjustment to the strategic planning process to allow for more time to deliberate on the strategies presented and the continued focus on the board's agenda to cover certain critical non-standard items.

Board/Committee (J$)	Board	Audit	Risk Management	Corporate Governance & Ethics	Human Resource & Compensation
Board Chairman	2,564,775.00				
Members	1,620,675.00				
Committee Chairperson		992,250.00	1,190,700.00	661,500.00	661,500.00
Members		661,500.00	793,800.00	441,000.00	441,000.00

DIRECTORS' REMUNERATION

The level and structure of fees paid to non-executive directors annually is determined by the Board based on prevailing markets conditions while taking into consideration the responsibilities and time commitment required to meet their obligations. These fees are not related to the performance of the Group. Executive directors are not paid fees in respect of their office as a Director of the Company or any of its subsidiaries.

The Directors' fees comprise a basic retainer fee, additional fees for appointment to board committees and a travel allowance for Directors who were required to travel out of their country or city of residence to attend board meetings and board committee meetings which did not coincide with Board meetings. The Chairperson of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

In 2017 there was an approximately five percent increase in fees across the Board. The fee structure as at December 31, 2017 comprises:

The Director's fees fall within the overall sum approved by the shareholders at the Company's last AGM.

Directors do not receive any share-based compensation. However, directors are encouraged to purchase shares on the open market.

AUDIT AND ACCOUNTABILITY

External Auditors

The external auditors, PricewaterhouseCoopers (PWC), were recommended by the Audit Committee and Board and approved by the shareholders. The Audit Committee manages the relationship with the Company's external auditors on behalf of the Board and carries out an annual assessment of the cost effectiveness of the audit process, together with the auditor's approach to audit quality and transparency in making its recommendation.

In order to maintain the independence of the external auditors, the Group has specific guidelines which govern the conduct of non-audit work by the external auditors. This includes the prohibition of external auditors from:

- Performing services which would result in the auditing of their own work;
- Participating in activities normally undertaken by management;
- Acting as an advocate for the Company; or
- Creating a mutuality of interest between the auditors and the Company, for example being remunerated through a success fee structure.

Having undertaken a review of the non-audit services provided during the year, the Audit Committee remains confident that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services which they provide to the Group.

Internal Auditors

The Group Internal Audit Department along with the Audit Committee annually reviews and assesses the Group's systems of internal controls and regulatory compliance through discussions with management and external auditors.

The Audit Committee considered and reviewed with management and the Head of Group Internal Audit on the following:

- Annual internal audit plans to ensure that the plans covered sufficiently reviewed the internal controls of the Group;
- Significant internal audit observations and management's response thereto; and
- Budget and staffing for the internal audit functions.

The External Auditors and the Group Internal Audit Department maintain separate independent auditing and reporting functions.

CORPORATE VALUES

Corporate Governance is the task of a company's board to provide entrepreneurial leadership, guidance and oversight to the company for maximising shareholder wealth within the bounds of law and community standards of ethical behaviour. The direction and momentum assumed by the Governance process must be driven by a value system that permeates the enterprise to ensure business priority alignment between board and management. The Sagicor value system is guided by the following policies:

Code of Conduct

The Sagicor Code of Business Conduct and Ethics governs the behaviour of Directors, officers, agents and employees of the Group. The standards contained in the Code emphasize the deterrence of wrongdoing that could lead to fraud and misconduct, and address the following essential areas:

- Conflicts of interest
- Corporate opportunities
- Confidentiality
- Fair dealing
- Protection and use of company assets
- Compliance with laws
- Rules and regulations, including insider trading laws, and
- Encouraging and reporting of any illegal or unethical behaviour

Ultimate accountability for the Code with regards to the employees' rests with the President and CEO with delegated responsibility for its administration to the Group Compliance Officer, and for the Directors, with the Corporate Governance and Ethics Committee.

Conflict of Interest

Under the Code, the Directors are expected to complete an Internal Disclosure Certificate annually to declare any personal interest he or she may have (whether direct or indirectly) which may have an impact on any matters being considered by the Board. The completed disclosure certificates are submitted to the Corporate Governance and Ethics Committee for onward transmission to the Group Compliance Officer.

Whistleblower Policy

The Company provides a confidential system to allow employees to anonymously report observed breaches of the Code and other Company guidelines related to fraud, misconduct, bribery, non-compliance with legal or regulatory mandates or questionable accounting or audit practices.

The Company guarantees in its 'Fraud and other Wrongdoing Policy" that it will not permit any reprisal, retaliation or disciplinary action to be taken against anyone for raising a concern in good faith.

SUBSIDIARIES

SAGICOR LIFE JAMAICA LIMITED
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R. Danny Williams Building
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Tel: (876) 929-8920-9
Fax: (876) 929-4730
Christopher Zacca
President & CEO

SAGICOR BANK JAMAICA LIMITED
Head Office
17 Dominica Drive
Kingston 5, Jamaica W.I.
Tel: (876) 960-2340
Donovan Perkins
President & CEO

EMPLOYEE BENEFITS ADMINISTRATOR LIMITED
R. Danny Williams Building
28 – 48 Barbados Avenue
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9
Latoya Mayhew-Kerr
General Manager

SAGICOR INVESTMENTS JAMAICA LIMITED
Head Office
85 Hope Road
Kingston 6, Jamaica W.I.
Tel: (876) 929-5583
Kevin Donaldson
President & CEO

Delivering strong, reliable and forward-thinking solutions for our customers' most significant life decisions.

SAGICOR INSURANCE BROKERS LIMITED
R. Danny Williams Building
28 – 48 Barbados Avenue
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730
Mark Chisholm
General Manager

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1st Floor Sagicor House
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Cayman Islands
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Fax: (345) 949-8262
Mark Chisholm
President & CEO

SAGICOR COSTA RICA, SCR, S.A.
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Escuzu, San Jose,
Costa Rica
Fernando Viquez
Deputy Manager

SAGICOR INSURANCE MANAGERS
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Fax: (345) 949-6297

SAGICOR POOLED INVESTMENT FUNDS LIMITED
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Fax: (876) 929-4730

SAGICOR RE-INSURANCE LIMITED
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Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262

SAGICOR PROPERTY SERVICES LIMITED
63-67 Knutsford Boulevard
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Cayman Islands
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Ingrid Card
Executive Director

SAGICOR INTERNATIONAL ADMINISTRATORS LIMITED
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Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9

SAGICOR PROPERTY DEVELOPERS LIMITED
28 – 48 Barbados Avenue
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9

SAGICOR SECURITIES LIMITED
(inactive)
17 Dominica Drive
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9

CORPORATE DATA

DIRECTORS:

Dr. the Hon. R.D. Williams
O.J., C.D., LL.D (Hon.)., J.P.
Director Emeritus (Appointed June 1,2017)
Former Chairman (Demitted office May 31,2017)

Richard O. Byles
Chairman (Appointed June 1,2017)
Christopher Zacca
C.D.,J.P.
President & CEO

Peter Clarke

Jeffrey C. Cobham

Jacqueline Coke-Lloyd

Richard Downer

Paul A.B. Facey

Stephen B. Facey

Dr. Marjorie Fyffe Campbell

Paul Hanworth

Stephen McNamara

Peter Melhado

Dr. Dodridge D. Miller

LEADERSHIP TEAM:

Christopher Zacca
President & CEO

Ivan B. O'B. Carter
Executive Vice President,
Finance and Group CFO

Janice A.M. Grant Taffe
Senior Vice President, General Counsel & Corporate Secretary

Rohan D. Miller (Demitted office December 31, 2017)
Executive Vice President,
Treasury & Asset Management,
Sagicor Life Jamaica Ltd.
President & CEO
Sagicor Investments
Jamaica Limited
President & CEO
Sagicor Real Estate X
Fund Limited

Mark Chisholm
Executive Vice President,
Individual Insurance Division

Willard Brown
Executive Vice President,
Employee Benefits Division

Karl Williams
Senior Vice President,
Group Human Resources and
Corporate Services

Donovan H. Perkins (Retired September 30, 2017)
President & CEO
Sagicor Bank Jamaica Limited

Philip Armstrong
Deputy CEO
Sagicor Bank Jamaica Limited

Ingrid Card (Demitted office December 31, 2017)
Vice President
Group Marketing
Executive Director
Sagicor Foundation

Corporate Secretary:
Janice A.M. Grant Taffe

Appointed Actuary:
Janet Sharp

Auditors:
PricewaterhouseCoopers

Bankers:
Sagicor Bank Jamaica Limited
Scotiabank Jamaica Limited
National Commercial Bank
(Jamaica) Limited
Cayman National Bank Ltd.

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St. Andrew

Myers, Fletcher & Gordon
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Kingston
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DunnCox
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Kingston

Registered Office:
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Jamaica, W.I.
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Fax No : (876) 929-4730
Email : infoja@sagicor.com
Cable Code : 'LOJAM'
Website : www.sagicorjamaica.com

FOREIGN OPERATIONS

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Turks & Caicos Islands

COSTA RICA
Sagicor Costa Rica
102 Avenida Escazu,
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Escuzu, San Jose,
Costa Rica

OUR PEOPLE ARE OUR GREATEST ASSET

We believe the success of Sagicor Group Jamaica can be attributed to attracting, supporting and retaining a great team; this drives our Human Resources policies and practices.

The talent and perspectives of our team are a key component to growth. In support of the Sagicor Group's business goals for 2017, Group Human Resources deployed two major strategic initiatives:

1 **Improving productivity of team members** was achieved through a number of focused learning and development initiatives. Client Experience **#CreatingSmiles** Training supported the Client Service objectives of increasing NPS and putting a smile on every client's face. Effective Sales Training energised cross-selling efforts throughout the team and bolstered the front line's basic selling techniques.

2 **Strengthening the team's leadership capability** through Leadership Alignment and development and People Managers' development programme for all team members with supervisory responsibilities. Great managers inspire superior performance and encourage teamwork across business lines; they are guided by empathy, demonstrate a passion for winning, develop their people, and build morale.

ENGAGEMENT AND TRANSFORMATION

Sagicor Group Jamaica embarked on a year of transformation in 2017 with the changing of the guard at the very top of the Group as President and CEO, Richard Byles, retired and handed the reins of leadership to Christopher Zacca on May 1, 2017. The Chairman of the Board of Directors at the time, Dr. the Hon. R. Danny Williams demitted office on June 1, 2017 and was appointed Director Emeritus. Richard Byles succeeded him as Chairman.

The synergy within the Group was evidenced by a smooth transition of leadership, and enthusiasm across the Group, for the continued growth and strength of Sagicor Group Jamaica.

With these significant changes, Group HR focused on intensifying the engagement of our team members to maintain the high levels of productivity integral to our high-performance culture.

Morale grows out of respect, opportunities for growth, and incentivising success. In keeping with this view, a variety of events and activities were hosted to recognise, reward and celebrate achievements across the Group.

RECOGNISING TEAM MEMBER PERFORMANCE AND COMMITMENT

2017 was an amazing year; we immersed the team in our reward and recognition culture, while designing new and exciting experiences to foster collaboration, engagement and camaraderie. Some of our 2017 initiatives included:

- **The Sagicor Sports Awards** – We recognised the contribution made by the men and women of our sports teams on and off the field of play.
- **SGJ Long Service Awards** – On June 19-20 we held the 2017 Sagicor Long Service Awards Ceremony to recognise the dedication of 273 team members across the Sagicor Group. Their commitment, effort and continued support illustrate that "together we can do so much."
- **The SGJ Corporate Scholarship Awards** – Recipients of these awards are students of team members currently enrolled in primary & secondary institutions across the island. In 2017 over JMD$3M was disbursed to 157 successful applicants.

In November we conducted our annual LOMA Team Member Opinion Survey, measuring team satisfaction and the results were outstanding.

The Sagicor Group Jamaica achieved its highest Satisfaction Rating to date, 78.6% – an increase of 1.2% over the previous year. There was improvement in all areas surveyed, with Company Image and Recognition showing the largest increases.

LOMA EOS SATISFACTION SCORE

78.6%

2017 Satisfaction Rating

2016: 77.4%
2015: 75.9%
2014: 77.5%
2013: 76.8%
2012: 74.4%

KEEPING MINDS, BODIES, AND SOULS HEALTHY

We fulfilled our goal of reducing our claims utilisation rate in order to provide an improved Group Health Benefit. With wellness being integral to our way of life at Sagicor, we continued to improve our wellness programme with initiatives like:

- **Women's Health Week** – This special week of activities, held in May 2017, acknowledged the force that women are in our Group. Activities during the week included a health fair and expo, dance aerobic classes & a "Paint & Sip" event.
- **Hike or Bike 2017** – Coupled with our weekly exercise programme, team members had a chance to 'Hike or Bike' through the hills of St. Andrew, while enjoying the lush scenery of the countryside.
- **Healthy Fruit Day** – Each team member across the Group received a healthy snack package along with a note from Group HR thanking them for their service.
- **ManTalk** – A forum for the men was hosted in November following International Men's Day. The discussion was moderated by Senior Vice President, Group Human Resources and Corporate Services, Karl Williams. It provided an opportunity for our men to discuss the personal and professional issues they face.

KEEPING SPIRITS HIGH

To nurture team synergy, we delivered on our promises through social activities and bonding sessions:

- **"Mommy & Me"** & **"Daddy & I"** were photo competitions that recognised the parents of Sagicor as well as the invaluable contribution they make in their homes.
- Our Staff Appreciation week **(STARS Week)** has been extended to two weeks of activities in order to facilitate our Non-Corporate Branches. This presented an islandwide opportunity for interaction and touched each and every team member across the Group.
- **STARS WEEK 2017 activities included:**
  - **Our Corporate Church Service** – Team members throughout the Sagicor Group Jamaica gathered for fellowship and to give thanks for another successful year.
  - **ChoirFest** – Choirs from across the island were invited to perform at a public concert
  - **"Paint & Sip" events** – Art, wine and good fun for our Non-Corporate team members (Mandeville, May Pen, Ocho Rios, Black River, Savanna-la-Mar and Montego Bay) in the first week of December.
  - **STARS Week Movie Night**

Sagicor team members stop for a moment to take in the scenery at Hike or Bike 2017 in St Andrew countryside.

We celebrated creativity at Paint & Sip events for our Non- Corporate teams islandwide.

Children of Sagicor team members across the region came together at the I Am Bold Workshops at SMS 2017.

2017 Internship Group with Vice President of HR & Corporate Services, Jacqueline Donaldson (second right).

- **STARS Week Wellness Days** – The team learned new ways to become happier, healthier and better versions of themselves on our Corporate Wellness Days.
- The annual **Team Member Christmas Party 'Bliss'** was held at the Hope Zoo, Jamaica, becoming our first ever day party.

- The 2017 **'Sagicor Motivational Seminar'** (SMS) held at the Hyatt Ziva & Zilara Resort included international speakers Eric Boles and Tony Gordon, and Jamaican presenters Kamila McDonald and Damion Crawford. The Highlight of this year's SMS was our **'SMS Children's Conference**' and **'I am BOLD'** workshops, held alongside the adult seminars.
- The bi-annual **'Mr. & Miss Sagicor Competition'**, where we crowned 2017-2019 winners Nathan McCarthy, from our Corporate Contact Centre, and ShanaKay Ritchie of the Individual Life Division.

TECHNOLOGICAL ADVANCEMENT

In 2017 we upgraded the existing Sagicor Success Performance Management System to include an additional platform, Employee Central.

This upgrade allows for greater operating efficiency, creating a paperless environment where team members' records are safely and conveniently stored online. It will improve data reliability and allow the Human Resource Team to focus more on strategy. Team recognition is also expected to improve as management will have access to more thorough employee profiles. Information on skills gaps and employees' achievement will be readily accessible.

TALENT DEVELOPMENT: SUPPORTING AND DEVELOPING OUR TEAM

We are committed to developing and delivering world-class learning and development interventions needed to achieve the strategic objectives, to increase productivity and engagement.

In keeping with our mandate to attract, develop and retain the best talent, the Learning & Development team embarked on another robust year of training, with a combined 73, 173 of courses made available to our team members. For 2017 the Learning and Development Unit engaged in the development and facilitation of a client experience course titled, '#CreatingSmiles,' which, directly aligns with the Client Experience Group Strategy.

This year Talent Development placed strategic emphasis on the following:

- **Sales Skills training**

  To date we have trained all client-facing, non-sales team members across the Group and on-site evaluations have been ongoing.

- **Middle Managers' Development Programme**

  Managers played an increasingly important role, charged with seeing that the organisation's vision and strategy are executed. This has led to a heightened need for development of the leadership skills of middle managers. The programme is designed to provide participants with the learning and development required to meet the strategic goals of the organisation.

- **Cross Training Programme**

  There were 68 individual cross training applications received, with 63.23% of those team members successfully finding suitable opportunities within their selected areas.

  A large number of these applications were for Group Marketing, Group Human Resources and Finance, which were among the units that have been, and currently are, facilitating cross training. We will continue our efforts to facilitate cross training opportunities in these and other departments.

SAGICOR GROUP JAMAICA PRO-MILLENNIAL MENTORSHIP SOCIETY MENTORSHIP PROGRAMME

The SGJ Pro-Millennial Mentorship Society, established in March 2017 to foster our over 50% millennial team member cohort, has grown to a membership of over 200 persons between 18 and 35 years old across the Group. The Talent Management unit of Group Human Resources has direct oversight for the society and actively works with the society's executive team to achieve its goals and objectives.

The society meets once per month with the aim of developing members in the areas of financial management, personal branding, leadership, communication, community service and interpersonal skills. The objective is to have an advanced team of individuals from which we can recruit to meet our changing business needs and remain competitive while creating value for team members.

The development of a mentorship society within Sagicor Group Jamaica is a praiseworthy initiative that has been well received. Members have been afforded the privilege of being mentored by Sagicor leaders as well as external industry leaders.

The society is mandated to undertake a major annual project that will add value to Sagicor Group Jamaica. In 2017 society members decided to develop an Information Portal to be placed in head offices across the group to improve overall client experience. They are currently awaiting feedback from the relevant business leaders to proceed. The proposed completion date for the portal is slated for February 28, 2018. This project is solely funded by the society, and they undertook a number of memorable fund-raising activities in 2017 including:

- **Jerk Fridayz,**
- **An auction featuring members of the Leadership Team, and**
- **The "House of Comedy" stand-up comedy show.**

For 2018, the society plans to increase membership with plans for presentations at our induction sessions, and collaborating with other organisations to establish similar societies with the aim of building their network.

2017 YOUTH DEVELOPMENT PROGRAMMES

The Sagicor Experience Internship Programme has gone from strength to strength. Now in its fourth year, the programme has allowed us to continue in our efforts to support and develop bright talent graduating from the nation's top Bachelor's Degree programmes. The Programme gives recent university graduates an opportunity to gain valuable work experience, build confidence, and make a seamless transition into the workforce. The programme commenced October 2, 2017 and concluded on December 29, 2017. The selected candidates were recent graduates of the University of the West Indies, the University of Technology, and an intern from Dartmouth College in the United States. They were placed in 28 different departments across all five divisions, with emphasis on placing them in departments, aligned with their career goals to offer meaningful employment experiences.

Sagicor's most recent cohort of 31 interns graduated in style at the end of December 2017, after a dynamic 3-month programme that involved meaningful employment, multiple training sessions, and a Showcase and Mingle event that saw seven groups presenting their own ideas to Sagicor's Management Team on how to make Sagicor even stronger.

The programme usually provides a strong pool of talent from which Sagicor can recruit, and 2017 was no exception, over 30% of the newly graduated group have already joined the company. We expect to see great things from them as time goes on. As we prepare to launch 'Internship 2018', we look forward to seeing the initiative grow, by incorporating innovative and exciting ways to capitalise on the potential of Jamaica's new graduates, welcoming them into the Sagicor family and the Jamaican workforce.

The 2017 Sagicor Summer Mentorship Programme received 274 senior secondary and tertiary students for career building workshops.

2017 HEART Trainee Programme

The Sagicor HEART Trainee programme is a partnership with HEART Trust/NTA that is meant to provide opportunities for growth through meaningful employment to young Jamaicans, particularly those from underprivileged backgrounds. By the end of the year, 25 entry-level vacancies were filled for 2017, while an additional 15 trainees, recruited in 2016, had contracts which extended into 2017. Of the 40 HEART Trainee contracts that started in or carried forward into 2017, 25% of trainees have moved into new roles.

2017 Summer Mentorship Programme

The Sagicor Summer Mentorship Programme, which ran from May 22 to August 29 in three batches, welcomed 274 high school sixth-formers and university students. The programme provided the opportunity for a robust professional development experience. The candidates participated in workshops about understanding and managing emotional intelligence, critically assessing and leveraging their competencies with the needs of the business, as well as understanding the importance of teamwork.

A new element introduced to the programme this year had the participants engaged in a team outreach project where they were placed in groups and given the responsibility to identify an avenue through which collaborative efforts would address the specific needs they identified. Areas of focus spanned children homes, basic schools, community centres, parks, and disadvantaged individuals in the community. The initiative was well received by the participants and generated strong positive feedback.

So far, 27 of this year's summer mentorship programme participants have returned to us in contractual capacities to fill vacancies in the company.

CHANGES

Our year of transformation culminated with the departure of three stalwarts within our Executive Team, Rohan Miller, Ingrid Card and Donovan Perkins. Rohan Miller, President & CEO - Sagicor Investments Jamaica Limited, Sagicor Real Estate X-Funds, and CIO - Sagicor Life Jamaica Limited, transitioned to the position of Head of Treasury with Sagicor Financial Corporation. While Ingrid Card, Vice President Group Marketing, moved to Sagicor Financial Corporation as Vice President, Corporate Communications and Brand Experience.

After 25 years of stewardship, Donovan Perkins, President & CEO - Sagicor Bank Jamaica Limited, retired. He continues to contribute however, as a member of the Board of Sagicor Investment Jamaica.

LOOKING AHEAD

A successful year is behind us and an exciting road lies ahead. Our strategic plans in support of the 2018 Group business objectives include:

- Continuing to strengthen leadership capability, promoting greater levels of alignment & ownership to drive and sustain high levels of performance,
- Robust succession planning to identify, assess and develop team member knowledge, attitudes, skills and habits to meet current and future workforce needs,
- Promulgation of collaboration across the Group, and
- Change Management initiatives to ensure people are effectively led, engaged, and supported.

Our team members are our greatest source of strength and pride. Their contribution will always have a direct impact on how we serve our clients and our communities and we will remain focused on maintaining a winning team and a self-sustaining high-performance culture.

TEAM MEMBER OF THE YEAR

Stephen O. Levy is the Sagicor Group Jamaica team member of the year for 2017. His perceptiveness, willingness and innovative skills have helped Sagicor to achieve commendable results.

Stephen Levy's sojourn to success commenced in 2007 at the Sagicor Life Belmont Dukes Branch. He quickly demonstrated that hard work, commitment, team work and proper work ethics are key elements to great accomplishments.

Forward thinking and innovative, coupled with his outstanding performance in the Branch, he was promoted to the New Business Department as a Pre-Underwriter in 2015. Stephen established several new relationships which epitomized his very strong inter-personal skills. He then exemplified himself in making substantive contributions to the processes and enhancement of quality service within the Unit.

He has effectively led specific areas on several strategic projects aimed at improving operational efficiencies and ultimate client service and experience. Stephen was enlisted as a member of the GIAS Life implementation team where he assisted with providing feedback from the New Business perspective. He was also very involved in the successful implementation of the auto settlement feature which positively improved the service delivery of the Individual Life Division's on boarding process. Stephen was also the team lead for the testing of the Sagicor Life Annuity plan in August which was effectively implemented in Jamaica and Cayman. He is currently the New Business leader for the Sagicor Life Express (E-App Portal) testing (UAT) slated to be launched in 2018. In an effort to streamline the New Business Operations, he was also influential in the preparation of the New Business Manual of Operating Procedures in December 2017.

In addition to working on these strategic initiatives, Stephen has contributed significantly to the planning of the Individual Life Division social programmes aimed at cultivating team engagement.

He currently chairs the New Business Department Social Events Committee which has planned and executed a number of social activities aimed at building team morale and synergy across the Group.

In 2017, Stephen graduated from the UWI Mona of School of Business, with a Master's of Science Degree with honours in Computer Based Management Information Systems. He used the knowledge gained from his studies to introduce cost savings initiatives for the Individual Life Division. This spanned several projects and initiatives undertaken by the New Business Department. Among them is the implementation of the New Business Department online leave roster which contributed to the prudent deployment of staff during vacation periods.

Stephen is a good corporate citizen. He has a deep commitment to social services within his community and country at large. This is evidenced by his participation in the Adopt-A-School programme, as marketing representative for the Insurance Employees' Co-operative Credit Union, as well as, Sagicor Foundation volunteer. Additionally, he serves as an executive member of the Table Tennis Jamaica Business House Association, Bethel Bible Way Apostolic Church and President of the National Youth International Bible Way Jamaica Organization.

He is an active Sagicor Foundation volunteer where he participates in several extra-curricular activities such as the Sagicor Group's annual Sigma Run.

Stephen holds true to his guiding principles and believes no task is too big or too great once initiative and creativity are applied.

CORPORATE **SOCIAL RESPONSIBILITY**

Susan Bucknor (foreground), Social Media and Special Projects Officer, Sagicor Group, snaps a quick photo with (from left) Tessanne Chin, Sagicor Brand ambassador and 2017 race patron; Alfred 'Frano' Francis, Race Director; Richard Byles, Chairman of the Sagicor Group Jamaica, and Karen Ramsay, Marketing Administrator, just before the beginning of the race.

Sagicor Group Jamaica has a very active and vibrant CSR programme, carrying out numerous activities throughout the year in the areas of Health, Education and Sports.

Primarily, CSR activities and initiatives are executed under the umbrella of the Sagicor Foundation, the charitable arm of the Group. With a robust volunteer programme, comprising some 400 Sagicor team members, the company continues to live up to its vision of serving the people in the communities in which they operate, always Caring, Serving and Inspiring. Our dynamic and far-reaching projects have a long-lasting impact and effect on the hundreds of thousands of lives the Foundation touches; through our various projects, Sagicor inspires team members, community members and nation leaders to act and make a difference in the lives of those less fortunate around us.

HEALTH

Sigma Corporate Run

On February 19, 2017, Sagicor Foundation hosted the 19th staging of its annual charity road race event, Sigma Corporate Run, which raised JMD50,537,400 for three beneficiaries: The Bethlehem Home for Abandoned Children, Spanish Town Hospital Special Care Unit and the Mandeville Hospital Neonatal Intensive Care Unit. The largest road race in the Caribbean region was held under the patronage of Olympian Yohan Blake, Father Ho Lung and Tessanne Chin.

$50.5M
RAISED BY SIGMA CORPORATE RUN

$22M
DONATED TO BETHLEHEM HOME

$14M
SPANISH TOWN HOSPITAL SPECIAL CARE UNIT

The Bethlehem Home received over $22M in renovation, refurbishing and repairs, including equipment and a 14 seater bus to better support the mission of the Children's Home. The Spanish Town Hospital Special Care Unit received medical equipment valued at over $14M, while the Mandeville Regional Hospital Neonatal Intensive Care Unit received over $8M worth of medical equipment. Most notably is that the Spanish Town Hospital Special Care Unit received their first ventilator as part of the donation.

Jamaica Cancer Society

The Foundation continued its support of the Jamaica Cancer Society activities, including its two major fund-raising events during the year – Relay for Life and Keeping Abreast Luncheon. Relay for Life, which was held in July 2017 at the Police Officers Club, saw over 200 Sagicor team members and their families coming out to support the annual vigil in support and memory of cancer survivors and victims, respectively.

The vigil takes the form of an all-night lap-a-thon around the track, interspersed with entertainment, and an hour of silence in honour and memory of those who have passed from the dreadful disease, cancer. The vigil ends with a high-energy soca-size session in the morning. The Foundation's cash sponsorship of both events is valued at over $1M; additionally for the Keeping Abreast luncheon, held in October, to recognise Breast Cancer Awareness Month, the Foundation provides a gift for all attendees at the luncheon.

Community Health Tour

In an effort to reach out and impact the lives of people in the communities in which we operate, Sagicor Foundation hosted a series of Community Health Tour during the months of November and December, offering free health services to thousands of people across the island. The Health Tour utilized the Sagicor Wellness Bus, which visit nine Sagicor locations and provided the following health checks: blood pressure, blood sugar, blood cholesterol, eye test. The locations visited were: Sagicor Life, Spanish Town; Sagicor Life Mandeville, Sagicor Bank, Ocho Rios; Sagicor Bank, Fairview, Montego Bay; Sagicor Life, Savanna-la-Mar; Sagicor Bank, Portmore; Sagicor Life, New Kingston; Sagicor Bank, May Pen and Sagicor Bank, Black River.

Donation to Sickle Cell Trust

The Sagicor Foundation also made a significant donation of $2M to the Sickle Cell Trust (Jamaica) in 2017 to aid the Trust with the continuation of an educational and awareness Sickle Cell project.

EDUCATION

Reading is Cool

In recognition of Child Month, during the month of May, the Sagicor Foundation partnered with Lasco Manufacturing iCool beverage to host over 150 basic and primary school children at its Reading is Cool event at The Hope Zoo. The students, ages 3 – 12 years old, came from seven schools across the island and were treated to a day of fun, reading, story-telling, animal viewing, games and other engaging child-friendly activities. The Reading is Cool activity is meant to reinforce the importance and the value of reading, as well as cultivating the habit of reading from an early age among students. The activity is another avenue through which the Foundation seeks to engage the younger generation and expose them to reading in a different environment outside the classroom, where their imaginations come alive.

Radio personality Jenny Jenny hosted the event and kept the children entertained with various activities and trivia throughout the day; famed Jamaican poet Amina Blackwood Meeks awakened the imagination of the children through her vivid story-telling skills, which had the children captivated the whole time. The featured reading book for the day was "Aiden and the Apple Tree" by Jamaican author Johnathon Kelly.

$8M MANDEVILLE HOSPITAL NEONATAL INTENSIVE CARE UNIT

$1M JAMAICA CANCER SOCIETY

$2M SICKLE CELL FOUNDATION JAMAICA

$18M SCHOLARSHIPS IN 2017

$5M HERBERT HALL SCHOLARSHIP FUND

$6M JTA NATIONAL ATHLETIC CHAMPIONSHIP

The seven schools that participated were:

1. Bath Early Childhood Institution, Westmoreland
2. Glendevon Primary and Junior High, St. James
3. Maranatha Basic School, Kingston
4. New Day Primary, Kingston
5. Rollington Town Primary, Kingston
6. Small Treasures Child Care, Kingston
7. Treadlight Primary, Clarendon

Labour Day Project

A national day of coming together to volunteer and help with beautifying the environment, Labour Day 2017 saw over 400 Sagicor team members come out and give of their time - volunteering and labouring across 10 educational institutions around the island, helping with refurbishing, repairs, painting and beautification of the schools' environment.

They include:

1. Bigswood Primary School, Mountainside District, St. Elizabeth
2. Rollington Town Primary School, Kingston
3. Colin's Close Basic School, Kingston
4. D'Frank Early Childhood Institute, Greenvale, Mandeville, Manchester
5. May Pen Unit for the Deaf, May Pen, Clarendon
6. Montego Bay Autism Centre, Montego Bay, St. James
7. Vision Academy, Tucker District, Montego Bay, St. James
8. Naggo Head Primary School, Portmore, St. Catherine
9. Chantilly Gardens Early Childhood, Chantilly Gardens, Savanna-la-Mar, Westmoreland
10. Ocho Rios Primary School, Ocho Rios, St. Ann

Scholarship Programme

Through its Sagicor Foundation Scholarshiop Programme, Sagicor continued to impact and shape the future of our young leaders. In 2017 Sagicor Foundation disbursed 68 new scholarships and renewed over 50 scholarships for tertiary and secondary students.

The scholarship programme provides students who were successful in their Grade Six Achievement Test (GSAT) with a five-year scholarship, valued at $250,000, renewable annually at $50,000. For tertiary students, the scholarship is valued at up to $250,000 and is payable annually towards tuition fees.

Thirty-seven (37) GSAT and 31 tertiary scholarships were awarded during the Scholarship Awards Ceremony for the scholars. The function was at the Jamaica Pegasus Hotel and saw a full house with all scholars being present to be recognised and receive their award. Former Member of Parliament, Damion Crawford gave the keynote address, while Junior Minister in the Ministry of Education, Youth and Information the Hon. Floyd Green brought remarks on behalf of the Ministry.

The GSAT scholarships were awarded to children of various Sagicor stakeholders who excelled in the Grade Six Achievement Test (GSAT) to move on to pursue their secondary education at respective schools across the island. The scholars included children of clients, team members and service members of the Jamaica Defence Force (JDF). In 2017 the Sagicor Foundation introduced the scholarship for GSAT students who are children of JDF service members. Scholarships were also awarded to the 2017 Champion boy and girl from the Jamaica Teachers' Association/Sagicor National Athletics Championship.

For the tertiary scholarships, the 31 scholars were selected based on academic performance, as well as community involvement, volunteerism, strong leadership potential and financial need. The tertiary scholars are students at some of Jamaica's top institutions: the University of the West Indies, University of Technology Jamaica (UTech), Mico University College, the Caribbean Maritime Institute, Northern Caribbean University (NCU), University of the Commonwealth Caribbean (UCC) and the Edna Manley College of the Visual and Performing Arts.

In total, over $18M was disbursed for scholarships in 2017.

Adopt-A-School

Three rural basic schools were 'adopted' under the Sagicor Foundation Adopt-A-School Programme for the 2017-2018 academic school year. The schools selected were A.M.E. Basic School in Portland Cottage, Clarendon, D'Frank Early Childhood Institution in Greenvale, Manchester and Haughton Grove Early Childhood Institution in Ramble District, Hanover. The newly adopted schools were treated to a festive launch event at the Jamaica Pegasus in October, which saw the usual function room transformed into a child's playground, with plenty of games, animal balloons, story corner, cotton candy and much more.

Under the programme, the Foundation will focus on donating sustainable infrastructure to each school in order to have a greater and long-lasting benefit to the communities they serve. Activities to be carried out include the expansion of a new classroom at AME Basic School, the construction of a new sick bay at D'Frank Early Childhood Institution and provision of the necessary infrastructural repairs to Haughton Grove Early Childhood Institution. In addition to the renovation and repairs to be carried out at each school, the Foundation, in an effort to maintain a relationship with the schools as well as continuously engage the children,

also had a day of fun and festivities in celebration of the Christmas season in December. Each school had a Christmas treat with lots of sweet treats, games, rides and gifts for the children.

Donation to Jamaica Association for the Deaf

In honour of the late Herbert Hall, a stalwart in the insurance industry and co-founder of Life of Jamaica, who gave over 50 years of voluntary service to the Jamaica Association for the Deaf (JAD), Sagicor Foundation donated $5M towards a Memorial Scholarship Fund set up in Hall's honour by the JAD. The scholarship fund will assist deaf students with furthering their educational pursuits.

SPORTS

The Sagicor Foundation continued its long-standing partnership as title sponsor of the Jamaica Teachers' Association National Athletic Championships. With a capital injection of $4.5M sponsorship directly towards the Association to help with underwriting the cost of the track meet, the Foundation absorbs an additional $1.5M, which covers gifts for the over 1,200 students at the event; food and beverage plus other logistics pertinent to the success of the Championships. The track meet, which is a platform to show off the talent of the young, up-and-coming primary school track and field stars, was held over two days - June 2 and 3 at the National Stadium. Additionally, the Champion Girl and Champion Boy from the meet have each received scholarships to cover their secondary education.

SAGICOR FOUNDATION

AMCHAM

CIVIC LEADERSHIP & CORPORATE SOCIAL RESPONSIBILTY AWARDS | 2017

1st PLACE
LARGE FOUNDATION CATEGORY

2nd PLACE
LARGE COMPANY CATEGORY

Sagicor Foundation copped the Top Award in the Large Foundation category at the annual American Chamber of Commerce (AMCHAM) Civic Leadership and Corporate Social Responsibility Awards held in October 2017. Sagicor Group Jamaica received the 2nd place award in the Large Company category for its CSR initiatives.

The AMCHAM Business and Civic Leadership Awards seek to celebrate, highlight and encourage those who inspire others with their vision, leadership and achievement. The goal of the awards programme is to showcase businesses, individuals and non-profit organisations that are driving and achieving economic and social progress in Jamaica through ethical leadership, stewardship, and community-building activities.


0475
0460

1

3

4


Sagicor

6


MAY PEN UNIT FOR THE DEAF
VISION STATEMENT

2


FOR THE DEAF
jad
OVER 77 YEARS
ELEVATE"
FOUR MILLION DOLLARS

5


2017

7

8

9

1. Junior athletes at the JTA/Sagicor National Athletics Championship flawlessly pass the baton in the relay event. 2. After a hard day of work, team members from the parish of Clarendon pose for a photo by the May Pen Unit for the Deaf, where they conducted a beautification project on Labour Day 2017. 3. The adults thoroughly enjoy the performances done by the children at the Sagicor Foundation Adopt-A-School Launch event. From left: Jacqueline Donaldson, Vice President – Group Human Resources & Corporate Services, Sagicor Foundation Chairman, R Danny Williams, Christopher Zacca, President & CEO, Sagicor Group Jamaica, Trisha Williams-Singh, Early Childhood Commission Chair, Sagicor Foundation Board Member, Chantal Hylton Tonnes and Willard Brown, Executive Vice President & Actuary, Employee Benefits Division. 4. Students enjoy the entertainment package provided at the 2017 Sagicor Foundation Adopt-A-School Launch. 5. R. Danny Williams, chairman of the Sagicor Foundation, happily presents a symbolic cheque of $4 million to Christopher Williams, Chairman of the Jamaica Association for the Deaf. 6. Aunty Simone Bissick, Sagicor team member, was a comfortable pillow while these angels watched the activities at the Sagicor Foundation Adopt-a-School launch event in 2017. 7. Richard Byles (centre), President and CEO, Sagicor Group Jamaica pauses for a quick photo with representatives of the Sagicor Sigma Run 2017 beneficiaries and patrons. Sharing in the photo are (from left) Father Hayden Augustine from the Missionaries of the Poor, CEO of the Spanish Town Hospital, Gregory Thomas; Tessanne Chin, Sagicor Brand Ambassador and Sigma Run 2017 patron; Olympian Yohan Blake, Sigma Run 2017 Patron and Alwyn Miller, CEO of Mandeville Hospital. 8. An aerial shot of the 2017 Sagicor Sigma Corporate Run mural painted onto the road surface at the start line by volunteers hours before the race. 9. And they're off! Participants of the 19th staging of the 2017 Sagicor Sigma Corporate Run head for the finish line.

Creating Bright Futures

With a focus on education and health, the Sagicor Foundation ensures that our impact is felt throughout the communities within which we operate.

The Foundation in 2017, awarded 68 scholarships to extraordinary secondary and tertiary level students, whose education pursuits would have been blighted without our assistance. The bright-minded, ambitious young individuals were given a chance to overcome their harsh realities and achieve their dreams.

Through this initiative, the Foundation's mantra – Caring • Inspiring • Serving – is brought to life as we invest in the development of Jamaica's future by placing Sagicor Scholars on the path to success.

68 SCHOLARSHIPS AWARDED

Keasa Collins

Northern Caribbean University: I am currently pursuing a Bachelor of Arts degree in Early Childhood Education with an emphasis in Literacy. As a result of my father suffering from a stroke, my mother is the only one who currently takes care of my tuition and bills while I attend school. I am truly thankful for the opportunity of being a recipient of the Sagicor Foundation Scholarship, because of this opportunity I was able to clear the outstanding balance that I had from semesters before. The fact that the Sagicor Foundation requires that I do voluntary hours is very good as I am always up for giving back or just helping. Being a Sagicor Foundation volunteer also helps to broaden my social and professional circle as I usually get to work with new people and make new friends. Thank you, Sagicor Foundation!

Ashamarra Walker

Caribbean Maritime University: I am pursuing a degree in Logistics and Freight Forwarding at the Caribbean Maritime University. This is my first time being on the Sagicor Scholarship programme and I am truly grateful for being awarded for my hard work. I am raised by parents who were unable to send both me and my twin sister to university at the same time because of insufficient funds. The scholarship was certainly of great help for me and my parents and I am motivated to continue to work hard and to excel in my future endeavours. Volunteering for the Sagicor Foundation is always exciting; it feels like a family and I get the opportunity to interact and bond with the other scholars, as well as give back to important and worthy charitable causes.

Nichelleann Richards

University of the Commonwealth Caribbean: I attend the University of the Commonwealth Caribbean. My bachelor's degree programme is in Applied Psychology. Currently, I am in my third year of study and my only source of financial support is my mother and the Sagicor Foundation scholarship. My mother works in a bar that she operates and with the many financial responsibilities she has, the scholarship gives us peace of mind. My mother was in an accident last year (2017) September and she could not work; but because of the gift of the Sagicor Foundation scholarship there was one less thing to worry about. Volunteering with the Foundation is also a great learning experience; seeing people working together for a greater good is inspiring; the cohesiveness and the dynamic environment is insightful and getting to socialise and work with your peers towards a common goal is a valuable experience.

Kemar Williams

Edna Manley College of the Visual and Performing Arts: My dream was always to become an artist and from primary school I worked towards achieving that goal. In 2011 I got the highest grade in the region for Visual Arts in the CSEC assessment. When I realised that accomplishment I knew I had to further my studies in visual arts, so I deferred school for a year and worked to save money to go to college. But after doing two semesters at the Edna Manley College of the Visual and Performing Arts pursuing a Bachelor of Arts degree in Education, I couldn't manage to pay the fees and had to drop out of school. The Sagicor Foundation Scholarship stepped in when I needed it most and helped me to continue my studies and ultimately achieve my educational goal. I am now living my dream and continuing my studies to one day become one of Jamaica's greatest artists. Volunteering with the Foundation has been a great experience because as they give back to society I am allowed to do the same and play a part in nation building.

Kemar Williams received the Sagicor Foundation Scholarship after his plight was highlighted in the media. Having seen his potential, the Sagicor Foundation stepped in to give Williams a chance at fulfilling his dream of becoming an artist.

Kaydee Evans

Mico University College: I am thankful for the scholarship I received from the Sagicor Foundation. It has helped me tremendously by financing my tuition in order for me to gain my Bachelor of Science degree in Guidance and Counselling. This help has also significantly relieved the financial burden off my mother, who is my sole provider. My mom is a chef at a primary school earning minimum wage and it would prove very difficult for her to fund my education and cover all other expenses for the household. I am truly happy to have been selected as a recipient of the Sagicor Foundation scholarship and I am forever grateful. Completing my voluntary hours with the Sagicor Foundation is something I enjoy very much as well; I not only feel like a scholar but part of a family. It is just an excellent experience overall!

Dylan Lewis

University of Technology: I am a first year student pursuing a Bachelor of Science degree in computing at the University of Technology, Jamaica. Of the educational milestones I have achieved, becoming a Sagicor Scholar has been one of the most impactful on my academic pursuits. It has empowered me, an ambitious young man to go forward and chase my dreams, which before seemed uncertain because of financial constraints. Being from a low-income extended family, where my parents, a taxi operator and dressmaker, struggle to make ends meet, this Sagicor Scholarship came as a blessing, easing the burden they would have to bear. The opportunity to participate as a volunteer with Sagicor Foundation is a rewarding feeling as it gives me a chance to give back to the community, especially to persons who have found themselves in more unfortunate circumstances than me. This gives me a great sense of fulfilment, as we work to uplift others.

Kadijah Ricketts

University of the West Indies: I have had a phenomenal experience as a Sagicor Scholar. As a beneficiary of the Sagicor Foundation scholarship, my tuition fee was covered which gave me the opportunity to pursue a Bachelor of Science degree in Economics at the University of the West Indies. The financial burdens on my mother, who is a vendor and the sole breadwinner of my family, were also significantly minimised. Additionally, this scholarship has aided me tremendously in my mental growth as it has motivated me to become more goal-oriented and conscientious in getting excellent grades. Currently, my GPA is 3.54 and this scholarship propels me to obtain my ultimate goal of becoming an economist. Also, being a Sagicor volunteer is one of the most rewarding opportunities that I have ever received and I value the experience I have had thus far with the Sagicor family.

SUPPORTING THE ENVIRONMENT

Sagicor Group Jamaica's approach to the environment is grounded in our mission to actively improve the communities in which we operate, ever aware that the sustainability of our firm is intrinsically linked to the sustainability of our communities.

As a financial services firm with national impact, we are well positioned to contribute to sustainability through our business practices.

Run Environment Policy

As a part of our annual Sigma Corporate Run, we have implemented a Go Green initiative which in 2017 yielded approximately 8,100 plastic bottles, the equivalent of 400 pounds of plastic. Sagicor Green Team volunteers, in collaboration with Recycling Partners of Jamaica Limited, collected bottles for recycling throughout the over 25,000-person road race, and by example, inspiring community members to make recycling plastics a priority. As a part of our organisational culture and wellness programme, Sagicor team members are encouraged to carry reusable water bottles, and office spaces outfitted with water dispensers to cut down on the use of plastic bottles on a day-to-day basis, lowering our carbon footprint.

THINK before we PRINT

Our team members are also encouraged to 'think before we print', and recycle printed paper to generate less paper waste internally. Also in line with the paperless drive, in 2017 Group Procurement began updating existing systems to make the ordering process a completely electronic one.

Paperless Banking

Sagicor Bank's e-Advantage account rewards clients for paperless banking with zero-fee electronic transactions. Also on offer are e-banking services for regular accounts, Sagicor Bank's mobile app, SMS banking, Transact email banking services, and islandwide ABMs, all convenient paper-free options.

Through the Sagicor Life portals, Client Web, My Volunteer, and My Sagicor, clients can make policy updates, encashments, and check their supplemental and pension benefits online, reducing the need for mailed statements and receipts.

Energy Efficiency

Our initiatives also include energy efficiency and optimisation, and as such we are moving to outfitting our offices with light-emitting-diode (LED) bulbs, today's most energy-efficient lighting option. LED lights are durable and long-lasting, resulting in lower waste production. And with approximately 75% less energy usage than incandescent lights, and an 80-90% reduction in heat emissions, LED bulbs cut down on fossil-fuel consumption and our impact on climate change.

In non-essential spaces across Sagicor buildings, automatic shut-off of air conditioners is scheduled for 5pm on Mondays through Fridays, and automatic switch off for office lights is at 9pm in the week, and throughout the weekend. Motion sensing lights are also employed in small offices and restrooms. The lower electricity usage cuts fuel consumption and greenhouse gas emissions, and the decreased usage of lights in our high-rises cuts down on light pollution. Bird lovers will be happy to note that the lower light levels also aid migrating species, many of which fly through the night and can become disoriented by bright city lights.

We believe that reducing our corporate footprint ultimately drives efficiency and innovation, and we will continue our commitment to waste reduction and energy efficiency in our operations.

8,100 PLASTIC BOTTLES RECYCLED

The equivalent of 400 lbs. of plastic were collected for recyling during the Sigma Run Go Green Initiative

75% REDUCTION IN LIGHTING

Improved energy efficiency will be achieved with energy efficient LED lighting options

80-90% REDUCTION IN HEAT EMMISSIONS

With approximately 75% less energy usage, LED bulbs reduce fossil-fuel consumption and our impact on climate change.

VICE PRESIDENTS

EMPLOYEE BENEFITS

Carol Lawrence
Vice President
Group Insurance Services

Nicola Leo-Rhynie
Vice President
EBD Marketing

SAGICOR BANK JAMAICA LTD.

Jeffrey Chevannes
Vice President
Credit Risk

Sean Parris
Vice President
Operations

Sabrina Cooper
Vice President
Payments

Michael Willacy
Vice President
Corporate, SME & Retail Banking

EMPLOYEE BENEFITS ADMINISTRATOR LTD.

Latoya Mayhew-Kerr
Vice President
Employee Benefits Administrators Ltd.

INDIVIDUAL INSURANCE DIVISION

Audrey Flowers-Clarke
Vice President
Insurance Operations

SAGICOR INVESTMENTS JA. LTD.

Kevin Donaldson
Acting General Manager
Group Treasury and Asset Management
(Promoted to Senior Vice President & CEO, Sagicor Investments jamaica on Jan 1, 2018)

Donette Scarlett
Vice President
Group Treasury and Asset Management
(Promoted to Senior Vice President, Group Treasury & Asset Management on Jan 1, 2018)

Brenda-Lee Martin
Vice President
Asset Management

Tara Nunes
Vice President
Wealth Management and Client Services

SHARED SERVICES

Mark Clarke
Vice President
Group IT Infrastructure and Technical Services

Jacqueline Somers-King
Vice President
Finance

Hope Wint
Vice President
Enterprise Risk Management and Group Compliance

ASSISTANT VICE PRESIDENTS

EMPLOYEE BENEFITS ADMINISTRATOR LTD.

Corinne Bellamy
Assistant Vice President
EBA Acturial Services

EMPLOYEE BENEFITS DIVISION

Megan Irvine
Assistant Vice President
Pensions and Annuities

INDIVIDUAL INSURANCE DIVISION

Andrea Taylor
Assistant Vice President
New Business, Underwriting, Paramed & Claims

SAGICOR PROPERTY SERVICES LTD.

Wayne Robinson
Assistant Vice President
Sagicor Property Services Ltd.

SAGICOR BANK JAMAICA LTD.

Tanya Allgrove
Assistant Vice President
Credit Risk

Omar Brown
Assistant Vice President
Treasury

Annette Osborne
Assistant Vice President
Operations

SHARED SERVICES

Andrew Burke
Assistant Vice President
Group IT and Data Security

Andrea Chung
Assistant Vice President
Group Project Management Office

Jacqueline Donaldson
Assistant Vice President
Group Corporate Services

Coretta Foster
Assistant Vice President
Group Human Resources

Merrick Plummer
Assistant Vice President
Sales and Distribution

Vinnate Hall
Assistant Vice President
Group Internal Audit

Lorna Jamieson-Bond
Assistant Vice President
Group Management Accounting

Jacinth Kelly
Assistant Vice President
Group Insurance Accounting

Patrick Kelly
Assistant Vice President
Group Application Support and Development

Christopher King
Assistant Vice President
Corporate Acturial

Grace Royal Bassaragh
Assistant Vice President
Group Legal, Trust & Corporate Services

Camisha Sinanon
Assistant Vice President
Group Corporate Accounting

Faith Vincent
Assistant Vice President
Treasury & Investment Operations

Camille Witter
Assistant Vice President
Corporate Acturial

BRANCH MANAGERS

SAGICOR LIFE JAMAICA

Olivine Barnes
Spanish Town Branch

Roaan Brown
Belmont Dukes Branch

Michael Forbes
New Kingston Branch

Pete Forrest
Senior Branch Manager
Corporate Circle

Leslie Francis
Knutsford Branch

Flora "Dale" Greaves-Smith
Mandeville Branch

Dave Hill
General Manager
Sagicor Insurance Brokers

Christopher Lawe
Holborn Branch

Derrick Lewis
Liguanea Branch

Patrick Sinclair
Senior Branch Manager
Montego Bay Branch

Marston Thomas
Half-Way-Tree Branch

Marvin Walters
Senators Branch

Ramoth Watson
Ocho Rios Branch

Norman Wilson
Sagicor Life of the
Cayman Islands

SAGICOR BANK JAMAICA

Wendy Ansine Bernard
Branch Manager
Montego Bay-Sagicor
Commercial Centre

Vilma Barrett Gunter
Branch Manager
Black River

Marvia Brown
Branch Manager
Dominica Drive

Natalie Buddan-Powell
Branch Manager
May Pen

Carla Drummond
Branch Manager
Sav-la-Mar

Clement Ellington
Branch Manager
Duke and Tower Street
(Region Corporate)

Nursita Gray Barriffe
Branch Manager
Tropical Plaza

Clinton Hunter
Regional Manager
Banking (Corporate)

Loven McCook
Regional Manager
Banking (South)

Glenroy Morgan
Branch Manager
Half Way Tree

Tricia Moulton
Branch Manager
Up Park Camp

Claire Palmer
Branch Manager
Montego Bay-Fairview

Doreen Pindling-Williams
Branch Manager
Ocho Rios

Howard Smith
Branch Manager
Hope Road

Tamara Waul-Douglas
Branch Manager
Liguanea and Manor Park

Kavon Walker
Branch Manager
Mandeville

Ingrid Wood
Branch Manager
Portmore

SAGICOR INVESTMENTS JAMAICA LTD.

Karen Richards
Regional Manager
Investment Client Services

Jacqueline Lambert
Manager
Wealth Management

Stephanie Vassell
Regional Manager
Investment Client Services
(West)

FINANCIAL STATEMENTS

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31 December 2017

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Independent auditor's report

To the members of Sagicor Group Jamaica Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of Sagicor Group Jamaica Limited (the "Company") and its subsidiaries (together "the Group") and the stand alone financial position of the Company as at 31 December 2017, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

Sagicor Group Jamaica Limited's consolidated and stand-alone financial statements comprise:

- The Consolidated statement of financial position as at 31 December 2017;
- The Company statement of financial position as at 31 December 2017;
- The Consolidated income statement for the year then ended;
- The Consolidated statement of comprehensive income for the year then ended;
- The Company statement of comprehensive income for the year then ended;
- The Consolidated statement of changes in equity for the year then ended;
- The Company statement of changes in equity for the year then ended;
- The Consolidated statement of cash flows for the year then ended;
- The Company statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters for consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

Our 2017 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year. In light of this, our overall audit approach in terms of scoping and key audit matters were largely unchanged as outlined below.

The Group's businesses are organised into five primary business segments being Individual Lines, Employee Benefits, Commercial Banking, Investment Banking and Other, as defined in Note 5 to the financial statements. Geographically, the segments are Jamaica, Cayman Islands and Other (Costa Rica). Each of these business segments include a number of reporting units, which together form the consolidated financial statements.

A full scope audit was performed for seven components, as these components are individually financially significant to the Group. These seven components are: Sagicor Group Jamaica Limited (Jamaica), Sagicor Life Jamaica Limited (Jamaica), Sagicor Life of the Cayman Islands Ltd (Cayman Islands), Sagicor Bank Jamaica Limited (Jamaica), Grupo Sagicor GS, G.A and subsidiary (Costa Rica), Sagicor Investments Jamaica Limited (Jamaica) and Sagicor Real Estate X Funds Limited (St. Lucia). We performed group analytical procedures with respect to the remaining components.

For six of the individually financially significant components, the PricewaterhouseCoopers (PwC) Jamaica Firm performed the audit. In relation to (Grupo Sagicor GS, G.A and subsidiary) the remaining financially significant component, we used component auditor from a non PwC firm who is familiar with the local laws and regulations to perform this audit work.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore

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In establishing the overall group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the group engagement team and by component auditors. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole. In addition, the group engagement team held meetings with the component auditors during the audit. For all the components, the Group Audit team held meetings with the component teams. In addition, we reviewed the audit files of the components except for Grupo Sagicor GS, G.A and subsidiary. The group team engagement leader and the senior members of the group engagement team also reviewed all inter-office and inter-firm reports, which included the audit approach and findings submitted in detail by all scoped in components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Actuarial methodologies and assumptions used in the valuation of insurance contract liabilities and annuity insurance contracts (Group) *See notes 2 (r-s), 3 (b) and 36 of the financial statements for disclosures of related accounting policies, judgements and estimates.* As at 31 December 2017, total reserves for life insurance and annuity contracts account for $78 billion or 27% of total liabilities of the Group. We focused on this area as it involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities. Economic assumptions, such as investment return and associated discount rates, and operating assumptions such as mortality and persistency (including consideration of policyholder behaviour) are the key inputs used to estimate these long-term liabilities. Management uses qualified internal actuaries to assist in determining these assumptions and in valuing the actuarial liabilities.	• We were assisted by our own actuarial specialist to evaluate the methodologies and assumptions utilized by management's actuarial expert considering industry and component specific facts and circumstances. • We updated our understanding for any changes impacting the assumptions, specifically, we focused on mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on the entity experience or published industry studies. • We tested the policy master file for completeness and accuracy of the underlying data utilized by management as inputs to the actuarial valuation. • We tested a sample of contracts to assess whether contract features corresponded to the data file given by management to its actuary. No material exceptions were noted We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were actuarially established and accepted and appropriate in the circumstance and consistent with prior years.
Valuation of financial investments and pledged assets and impairment of financial investments available-for-sale and loans and receivables (Group and Company) *See notes 2 (f), 3 (b), 9, 12 and 41 of the financial statements for disclosures of related accounting policies, judgements and estimates.* As at 31 December 2017, financial investments classified as fair value through profit or loss, available-for-sale and loans and receivables, and pledged assets together account for $224 billion or 64% of total assets for the Group and $792 million or 1%of total assets of the Company. The Group classifies its financial investments as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets, and available-for-sale financial assets. The valuation of financial investments and pledged assets held at fair value is based on a range of inputs. While many of the inputs required can be obtained from readily available liquid market prices and rates, certain securities are based on modelled prices as observable market data is limited. In these instances, management is required to make significant judgements due to the complexity in the valuation model estimates resulting in high estimation uncertainty risk. The disclosed fair value of loans and receivables which are carried at amortised cost, are impacted by similar valuation uncertainties. In addition, management is required to perform an impairment provision assessment for available-for-sale investments and loans and receivables where certain impairment indicators exist as disclosed in the financial statements in note 2 (k) (ii). The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contracts. The impairment assessment on loans and advances, a subset of loans and receivables, are addressed in a separate Key Audit Matter below.	• We assessed the Group's valuation of individual investment holdings, where readily observable data was available, we sourced that independently and performed a comparison to management's results. No material exceptions were noted. • For more judgemental valuations, which may depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by the Group. • We tested the significant inputs relating to yield, prices and valuation inputs to external sources where possible and compared valuation of similar securities in the market place. In some cases, these procedures indicated a different valuation to that calculated by management. In our view, the differences were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties disclosed in the financial statements. • We obtained management's impairment assessment and compared assumptions and inputs to independent market observable data where possible. We also checked the calculations for mathematical accuracy, noting no exceptions. • We tested a sample of available-for-sale investments, which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate. The results of our testing identified an additional impairment provision required, which was booked by management and adjusted in the financial statements. • We recalculated the carrying value, and amounts disclosed for the fair value of the Group's and Company's investments. Based on the testing, no adjustments were considered necessary.

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As a result of the above estimation uncertainty and subjective judgements made by management, we focused our attention on this area.

Goodwill impairment (Group)

See notes 2 (n) (i), and 18 of the financial statements for disclosures of related accounting policies, judgements and ***estimates.***

Goodwill of $2.23 billion had arisen from a number of historic business combinations.

We focused on goodwill acquired in business combinations in the Cayman Islands and Jamaica based on their magnitude and the impairment test remains sensitive to reasonably possible change in assumptions, being primarily:

- the growth rate;
- the discount rate, and;
- weighted average cost of capital (WACC).

- We were assisted by our valuation expert to assess the methodology and underlying assumptions used in the assessment of the goodwill impairment.
- We evaluated management's future cash flow forecasts, and the process by which they were developed. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We confirmed that the three year forecast used in the valuation model was consistent with Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.
- We tested the assumptions and methodologies used, in particular those relating to the discount rate, WACC and growth rates. To do this:
  - We evaluated these assumptions with reference to valuations of similar companies. We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.
  - We applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows.

In testing the valuation model, we checked the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's cash flow forecast.

We found the assumptions to be consistent and in line with our expectations.

Non-consolidation of certain entities and unit trusts (Group)

See note 3 (a) of the financial statements for disclosures of related accounting policies, ***judgements and estimates.***

As at 31 December 2017, certain entities and unit trusts managed by the Group, with total assets of $189 billion and $115 billion, respectively, were not consolidated within the Group's financial statements.

In determining whether the Group controls these entities and the unit trusts, management assessed the four criteria as outlined under IFRS 10, 'Consolidation of financial statements' and determined that the Group have not met all of the criteria required for consolidation.

The terms of the contracts and the trust deeds provide the Group with influence over the entities and unit trusts. The Group also benefits from exposure to variability of returns from other interest.

A number of significant judgements were used regarding whether or not these entities and unit trusts had met the requirements to be consolidated within the financial statements of the Group. These include:

- whether for the unit trust, the Trustee has the right to remove the investment manager, and;
- an assessment of the unit trust and entities exposure to variability arising from aggregate economic interest of the Group.

Given that these determinations require judgment, we focused our attention on this area.

- We examined the management contracts and the trust deeds of the entities and unit trusts and evaluated the extent to which the Group exercised control in the management of the entities and unit trusts and compared to management's assessment thereof.
- We tested the Group's ownership of units in the unit trusts and certain entities and assessed the Group's exposure to variability of returns for certain entities and the unit trust and determined that management's conclusions were not unreasonable.

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Impairment of loans and advances (Group)

See notes 2 (k) and 11 of the financial statements for disclosures of related accounting policies, judgements and estimates.

At 31 December 2017, loans and advances, net of provision of credit losses represented $61.4 billion or 17% of total assets for the Group. An impairment provision of $1.5 billion has been recognised for the Group.

The impairment of loans and advances issued by the Group's banking subsidiaries is an area of focus because the assumptions used for estimating both the amount and timing of future cash flows are complex and involves significant judgement by management, including:

- The key assumptions and judgments made by management when calculating the provision for individually impaired loans which include:
    - the estimated costs to sell the collateral;
    - time to liquidate the pledged collateral, and;
    - the amount and timing of collection of cash flows from other sources than pledged collateral.
- Valuation of real estate property pledged as collateral which is the most significant repayment source for impaired retail and commercial loans. The estimation of collateral values are impacted by market trends as well as the circumstance of the specific property and involves judgement and specialised skills.
- Classification of loans as impaired: we focused on the completeness of the customer accounts that are included in the impairment assessment.

We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over identification of which loans and advances were impaired. We determine we could rely on these controls for the purposes of our audit.

We examined a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate.

We tested the completeness of management's listing of potentially impaired loans by re-performing the process using management's impairment criteria. No issues noted

The criteria we used to determine if there is objective evidence if impairment included:

- Significant financial difficulty of the borrower;
- Default or delinquency in interest or principal payment;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty;
- The probability that the borrower will enter bankruptcy or other financial reorganization;
- Observable market data indicating that there is a measureable decrease in the estimated since the initial recognition of the loans.

Based on the testing performed, no material adjustments were considered necessary.

Where impairment had been identified, we inspected the forecast of future cash flows prepared by management to support the calculation of the impairment, challenging the assumptions and comparing estimates to external evidence where available. Management uses valuation experts to support their estimate of future cash flows from assets, including realization of the collateral held. Using a risk based approach, we engaged experts to perform independent valuations of commercial and residential properties held as collateral. Based on the testing results, no material adjustments were considered necessary.

Where impairment provision had been identified by management based on an expected default rate against performing loans by sector, we evaluated the default rate model and compared inputs to relevant data including historical loss experience for loans with similar risk characteristics. We also checked the calculations for mathematical accuracy, noting no exceptions.

We evaluated the performance of the loan portfolio subsequently to the end of the reporting period to identify evidence of possible significant adjusting subsequent events and did not identify any such events.

Valuation of Pension scheme assets and liabilities (Group)

See notes 2 (o), 3 (b) and 21 of the financial statements for disclosures of related accounting *policies, judgements and estimates.*

The Group operates various post-employment schemes, including defined benefit. The Group has a retirement benefit obligations of $3.5 billion.

We focused on this area as the valuation of the pension assets and liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. A number of key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. The pension assets include significant pension asset investments, the fair value measurements of which includes some judgement.

Management uses external actuaries to assist in determining these assumptions and in valuing the gross assets and liabilities within the pension plan.

- We were assisted by our actuarial expert to assess the methodology and underlying assumptions used in the calculation of the pension liability.
- We assessed the reasonableness of those assumptions by comparing to our own independently determined benchmarks.
- We tested the consensus and employee data used in calculating the obligation.
- We tested the fair value of scheme assets held (refer "Valuation of financial investments and pledged assets held at fair value" for work performed over valuation of pension plan assets).
- We obtained third party confirmations of ownership and valuations of pension assets.
- We compared the discount and inflation rates used in the valuation of the pension liability to independently determined available benchmarks.

Based on the audit evidence obtained, we determined that the data and assumptions used by management in the actuarial valuations and the determination of fair value of the scheme assets were supported by the available audit evidence.

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Other information

Management is responsible for the other information. The other information comprises the information presented in the Sagicor Group Jamaica Annual Report ("Annual Report") (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of our report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Paul Williams.

Chartered Accountants
Kingston, Jamaica
7 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Cash resources	6	12,652,317	10,792,470
Cash reserve at Central Bank	8	11,418,839	8,249,533
Financial investments	9	142,108,057	149,552,635
Derivative financial instruments	10	278,010	174,575
Loans and leases, after allowance for credit losses	11	61,431,486	56,175,968
Pledged assets	12	81,608,214	77,213,401
Investment properties	13	530,000	488,000
Investment in joint venture	14	356,391	397,822
Investment in associated company	16	7,050,842	6,115,829
Intangible assets	18	5,127,730	5,315,631
Property, plant and equipment	19	5,063,646	4,651,198
Reinsurance contracts	20	465,546	300,520
Retirement benefit assets	21	517,261	-
Deferred income taxes	22	2,351,201	4,538,842
Taxation recoverable	23	2,332,710	2,862,287
Other assets	24	18,744,270	14,126,121
TOTAL ASSETS		**352,036,520**	**340,954,832**

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	8,415,051	8,552,562
Equity reserves	27	7,522,083	4,203,984
Retained earnings		52,564,997	43,654,436
Total Equity		**68,502,131**	**56,410,982**
Liabilities			
Deposit and security liabilities	34	165,221,812	177,342,699
Derivative financial instruments	10	278,010	174,575
Taxation payable		148,160	1,636,737
Retirement benefit obligations	21	3,533,463	6,168,523
Other liabilities	35	18,859,895	12,831,372
Policyholders' Funds			
Insurance contracts liabilities	36	77,918,513	68,709,339
Investment contracts liabilities	37	13,777,110	14,131,800
Other policy liabilities	38	3,797,426	3,548,805
		95,493,049	86,389,944
Total Liabilities		**283,534,389**	**284,543,850**
TOTAL EQUITY AND LIABILITIES		**352,036,520**	**340,954,832**

Approved for issue by the Board of Directors on March 6, 2018 and signed on its behalf by:

Richard Byles Chairman

Christopher Zacca Director

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue:			
Gross premium revenue	40	41,973,347	34,369,662
Insurance premium ceded to reinsurers	40	(974,812)	(875,021)
Net premium revenue	40	40,998,535	33,494,641
Net investment income	41	21,429,115	19,348,572
Fees and other income	42	8,016,159	6,857,662
Total revenue		**70,443,809**	**59,700,875**
Benefits:			
Insurance benefits incurred		22,514,040	21,509,852
Insurance benefits reinsured		(605,096)	(456,579)
Net insurance benefits	43	21,908,944	21,053,273
Net movement in actuarial liabilities	36(d)	10,675,068	4,784,396
Expenses:			
Provision for credit losses	11	711,412	(159,024)
Administration expenses	45	16,612,724	14,325,459
Commissions and sales expenses	46	4,884,844	4,425,388
Depreciation	19	508,201	416,866
Amortisation and impairment of intangible assets	18	672,739	583,229
Other taxes and levies	47(b)	618,992	562,579
		24,008,912	20,154,497
		56,592,924	**45,992,166**
Share of profit/(loss) from joint venture	14	(9,710)	8,264
Gain on disposal of interest in associate		289,584	-
Share of profit from associate	16	862,846	495,046
Profit before Taxation		**14,993,605**	**14,212,019**
Taxation	47(a)	(2,923,782)	(2,953,980)
NET PROFIT, attributable to stockholders of the parent company		**12,069,823**	**11,258,039**
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic and fully diluted	48	3.11	2.90

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	2017 $'000	2016 $'000
Net profit for the year	**12,069,823**	**11,258,039**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value reserve - available-for-sale securities:		
Unrealised gains on available-for-sale investments	3,348,594	4,020,308
Gains reclassified and reported in profit in the Income Statement	(1,188,071)	(658,058)
Impairment losses on available-for-sale investments recognised and reported in the Income Statement	326,342	562,873
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	657,563	(704,538)
	3,144,428	3,220,585
Re-translation of foreign operations	(436,727)	678,910
Unrealised gains on owner-occupied properties in associates	74,025	749,771
Items that will not be subsequently reclassified to profit or loss		
Unrealised gains on owner-occupied properties:		
Gains recognised by subsidiaries	112,764	28,716
Re-measurements of retirement benefits obligations	2,849,880	(919,499)
Total other income recognised directly in stockholders' equity, net of taxes	5,744,370	3,758,483
Total Comprehensive Income, attributable to stockholders of the parent company	**17,814,193**	**15,016,522**

Items in the statement above are stated net of taxes. The income tax relating to each component of other comprehensive income is disclosed in Note 47(d).

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 27)	Retained Earnings	Equity Owners' Total
		$'000	$'000	$'000	$'000
Balance as at January 1, 2017		8,552,562	4,203,984	43,654,436	56,410,982
Total comprehensive income for the year		-	2,894,490	14,919,703	17,814,193
Transactions with owners -					
Employee stock option plan					
- value of services provided		-	37,090	-	37,090
- options exercised/expired		-	(55,927)	-	(55,927)
Dividends paid to owners of the parent	32	-	-	(4,999,212)	(4,999,212)
Treasury shares	28	(137,511)	-	(567,484)	(704,995)
Total transactions with owners		(137,511)	(18,837)	(5,566,696)	(5,723,044)
Transfers between reserves -					
To special investment reserve	2(r)	-	15,000	(15,000)	-
To retained earnings	2(s)	-	(25,000)	25,000	-
Adjustment between regulatory loan provisioning and IFRS	31(b)	-	452,446	(452,446)	-
Total transfers between reserves		-	442,446	(442,446)	-
Balance at 31 December 2017		8,415,051	7,522,083	52,564,997	68,502,131

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves (Note 27)	Retained Earnings	Equity Owners' Total
		$'000	$'000	$'000	$'000
Balance as at January 1, 2016		9,147,723	(823,888)	38,245,576	46,569,411
Total comprehensive income for the year		-	4,677,982	10,338,540	15,016,522
Transactions with owners -					
Employee stock option plan					
- value of services provided		-	31,902	-	31,902
- options exercised/expired		-	(44,015)	-	(44,015)
Dividends paid to owners of the parent	32	-	-	(4,335,255)	(4,335,255)
Treasury shares	28	(595,161)	-	(232,422)	(827,583)
Total transactions with owners		(595,161)	(12,113)	(4,567,677)	(5,174,951)
Transfers between reserves -					
To special investment reserve	2(r)	-	12,741	(12,741)	-
To retained earnings	2(s)	-	(23,190)	23,190	-
Adjustment between regulatory loan provisioning and IFRS	31(b)	-	372,452	(372,452)	-
Total transfers between reserves		-	362,003	(362,003)	-
Balance at 31 December 2016		8,552,562	4,203,984	43,654,436	56,410,982

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Net profit		**12,069,823**	**11,258,039**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	49(a)	(5,492,548)	(9,243,083)
Changes in other operating assets and liabilities	49(b)	(3,859,346)	8,851,177
Net investment purchases	49(c)	(1,240,901)	(9,760,037)
Interest received		20,950,971	19,970,060
Interest paid		(4,834,532)	(5,118,805)
Income taxes paid		(4,876,734)	(2,610,912)
Net cash generated from operating activities		**12,716,733**	**13,346,439**
Cash Flows from Investing Activities			
Investment in joint venture	14	(19,460)	(23,364)
Dividend from associate		102,395	92,020
Investment in associate		(865,346)	-
Proceeds from sale of interest in associate		994,764	-
Purchase of investment property	13	-	(881)
Purchase of property, plant and equipment, net	49(d)	(820,999)	(868,114)
Purchase of intangible assets, net	18	(504,188)	(193,875)
Net cash used in investing activities		**(1,112,834)**	**(994,214)**
Cash Flows from Financing Activities			
Purchase of treasury shares, net		(704,994)	(827,583)
Dividends paid to stockholders		(4,999,212)	(4,335,255)
Net cash used in financing activities		**(5,704,206)**	**(5,162,838)**
Effect of exchange rate on cash and cash equivalents		(291,767)	674,706
Increase in cash and cash equivalents		5,607,926	7,864,093
Cash and cash equivalents at beginning of year		13,203,955	5,339,862
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**18,811,881**	**13,203,955**

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS:			
Cash resources	6	200,061	189,583
Financial investments	9	792,918	2,198,794
Investment in associated company	16	3,305,560	3,305,560
Investment in subsidiaries	17	68,748,739	57,678,875
Investment in joint venture		395,543	376,083
Intangible assets	18	808,583	1,018,484
Property, plant and equipment	19	308,993	192,176
Deferred income taxes	22	14,155	22,673
Taxation recoverable	23	164,123	206,134
Other assets	24	471,409	216,851
TOTAL ASSETS		75,210,084	65,405,213
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	8,415,051	8,552,563
Equity reserves		28,142,284	26,403,833
Retained earnings		21,054,200	20,971,990
		57,611,535	55,928,386
Liabilities			
Promissory notes	34	13,763,583	6,737,599
Taxation payable		-	113,775
Other liabilities	35	3,834,966	2,625,453
Total Liabilities		17,598,549	9,476,827
TOTAL EQUITY AND LIABILITIES		75,210,084	65,405,213

Approved for issue by the Board of Directors on March 6, 2018 and signed on its behalf by:

Richard Byles Chairman

Christopher Zacca Director

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue:			
Net investment income	41	5,479,356	10,018,452
Management fees	1(c)	383,786	307,803
Other income		(22,292)	151,155
Total revenue		**5,840,850**	**10,477,410**
Expenses:			
Administration expenses	45	412,996	254,800
Depreciation	19	64,993	48,969
Amortisation of intangible assets	18	290,772	274,457
Asset tax		200	200
		768,961	**578,426**
Profit before Taxation		5,071,889	9,898,984
Taxation	47	9,532	(93,497)
NET PROFIT		**5,081,421**	**9,805,487**
Other Comprehensive Income, net of taxes			
Unrealized (losses) / gains on available-for-sale securities		(87,333)	20,411
Total Comprehensive Income		**4,994,088**	**9,825,898**

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Net profit		**5,081,421**	**9,805,487**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	49(a)	(5,110,965)	(9,713,614)
Changes in other operating assets and liabilities	49(b)	(1,866,241)	(4,392,708)
Net investment sales	49(c)	1,374,655	16,853
Interest and dividend received		6,182,556	10,578,016
Interest paid		(77,812)	(1,006,365)
Income taxes paid		(95,926)	(200)
Net cash generated from operating activities		**5,487,688**	**5,287,469**
Cash Flows from Investing Activities			
Investment in joint venture	14	(19,460)	(23,364)
Investment in subsidiaries		-	(85,000)
Purchase of property, plant and equipment	19	(181,810)	(51,537)
Purchase of intangible assets	18	(80,871)	(95,555)
Net cash used in investing activities		**(282,141)**	**(255,456)**
Cash Flows from Financing Activities			
Purchase of treasury shares, net		(137,512)	(595,162)
Dividends paid to stockholders		(4,999,212)	(4,335,255)
Net cash used in financing activities		**(5,136,724)**	**(4,930,417)**
Effect of exchange rate on cash and cash equivalents		(2,669)	2,932
Increase in cash and cash equivalents		66,154	104,528
Cash and cash equivalents at beginning of year		212,264	107,736
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**278,418**	**212,264**

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves	Retained Earnings	Grand Total
		$'000	$'000	$'000	$'000
Balance at 1 January 2016		9,147,722	26,395,535	15,501,757	51,045,014
Total comprehensive income		-	20,411	9,805,488	9,825,899
Dividends paid to owners of parent	1(b)	-	-	(4,335,255)	(4,335,255)
Transfer of treasury shares	28	562,460	-	-	562,460
Purchase of treasury shares	28	(1,157,619)	-	-	(1,157,619)
Employee stock options		-	(12,113)	-	(12,113)
		(595,159)	(12,113)	-	(607,272)
Balance at 31 December 2016		8,552,563	26,403,833	20,971,990	55,928,386
Total comprehensive income		-	(87,333)	5,081,421	4,994,088
Dividends paid to owners of parent	1(b)	-	-	(4,999,212)	(4,999,212)
Group reorganisation			1,844,621		1,844,621
Transfer of treasury shares	28	1,070,891	-	-	1,070,891
Purchase of treasury shares	28	(1,208,403)	-	-	(1,208,403)
Employee stock options		-	(18,837)	-	(18,837)
		(137,512)	(18,837)	-	(156,349)
Balance at 31 December 2017		8,415,051	28,142,284	21,054,199	57,611,534

The accompanying notes on pages 110 – 203 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

(a) Sagicor Group Jamaica Limited (SGJ, the company) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange. It is 32.45% (2016 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica and wholly owned by Sagicor Financial Corporation Limited (SFCL). The ultimate parent company is SFCL, which is incorporated and domiciled in Bermuda. SFCL has an overall interest of 49.11% (2016 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 31.55% (2016 – 31.55%) holding.

The registered office of the company is located at 28 - 48 Barbados Avenue, Kingston 5, Jamaica.

(b) The company, its subsidiaries, joint venture and associate all have co-terminous year ends. The company's subsidiaries, joint venture and associate, which together with the company are referred to as "the Group", are as follows:

Subsidiaries, Joint Venture and Associate	Principal Activities	Incorporated In	Holding
Sagicor Life Jamaica Limited	Health insurance, annuities, retirement products, pension administration and investment services	Jamaica	100%
Sagicor Investments Jamaica Limited	Investment banking	Jamaica	100%
Sagicor Bank Jamaica Limited	Commercial banking	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	100%
Grupo Sagicor G.S., G.A. and subsidiary	Creditor Life	Costa Rica	50%
Sagicor Life of the Cayman Islands Ltd.	Life insurance	Grand Cayman	100%
• Sagicor Insurance Managers Ltd.	Captives management	Grand Cayman	100%
Sagicor Re Insurance Ltd.	Property and casualty insurance (captive)	Grand Cayman	100%
Employee Benefits Administrator Limited.	Pension administration services	Jamaica	100%
Sagicor Property Services Limited	Property management, real estate sales and rentals	Jamaica	100%
Sagicor Pooled Investment Funds Limited	Pension fund management	Jamaica	100%
Sagicor Insurance Brokers Limited	Insurance brokerage	Jamaica	100%
Sagicor International Administrators Limited.	Group insurance administration	Jamaica	100%
Sagicor Real Estate X Fund Limited	Real estate investment	St. Lucia	29.3%

(c) Shared Services
The Group operates a shared services organization through Sagicor Group Jamaica Limited with the provision of common services to member companies. Inputs for these services are procured at fair market prices. The cost of these services is charged to each entity at cost based on volumes consumed.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities, investment property, certain property, plant and equipment, defined benefit pension plans where plan assets are measured at fair value and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations.

Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities included in Note 49 (e).

Amendments to IAS 12, 'Income Taxes, (effective for annual periods beginning on or after 1 January 2017). In January 2017, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets. There was no significant impact from the adoption of this amendment during the year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IFRS 2, Share based payments (effective for annual periods beginning on or after 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principle in IFRS 2 that will require an award to be treaded as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share based payments and pay that amount to the tax authority. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

IFRS 4, Insurance contracts' regarding the implementation of IFRS 9, Financial Instruments. (effective for annual periods beginning on or after 1 January 2018). These amendments introduce two approaches; an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather that profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39. The Group is currently assessing the impact of future adoption of the new standards on its financial statements

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018).
IFRS 9 is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement". IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities.

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 (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)
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.

Management is in the process of assessing how the Bank's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee with representation from all affected function areas and headed by the Group Chief Financial Officer was created to oversee the implementation project. The project involves three phases:

(i) Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds;

(ii) Phase 2: Assessing availability of data, defining and determining detailed modelling methodology across different businesses based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted expected credit losses ("ECL") and defining methodology to incorporate forward looking information;

(iii) Phase 3: Implementation; this includes finalising the forward-looking scenarios and determining the weight for each scenario and estimating ECL with forward looking information.

Currently management has completed Phase 1 and key decisions around classification and measurement of financial assets are currently being reviewed by management. Phase 2 has also been started and data gaps are being addressed and management is working on the ECL methodology.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The new standard is not expected to impact the Bank's consolidated financial liabilities in this regard as there are no financial liabilities which are currently designated at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)
IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard relating to hedge accounting is not expected to impact the Bank's consolidated financial statements, as the Bank does not use hedge accounting.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and 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'). IFRS 9 considers the calculation of ECL by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). 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 so are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forward looking information specific to the counterparty as well as forecasts of economic conditions at the reporting date.

In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Group is in the process of assessing the full impact of the impairment requirements of IFRS 9. The initial financial impact estimate of transitioning to the new impairment methodology reduces the Equity of the Group by less than 1%.

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to be the corresponding risk of default at origination, using key risk indicators that are used in the bank's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant and at the segment level for retail exposures. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios
IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and FLI are required to be incorporated in the measurement of ECL, as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The Bank will use three scenarios that will be probability weighted to determine ECL.

Expected Life
When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Definition of Default and Write-Offs
The Bank has modified its definition of impaired financial instruments (Stage 3) for certain categories of financial instruments to make it consistent with the definitions used in the calculation of regulatory capital. The Bank does not expect to rebut the presumption in IFRS 9 that loans and other balances with credit risk which are 90 days past due are in default.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Bank's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment. The Group does not expect any significant impact on its financial statements arising from the future adoption of the amendments.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019) was issued in January 2016 and replaces IAS 17, 'Leases'. A company can choose to apply IFRS 16 before the effective date but only if it also applies IFRS 15, 'Revenue from Contracts with Customers'. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors and lessees that will improve information provided to users of the financial statements. The Group is considering the implications of the standard, the impact on the company and the timing of its adoption.

IFRS 17, 'Insurance contracts', (effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4 which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of discount probability –weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure. The standard applies to annual periods beginning on or after 1 January 2021, however earlier application is permitted if IFRS 15, 'Revenue from Contracts with Customers', and IFRS 9, 'Financial Instruments', are also applied. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

Annual improvements 2014 – 2016, (effective for annual periods beginning on or after 1 January 2018). These amendments impact three standards as follows:

(i) IFRS 1, 'First-time adoption of IFRS' regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10, effective 1 January 2018.

(ii) IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018. These amendments clarify that companies account for long term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRIC 22, 'Foreign currency transactions and advance consideration', (effective for annual periods beginning on or after 1 January 2018). This IFRIC address foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payment / receipts are made. The Group does not expect that this amendment to have a significant impact on its operations.

Amendment to IAS 40, Investment property relating to transfers of investment property, (effective for annual periods beginning on or after 1 January 2018). These amendments clarify that to transfer to, or from, investment properties there must be change in use. To conclude if a property has changed use, there should be an assessment of whether the property meets the definition. The Group does not expect that this amendment to have a significant impact on its operations.

IFRIC 23, 'Uncertainty over income tax treatments' This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect that this amendment to have a significant impact on its operations.

Annual Improvements to IFRS Standards 2015–2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23, (effective for annual periods beginning on or after 1 January 2019). These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company re-measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not re-measures its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, ;Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' – a company treats as part of general borrowings an borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a majority voting interest. Subsidiaries are consolidated from the date on which control is transferred to the Group, and are de-consolidated from the date on which control ceases.

All material intra-group balances, transactions and gains are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group uses the acquisition method of accounting when control over entities and insurance businesses is obtained by the Group. The cost of an acquisition is measured as the fair value of the identifiable assets given, the equity instruments issued and the liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any minority interest. Acquisition-related costs are expensed as incurred.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition. Any non- controlling interest balances represent the equity in a subsidiary not attributable to Sagicor's interests.

On an acquisition by acquisition basis, the Group recognises at the date of acquisition the components of any minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's net identifiable assets. The latter option is only available if the minority interest component is entitled to a proportionate share of net identifiable assets of the acquiree in the event of liquidation. For certain components of minority interests, other IFRS may override the fair value option.

Non- controlling interest balances are subsequently re-measured by the minority's proportionate share of changes in equity after the date of acquisition. Investments in subsidiaries are stated in the company's financial statements at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Change in ownership interests in subsidiaries without change in control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity, Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Associates and Joint Ventures
The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these consolidated financial statements under the equity method of accounting. Investments in associated companies and joint ventures are originally recorded at cost and include intangible assets identified on acquisition.

The Group recognises in income its share of associate and joint venture companies' post acquisition income and its share of the amortisation and impairment of intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group recognises in other comprehensive income, its share of post acquisition other comprehensive income.

(iii) Pension and investment funds
Insurers have issued deposit administration and units linked contracts in which full return of the assets supporting these contracts accrues directly to the contract-holders. As these contracts are not operated under separate legal trusts, they have been consolidated in these financial statements.

The Group also manages a number of segregated pension funds, mutual funds and unit trusts. These funds are segregated and investment returns on these accrue directly to the unit-holders. Consequently the assets, liabilities and activity of these funds are not included in these consolidated financial statements.

(iv) Employees share ownership plans (ESOP)
The Group operates two ESOP Trusts which either acquires Company shares on the open market, or is allotted new shares by Sagicor Group Jamaica Limited. The Trusts hold the shares on behalf of employees. Until transfer to employees, shares held by the Trusts are accounted for as treasury shares. All dividends received by the Trusts are applied towards the future purchase of Sagicor Group Jamaica Limited shares.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group President and CEO.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances
Foreign currency transactions or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the company trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in other comprehensive income.

(iii) Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position; income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of stockholders' equity in the currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and borrowings are taken to stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(e) Cash and cash equivalents

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

- cash balances,
- short term deposits,
- other liquid securities with maturities of three months or less from the acquisition date,
- bank overdrafts which are repayable on demand; and
- other borrowings from financial institutions made for the purpose of meeting cash commitments and which have maturities of three months or less from origination.

Cash equivalents are subject to an insignificant risk of change in value. Cash and cash equivalents exclude balances held to meet statutory requirements.

(f) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial asset at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Purchases and sales of available-for-sale financial assets are recognised at the trade date – the date on which the Group commits the purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers.

Subsequent to initial recognition at cost, financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in consolidated statement of comprehensive income, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

The fair values amounts represents the price (or estimates thereof) that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidence by a quoted market value, if one exists. The estimate fair values of the financial assets are based on quoted bid prices of securities as at December 31 where available.

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Investment properties

Investment property consists of freehold land and freehold properties which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost. In subsequent financial years, investment property is recorded at fair values determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property held under partnership and joint venture arrangements with third parties which are accounted for using the equity method.

Transfers to or from investment property are recorded when there is a change in use of the property. Transfers to owner-occupied property or to real estate developed for resale are recorded at the fair value at the date of change in use. Transfers from owner-occupied property are recorded at their fair value and any difference with carrying value at the date of change in use is dealt with in accordance with note 2 (m).

Investment property may include property of which a portion is held for rental to third parties and the other portion is occupied by the Group. In such circumstances, the property is accounted for as an investment property if the Group's occupancy level is not significant in relation to the total available occupancy. Otherwise, it is accounted for as an owner-occupied.

Rental income is recognised on an accruals basis.

(h) Securities purchased/sold under agreements to resell/repurchase

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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2. Summary of Significant Accounting Policies (Continued)

(i) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on a straight-line basis over the lease term.

(j) Acceptances, guarantees, indemnities, letter of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

(i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and
(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where the Group's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

Where the Group's obligations are considered to be contingent, the amounts are disclosed in Note 55.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets

(i) Assets carried at amortised cost – loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS

The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the obligor;
- default or delinquency in interest or principal payments;
- having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
- the probability that the borrower will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
  i. adverse changes in the payment status of borrowers in the portfolio; and
  ii. national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the requirements of IFRS (continued)

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and management's assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision", a "special provision" and a "general provision". The specific and special provisions are determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss.

A general provision is established for all loans (other than loans for which specific and special provisions were established) at 1% of the amounts outstanding.

(ii) Assets classified as available-for-sale

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. In this context, management considers a 40% decline in fair value below cost to be significant and a decline that has persisted for more than twelve months to be prolonged. For an available for sale security other than an equity security, which the Group can hold to maturity, determination of which asset is impaired includes consideration of the volatility of the fair value, and the financial condition and financial viability of the issuer.

If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from stockholders' equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(k) Impairment of assets (continued)

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iv) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Property, plant and equipment

Freehold land and buildings owned and used by the Group are treated as owner-occupied properties. These properties are stated at their fair values based on valuations by external valuers, less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Increases in the carrying amounts arising from the revaluation of owner-occupied properties are included in the investment and fair value reserves. Decreases that offset previous increases of the same asset are charged against the investment and fair value reserves. All other reductions are taken directly to the income statement.

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Freehold buildings	2.5%
Leasehold improvements	Period of lease, not to exceed ten years
Computer equipment	20 - 33⅓%
Furniture	10%
Other equipment	15%
Motor vehicles	20%
Leased assets	Shorter of period of lease or useful life of asset

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2. Summary of Significant Accounting Policies (Continued)

(l) Property, plant and equipment (continued)
Land is not depreciated.

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings.

(m) Real estate developed for sale
Construction in progress for resale are classified as real estate held for resale and are valued at the lower of cost and net realisable value. Gains and losses realised on the sale of real estate are included in revenue at the time of sale.

(n) Intangible assets
(i) Goodwill
Goodwill arises on the acquisition of subsidiaries or associates and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, negative goodwill, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Unit (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer relationships
This asset represents the present value of the benefit to the Group from customer lists, contracts, or customers relationships that can be identified separately and measured reliably. Customer relationships include those of insurance and banking customer relationships with an estimated useful life of 10 to 20 years.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(n) Intangible assets (continued)
(iii) Trademarks and licences
Trademarks and licences are shown at historical cost. They have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful life.

(iv) Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

(o) Employee benefits
The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.
(i) Pension obligations
A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

(i) Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

For the defined contribution plan, the Group pays contributions to privately administered pension insurance plans on a contractual basis. The Group has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

(ii) Other post-retirement benefit obligations
The Group provides supplementary health, dental and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(o) Employee benefits (continued)

(iv) Share-based compensation
The Group operates Equity-settled, share-based compensation plans namely; Long-term Incentive Plan (LTI) and Staff Share Purchase Plan (SSPP).

Share options
Senior Executives of the Group participate in a Long-term Incentive Plan (LTI) for Share Options. Shares are purchased on the market and held in trust by the LTI Trust until they are transferred to Executives. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to over the remaining vesting period. Proceeds received net of any directly attributable transaction costs are paid to the trust on transfer of share options being exercised. Any cost to the company beyond the exercise price of the options is reported in equity as provided for under IFRS 2.

Share grants
The Senior Executives of the Group participate in a Long-term Incentive Plan for stock grants. The market value of the shares issued at grant date is recognised as an expense when granted.

Share purchase plan
Non – Executive employees of the Group are eligible to purchase shares in the company at a discount under a share purchase plan.

(v) Bonus Plans
Annual Incentives Plan for Bonus
Senior Executives of the Group participate in an Annual Incentive plan for bonus which is paid on company and individual performance against a balanced score card.

Productivity bonus
The Group recognises a liability and an expense for productivity bonuses as profit-sharing, paid to Non- Executive administrative staff based on a formula that takes into consideration the profit attributable to the company's stockholders. The Group recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary separation. Benefits falling due more than twelve months after the year end date are discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(p) Share capital, reserves and transfers

Share Capital
Shares are classified as equity when there is no obligation to transfer cash or other assets.

(i) Share issuance cost
Incremental costs directly attributable to the issue of new shares or options are shown in stockholders' equity as a deduction from the proceeds.

(ii) Mandatorily redeemable preference shares are classified as liabilities (Note 2(u)).

(iii) Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's Board of Directors.

Dividends for the year that are declared after the year end date are dealt with in the subsequent events note.

(iv) Treasury Stock
Sagicor Group Jamaica Limited shares held by Group member companies or the Long-term Incentive Trust (LTI) and Staff Share Purchase Trust (SSPP) are carried as treasury stock on consolidation and reported in stockholders' equity.

(v) Reserve and transfers
Special investment reserve
Unrealised gains on investment properties are recorded in the income statement under IFRS. Regulatory reserve requirements are met through the following:

- Net unrealised gains brought forward at the beginning of each year are transferred from the special Investment reserve to retained earnings at 10%.
- Net unrealised gains earned during the year are transferred from retained earnings to the special investment reserve at 90%.

Transfers to retained earnings
Unrealised gain on quoted equities is recorded in the investment and fair value reserves under IFRS. Regulatory reserve requirements are met by transferring the following:

- Net unrealised gains brought forward at the beginning of each year are transferred from the investment and fair value reserves to retained earnings at 25%.
- Net unrealised gains earned during the year are transferred from the investment and fair value reserves to the retained earnings at 25%.

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2. Summary of Significant Accounting Policies (Continued)

(q) Financial Liabilities

During the ordinary course of business, the Group issues investment contracts or otherwise assumes financial liabilities that expose the Group to financial risk. The recognition and measurement of the Group's principal types of financial liabilities are disclosed in 2 (v) and in the following paragraphs.

Deposit liabilities
Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

Loans and other debts obligations
Loans and other debts obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as noted or loans payable and associated cost classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

Structured products
Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through profit or loss (Note 2(z)). The non-derivative elements are stated at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts

(i) Classification

The Group issues policy contracts that transfer insurance risk and/or financial risk from the policyholder.

The Group defines insurance risk as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Once a contract has been classified as an insurance contract, it remains an insurance contract for its duration, even if the insurance risk reduces significantly over time. Investment contracts transfer financial risk and no significant insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

A reinsurance contract is an insurance contract in which an insurance entity cedes assumed risks to another insurance entity.

A Discretionary Participation Features (DPF) is a contractual right to receive, as a supplement to the guaranteed benefit, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
- The performance of a specified pool of contracts or specified type of contract; and
- Realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
- The profit or loss of the company, fund or other entity that issues the contract.

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.1) Property and casualty insurance contracts

Property and casualty insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks over property, accident and liability. Property insurance contracts provide coverage for the risk of property damage or of loss of property. Commercial property, homeowners' property and certain marine property are common types of risks covered. For commercial policyholders insurance may include coverage for loss of earnings arising from the inability to use property which has been damaged or lost. Casualty insurance contracts provide coverage for the risk of causing physical harm or financial loss to third parties. Personal accident, employers' liability, public liability, product liability and professional indemnity are common types of casualty insurance.

Premium revenue is recognised as earned on a pro-rated basis over the term of the respective policy coverage. If alternative insurance risk exposure patterns have been established over the term of the policy coverage, then premium revenue is recognised in accordance with the risk exposure. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(ii) Recognition and measurement

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.1) Property and casualty insurance contracts (continued)

Claims and loss adjustment expenses are recorded as incurred. Claim reserves are established for both reported and un-reported claims. Claim reserves represent estimates of future payments of claims and related expenses less anticipated recoveries with respect to insured events that have occurred up to the date of the financial statements.

An insurer may obtain reinsurance coverage for its property and casualty insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate. Reinsurance claim recoveries are established at the time of the recording of the claim liability and are computed on a basis which is consistent with the computation of the claim liability. Profit sharing commission due to the Group is accrued as commission income when there is reasonable certainty of earned profit.

Commissions are recognised on the same basis as premiums earned. At the date of the financial statements, commissions and premium taxes attributable to unearned premiums are recorded as deferred policy acquisition costs. Profit sharing commission payable by the Group arises from contracts between an insurer and a broker; it is accrued on an aggregate basis and it is adjusted to actual in respect of each individual contract when due.

(1.2) Health insurance contracts -

Health insurance contracts are generally one year renewable contracts issued by the insurer covering insurance risks for medical expenses of insured persons.

Premium revenue is accrued when due for contracts where the premium is billed monthly. For contracts where the premium is billed annually or semi-annually, premium revenue is recognised as earned on a pro-rata basis over the term of the respective policy coverage. The provision for unearned premiums represents the portion of premiums written relating to the unexpired terms of coverage.

Claims are recorded on settlement. Reserves are recorded as described in Note 2(s).

An insurer may obtain reinsurance coverage for its health insurance risks. The reinsurance ceded premium is expensed on a pro-rata basis over the term of the respective policy coverage or of the reinsurance contract as appropriate.

Commissions payable is recognised on the same basis as premiums earned.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.3) Long-term traditional insurance contracts

These contracts are traditional participating and non-participating policies. The Group's participating policies do not have a discretionary participation feature as the amount of additional benefits is not paid at the discretion of the Group.

Long-term traditional insurance contracts are generally issued for fixed terms of five years or more, or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Other benefits such as disability and waiver of premium on disability may also be included in these contracts. Some contracts may allow for the advance of policy loans to the policyholder and may also allow for dividend withdrawals by the policyholder during the life of the contract.

Premium revenue is recognised when due. Typically, premiums are fixed and are required to be paid within the due period for payment. If premiums are unpaid, either the contract may terminate, an automatic premium loan may settle the premium, or the contract may continue at a reduced value.

Policy benefits are recognised on the notification of death, disability or critical illness, on the termination or maturity date of the contract, on the declaration of a cash bonus or dividend or on the annuity payment date. Policy loans advanced are recorded as loans and receivables in the financial statements and are secured by the cash values of the respective policies. Policy bonuses may be "non-cash" and utilised to purchase additional amounts of insurance coverage. Accumulated cash bonuses and dividends are recorded as interest bearing policy balances.

Reserves for future policy liabilities are recorded as described in Note 2(s).

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claim recoveries are established at the time of claim notification. Commissions payable is recognised on the same basis as earned premiums.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

(1.4) Long-term universal life and unit linked insurance contracts

Universal life and unit linked insurance contracts are generally issued for fixed terms or for the remaining life of the insured. Benefits are typically a death, disability or critical illness benefit, a cash value on termination and/or a monthly annuity. Annuities are generally payable until the death of the beneficiaries with a proviso for a minimum number of payments. Benefits may include amounts for disability or waiver of premium on disability.

Universal life and unit linked contracts have either an interest bearing investment account or unit linked investment accounts. Either gross premiums or gross premiums net of allowances are deposited to the investment accounts. Investment returns are credited to the investment accounts and expenses, not included in the aforementioned allowances, are debited to the investment accounts. Interest bearing investment accounts may include provisions for minimum guaranteed returns or returns based on specified investment indices. Allowances and expense charges are in respect of applicable commissions, cost of insurance, and administrative expenses. Fund withdrawals may be permitted.

Premium revenue is recognised when received and consists of all monies received from the policyholders. Typically, premiums are fixed at the inception of the contract or periodically thereafter but additional non-recurring premiums may be paid. Policy benefits are recognised on the notification of death, disability or critical illness, on the receipt of a withdrawal request, on the termination or maturity date of the contract, or on the annuity payment date. Reserves for future policy liabilities are recorded as described in note 2(s).

An insurer may obtain reinsurance coverage for death benefit insurance risks. Typically, coverage is obtained for individual coverage exceeding prescribed limits. The reinsurance premium is expensed when due, which generally coincides with when the policy premium is due. Reinsurance claims recoveries are established at the time of claim notification. Commissions are generally recognised only on settlement of premiums.

(iii) Liability adequacy test

At each year end date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities, using current estimates of the related expected future cash flows. If a test indicates that the carrying value of insurance contract liabilities is inadequate, then the liabilities are adjusted to correct the deficiency. The deficiency is included in the income statement under benefits.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(iv) Deposit administration and other investment contracts

Deposit administration contracts are issued by an insurer to registered pension schemes for the deposit of pension plan assets with the insurer.

Deposit administration liabilities are recognised initially at fair value and are subsequently stated at:

- amortised cost where the insurer is obligated to provide investment returns to the pension scheme in the form of interest;
- fair value through income where the insurer is obligated to provide investment returns to the pension scheme in direct proportion to the investment returns on specified blocks of assets.

Deposit administration contributions are recorded directly as liabilities. Withdrawals are deducted directly from the liability. The interest or investment return provided is recorded as an interest expense. In addition, the Group may provide pension administration services to the pension schemes. The Group earns fee income for both pension administration and investment services.

Other investment contracts are recognised initially at fair value and are subsequently stated at amortised cost and are accounted for in the same manner as deposit administration contracts which are similarly classified.

(v) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(s) Actuarial liabilities

(1.1) Life insurance and annuity contracts

The determination of actuarial liabilities of long term insurance contracts has been done using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies and expected earned investment income. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating life insurance and annuity actuarial liabilities for future policy benefits necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields, future expense levels and persistency, including reasonable margins for adverse deviations. As experience unfolds, these resulting provisions for adverse deviations will be included in future income to the extent they are released when they are no longer required to cover adverse experience. Assumptions used to project benefits, expenses and taxes are based on insurer and industry experience and are updated annually.

Net insurance contract liabilities represent the amount which, together with estimated future premiums and net investment income, will be sufficient to pay projected future benefits, policyholder dividends and refunds, taxes (other than income taxes) and expenses on policies in-force net of reinsurance premiums and recoveries. The determination of net insurance liabilities is based on an explicit projection of cash flows using current assumptions plus a margin for adverse deviation for each material cash flow item. Investment returns are projected using the current asset portfolios and projected reinvestment yields. The period used for the projection of cash flows is the policy lifetime for most individual insurance contracts.

The Group segments assets to support liabilities by major product segment and geographic market and establishes investment strategies for each liability segment. Projected net cash flows from these assets and the policy liabilities being supported by these assets are combined with projected cash flows from future asset purchases to determine expected rates of return on these assets for future years. Investment strategies are based on the target investment policies for each segment and the reinvestment returns are derived from current and projected market rates for fixed income investments. Investment return assumptions for each asset class make provision for expected future asset credit losses, expected investment management expenses and a margin for adverse deviation.

Under this methodology, assets of each insurer are selected to back its actuarial liabilities. Changes in the carrying value of these assets may generate corresponding changes in the carrying amount of the associated actuarial liabilities. These assets include available for sale securities, whose unrealised gains or losses in fair value are recorded in other comprehensive income. The fair value reserve for actuarial liabilities has been established in the statement of equity for the accumulation of changes in actuarial liabilities which are recorded in other comprehensive income and which arise from recognised unrealised gains or losses in fair value of available for sale securities.

An actuarial valuation is prepared at least annually. Changes in the policyholders' liabilities are recorded in the income statement. Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(s) Actuarial liabilities (continued)

(1.1) Life insurance and annuity contracts (continued)
These contracts insure events associated with human life (for example death, or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission.

Benefits are recorded as an expense when they are incurred.

(1.2) Health insurance contracts
The actuarial liabilities of health insurance policies are estimated in, respect of claims that have been incurred but not yet reported or settled.

(t) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Revenue recognition
(i) Premium income
Gross premiums for traditional life and health insurance contracts are recognised as revenue when due. Revenue for universal life products and annuity contributions are recognised when received. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

Property and casualty insurance premiums are recognised on a pro-rated basis over the period of the respective policies. Unearned premiums are the proportion of net premiums written in the current year which relate to cover provided in the following year.

Where collection of premium is considered doubtful, or payment is outstanding for more than 90 days, the insurance regulations stipulate that the outstanding premium should be provided for in full. IFRS requires that when premiums become doubtful of collection, they are written down to their recoverable amounts and thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fee income
Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the Group actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. Fee income is recognised on an accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(u) Revenue recognition (continued)

(ii) Fee income (continued)
The Group charges customers for asset management and other related services using the following approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.

- Regular fees charged to the customer periodically either directly or by making a deduction from invested funds. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

(iii) Interest income
Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

(v) Interest and commission expense
(i) Interest expense
Interest expense is recognised in the income statement on an accrual basis using the effective yield method. Amounts paid under contracts with principally financial risk are recorded directly to the statement of financial position as an adjustment. The interest credited to these funds is recorded as an interest expense.

(ii) Commission expense
Commissions are expensed over the policy year on the same basis as earned premiums.

(w) Taxation
(i) Current and deferred taxes
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

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2. Summary of Significant Accounting Policies (Continued)

(w) Taxation (continued)

(i) Current and deferred taxes (continued)
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(x) Fiduciary activities
The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(y) Financial instruments
Financial instruments carried on the statement of financial position include cash resources, investments, securities purchased under resale agreements, loans & leases, other assets, securities sold under repurchase agreements, due to banks and other financial institutions, customer deposits and other liabilities.

The fair values of the Group's and the company's financial instruments are discussed in Note 50.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(z) Derivative financial instruments and hedging activities
Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives for three primary purposes: to create risk management solutions for customers, for proprietary trading purposes, and to manage its own exposure to credit and market risk.

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2. Summary of Significant Accounting Policies (Continued)

(z) Derivative financial instruments and hedging activities (continued)
Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at each statement of financial position. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swap as a cash flow hedge. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

For cash flow hedges, gains and losses relating to the effective portion of changes in the fair value of derivatives are initially recognised in stockholders' equity, in the fair value reserve, and are transferred to the income statement when the forecast cash flows affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in stockholders' equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in stockholders' equity at that time remains in stockholders' equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in stockholders' equity is immediately transferred to the income statement within net trading income'.

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3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

(i) Adoption of IFRS 10, 'Consolidation of financial statements'

Management assessments were done for the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund and Sagicor Sigma Global Funds to ensure that changes made to IFRS 10 were properly implemented in accordance with the standard. A number of significant judgements were used regarding whether or not these entities had met the requirements to be consolidated within the financial statements of the Group and are highlighted below:

- Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund

  IFRS 10 does not establish bright lines as to what level of exposure definitely result in control and the assessment should be based on the relevant facts and circumstances. In determining whether a fund manager has control over the fund they manage, therefore, involves significant judgement. Management considers that the Group does not have control of Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund. Although the Group contractual terms provide the Group with influence over Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund Funds, management is of the view that the overall exposure of the Group to the variability of returns is not sufficient to conclude that the Group has control. Therefore, the Sagicor Real Estate X Fund Limited and Sagicor Pooled Investment Fund have not been consolidated in these financial statements. However, while the Group does not control Sagicor Real Estate X Fund, it has significant influence over the X Fund and therefore it is treated as an associate of the Group.

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3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

- Sagicor Sigma Funds

  These are Unit Trusts managed by the Group, but which have independent trustees. Determining whether the Group has control over the Unit Trusts requires judgement. This would include a consideration of the trustees' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Unit Trusts.

  Under IFRS 10.B65, the single party substantive removal rights may in isolation be sufficient to conclude that the fund manager is an agent. However the language in the Trust Deed is not specific on causes for which the manager can be removed. "Good and sufficient reason" envisages by the Trust Deed may include negligence, poor financial performance and other reasons. However, the Deed also provides for appeal right for the manager. This appeal right and the requirement that the removal of the manger must be withheld by the independent party may limit the Trustee's freedom of removing the manager without good grounds for this. Under these circumstances, drawing a conclusion whether the removal rights of the Trustee are substantive rights requires significant judgement. Management considers that the Group does not have control of Sagicor Sigma Funds. Although the Group contractual terms provide the Group with influence over Sagicor Sigma Funds, the overall exposure of the Group to the variability of returns of Sagicor Sigma Funds is not sufficient to conclude that the Group has control. Therefore, the Sagicor Sigma Funds have not been consolidated in these financial statements.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas of key sources of estimation uncertainty include the following:

(i) Insurance

- *The ultimate liability arising from claims made under insurance contracts*

  There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

  The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

  Were the numbers of death in future years to increase per year by 3% for five years from management's estimate, the liability would increase by $4,264,586,000 (2016 - $3,839,721,000).

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3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(i) Insurance (continued)
For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments. Where the average future investment returns decrease by 0.5% for ten years from management's estimates, the insurance liability would increase by $12,729,494,000 (2016 - $15,921,014,000).

For long term insurance contracts, estimates of future deaths, voluntary terminations, investment returns and administration expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for adverse deviation is added to these assumptions.

Were the actual lapse experience to differ by 200% (for products where the reserves increase with increases in lapse rates) or by 50% (for products where the reserves increase with decreases in lapse rates) of expected lapse experience the liability would increase by $6,710,655,000 (2016 - $6,096,415,000).

(ii) Pension and post-retirement benefits
The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The discount rate represents the interest rate that should be used to determine the present value of estimated future cash outflows required to meet the pension, life insurance and medical benefits as they fall due. The discount rate is based on yields on long term Government of Jamaica and CARICOM bonds. The expected rate of increase of medical costs is based on expected increases in utilisation and general increases in medical expenses above expected price inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

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3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Fair value of securities not quoted in an active market
The fair value of securities and subsidiaries not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Group exercises judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Group may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows. The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

(iv) *Income taxes*
Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) *Impairment of financial assets*
An available for sale debt security, a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics.

4. Responsibilities of the Appointed Actuary and External Auditors

The Board of Directors pursuant to the Insurance Act appoints the Actuary whose responsibility is to carry out an annual valuation of the company's policy liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and stockholders. In performing the valuation, the Actuary makes assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the company and the insurance policies in force.

The stockholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors also make use of the work of the appointed Actuary and the report on the policy liabilities.

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5. Segmental Financial Information

Management has determined the operating segments based on the reports reviewed by the Group President and CEO that are used to make strategic decisions. The Group President and CEO is considered to be the Chief Operating Decision Makers (CODM).

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The Group is organised into five primary business segments:

(a) Individual Lines - Provides life insurance, health and annuity products to individuals.

(b) Employee Benefits – Provides group life and creditor life, personal accident, group health, group annuities, pension funds investment and administration services and the administration of trust accounts.

(c) Commercial Banking – Comprises of personal banking, retail mortgages, small business (SME's) banking, treasury management and corporate banking.

(d) Investment Banking – Comprises of wealth management products and services offered to retail and institutional clients; including unit trusts, mutual funds, brokerage, asset management and corporate trust.

(e) Other – Comprises property management, captives management, general insurance, real estate development, hospitality services and stockholders' funds.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation, retirement benefit assets and obligations and business development loans.

The Group measures the performance of its operating segments through a measure of segment profit or loss which is profit before taxation.

A measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision-maker. Segment assets which are reviewed include those backing policyholders' fund and other interest-bearing assets.

Segment liabilities that are reviewed by the CODM include policyholders' funds and interest-bearing liabilities.

Costs incurred by the support units of the Group are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

Transactions between the operating segments are on normal commercial terms and conditions. There has been no change in the basis of the pricing of transactions over the prior year.

Eliminations comprise inter-company and inter-segment transactions.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2017 or 2016.

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5. Segmental Financial Information (Continued)

	The Group 2017						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	26,461,463	26,684,145	10,922,603	4,342,339	2,033,259		70,443,809
Revenue from other segments	410,270	38,821	(77,009)	64,127	290,028	(726,237)	-
Total revenue	26,871,733	26,722,966	10,845,594	4,406,466	2,323,287	(726,237)	70,443,809
Benefits and expenses	(17,090,278)	(15,129,169)	(7,788,313)	(1,435,633)	(2,938,134)	263,603	(44,117,924)
Change in actuarial liabilities	(4,418,279)	(6,215,438)	-	-	201	(41,552)	(10,675,068)
Depreciation	(59,477)	(34,473)	(226,280)	(13,093)	(174,878)	-	(508,201)
Amortisation of intangibles	(15,481)	(125,839)	(164,137)	(65,831)	(301,451)	-	(672,739)
Other taxes	(1,885)	(4,387)	-	-	(1,491)	-	(7,763)
Asset tax	(81,586)	(37,096)	(245,667)	(192,987)	(53,893)	-	(611,229)
Total benefits and expenses	(21,666,986)	(21,546,402)	(8,424,397)	(1,707,544)	(3,469,646)	222,051	(56,592,924)
Share of profit from joint venture	-	-	-	-	(9,710)	-	(9,710)
Gain on sale of shares in Associate	-	-	-	-	289,584	-	289,584
Share of profit from associate	-	-	-	-	862,846	-	862,846
Profit before taxation	5,204,747	5,176,564	2,421,197	2,698,922	(3,639)	(504,186)	14,993,605
Taxation	(1,181,123)	(609,587)	(644,624)	(671,795)	183,347	-	(2,923,782)
Net profit	4,023,624	4,566,977	1,776,573	2,027,127	179,708	(504,186)	12,069,823
Segment assets -							
Intangible assets	1,500,466	806,145	1,301,347	637,596	882,177	-	5,127,731
Other assets	52,181,996	66,580,154	121,955,534	80,503,139	25,522,366	(10,110,096)	336,633,094
	53,682,462	67,386,299	123,256,881	81,140,735	26,404,543	(10,110,096)	341,760,825
Unallocated assets -							
Investments in joint venture (Note 14)							356,391
Investments in associate							7,050,842
Deferred income taxes (Note 22)							2,351,201
Retirement benefits asset							517,261
Total assets							352,036,520
Segment liabilities	44,667,277	54,772,682	103,941,395	70,006,880	17,600,257	(10,987,565)	280,000,926
Unallocated liabilities -							
Retirement benefit obligations (Note 21)							3,533,463
Total liabilities							283,534,389
Other segment items:							
Capital expenditure: Computer software (Note 18)							504,188
Property, plant and equipment (Note 19)							826,711

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5. Segmental Financial Information (Continued)

	The Group						
	2016						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	22,635,732	22,056,081	9,140,448	4,114,396	1,754,218	-	59,700,875
Revenue from other segments	480,173	164,414	40,562	(60,171)	304,736	(929,714)	-
Total revenue	23,115,905	22,220,495	9,181,010	4,054,225	2,058,954	(929,714)	59,700,875
Benefits and expenses	(17,962,787)	(14,972,082)	(6,092,804)	(1,522,958)	(1,876,089)	2,781,624	(39,645,096)
Change in actuarial liabilities	(1,057,804)	(1,548,290)	-	-	-	(2,178,302)	(4,784,396)
Depreciation	(48,302)	(25,118)	(184,641)	(17,104)	(141,701)	-	(416,866)
Amortisation of intangibles	(11,808)	(112,366)	(104,052)	(65,121)	(289,882)	-	(583,229)
Finance costs	-	-	-	-	(385)	385	-
Other taxes	(472)	(6,273)	-	-	(3,150)	-	(9,895)
Asset tax	(70,605)	(34,658)	(204,386)	(185,064)	(57,971)	-	(552,684)
Total benefits and expenses	(19,151,778)	(16,698,787)	(6,585,883)	(1,790,247)	(2,369,178)	603,707	(45,992,166)
Share of profit from joint venture	-	-	-	-	8,264	-	8,264
Share of profit from associate	-	-	-	-	495,046	-	495,046
Profit before taxation	3,964,127	5,521,708	2,595,127	2,263,978	193,086	(326,007)	14,212,019
Taxation	(789,843)	(742,577)	(734,374)	(525,351)	(161,835)	-	(2,953,980)
Net profit	3,174,284	4,779,131	1,860,753	1,738,627	31,251	(326,007)	11,258,039
Segment assets -							
Intangible assets	1,503,558	849,237	1,171,239	695,416	1,096,181	-	5,315,631
Other assets	48,431,311	60,350,058	111,023,610	82,298,599	30,342,628	(7,859,498)	324,586,708
	49,934,869	61,199,295	112,194,849	82,994,015	31,438,809	(7,859,498)	329,902,339
Unallocated assets -							
Investments in joint venture (Note 14)							397,822
Investments in associate							6,115,829
Deferred income taxes (Note 22)							4,538,842
Total assets							340,954,832
Segment liabilities	40,980,973	49,797,021	95,035,147	75,381,072	25,978,504	(8,797,390)	278,375,327
Unallocated liabilities -							
Retirement benefit obligations (Note 21)							6,168,523
Total liabilities							284,543,850
Other segment items:							
Capital expenditure: Computer software (Note 18)							193,875
Property, plant and equipment (Note 19)							993,640

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5. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	Cayman Islands	Other	Total
		2017		
	$'000	$'000	$'000	$'000
Revenue	66,672,746	3,771,063	-	70,443,809
Total assets	332,630,579	19,049,550	356,391	352,036,520
		2016		
	$'000	$'000	$'000	$'000
Revenue	56,793,369	3,392,665	(485,159)	59,700,875
Total assets	314,846,672	25,710,210	397,950	340,954,832

Geographically, the segments are Jamaica, Cayman Islands and Other (Costa Rica and St. Lucia).

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets, investment in associates and investment in subsidiaries.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items such as taxation, retirement benefit liabilities and business development loans.

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6. Cash Resources

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balances with banks payable on demand	9,879,662	7,882,834	199,968	189,583
Cash in hand	2,772,655	2,909,636	93	-
	12,652,317	10,792,470	200,061	189,583

7. Cash and Cash Equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash resources	12,652,317	10,792,470	200,061	189,583
Short term deposits	4,200,161	6,207,041	200	22,681
USA Government Treasury Bills and BOJ CD	1,787,137	5,405,300	-	-
Securities purchased under resale agreements	2,042,760	657,862	78,157	-
Items in course of payment (Note 35)	(405,834)	(656,185)	-	-
Repurchase agreements with other financial institutions	(1,166,599)	(7,579,071)	-	-
Short term loans	-	(1,450,000)	-	-
Bank overdrafts (Note 34)	(298,061)	(173,462)	-	-
	18,811,881	13,203,955	278,418	212,264

The amounts of $4,200,161 (2016: $6,207,041) represent deposits with original maturity of less than 90 days out of the total Group and short-term deposits of $4,620,981 (2016 - $6,837,226).

8. Cash Reserves at Central Bank

Minimum cash reserve and liquid asset ratios in respect of deposit liabilities are required to be maintained by Sagicor Bank Jamaica Limited with the Bank of Jamaica. Cash reserves are not available for investment, lending or other use by the Bank.

The cash and liquid asset requirements at year-end were as follows:

	2017	2016
Cash Reserve:		
Foreign currency liabilities	15%	12%
Jamaican dollar liabilities	12%	12%
Liquid Assets:		
Foreign currency liabilities	29%	26%
Jamaican dollar liabilities	26%	26%

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9. Financial Investments

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Short term deposits	4,631,095	6,837,226	383,227	415,081
Financial assets at fair value through profit or loss -				
Government of Jamaica securities	7,589,509	3,339,499	-	-
Corporate bonds	1,422,063	1,110,821	-	-
Quoted equity	1,777,512	510,899	-	-
Interest receivable	169,796	88,604	-	-
Foreign governments securities	932,734	4,109,012	-	-
Unit trust	17,982,774	15,297,969	-	-
	29,874,388	24,456,804	-	-
Available-for-sale -				
Government of Jamaica securities	45,009,605	51,222,272	-	373,726
Foreign governments securities	11,671,466	23,055,447	-	-
Corporate bonds	62,026,577	55,673,459	266,494	467,803
Quoted equities	1,385,737	1,870,286	-	-
Unquoted equities	47,093	106,459	-	-
Unit trust shares	2,918,069	3,332,692	-	-
Interest receivable	1,837,103	2,019,823	10,251	19,329
	124,895,650	137,280,438	276,745	860,858
Loans and receivables -				
Government of Jamaica securities	52,850,974	44,101,274	51,629	919,296
Foreign governments securities	509,989	525,067	-	-
Corporate bonds	3,787,365	5,449,970	-	-
Securities purchased under resale agreement	2,047,360	662,599	81,098	-
Mortgage loans	3,023,668	2,866,259	-	-
Promissory notes	48,000	48,000	-	-
Policy loans	897,213	937,410	-	-
Interest receivable	1,150,569	956,320	219	3,559
	64,315,138	55,546,899	132,946	922,855
Held to maturity investments -				
Credit Linked notes	-	2,644,669	-	-
Less Pledged assets (Note 12)	(81,608,214)	(77,213,401)	-	-
Total Financial Investments	142,108,057	149,552,635	792,918	2,198,794

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9. Financial Investments (Continued)

Included in quoted equities classified as available-for-sale are investments in Exchange Traded Funds (ETFs) by the Group totaling $2,468,578,000 (2016 - $2,027,808,000).

Credit linked notes are structured securities with embedded credit swaps allowing the issuer to transfer specific credit risks to the holder. The coupon or price of these note are linked to the performance of a specific Government of Jamaica security. Investors in these instruments are given higher yields for accepting exposure to specified credit events.

The Group holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in August 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. This embedded put option has not been separated but is recognised as part of fair value of the debt security. The initial recognition of the option is included in the determination of the "Loss on debt exchange transactions" and gains and losses on subsequent revaluations of the option are included in Note 40. The value of these options is $Nil for the Group. The option was exercised in August 2017 and the Notes were redeemed in February 2018 at par.

The Group recognised impairment charges totaling $326,340,000 (2016 - $562,873,000) on equity and debt securities (Note 41).

Included in financial investments are the following amounts which are pledged as collateral:

(i) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $9,700,000 (2016 - $9,000,000) which have been pledged with the National Commercial Bank Jamaica Limited by Sagicor Life Jamaica Limited.

(ii) Government of Jamaica Fixed Rate Benchmark Note with a carrying value of $90,000,000 (2016 - $90,000,000) which have been pledged with the Regulator, the Financial Services Commission, pursuant to Section 8 of the Insurance Regulations, 2001 by Sagicor Life Jamaica Limited.

(iii) Republic of Italy bond with a carrying value of US$1,176,100, a Government of Cayman Islands bond with a carrying value of US$1,712,304, Government of Jamaica Global bonds with a carrying value of US$22,509,832, a Petroleum Company of Trinidad & Tobago Limited Corporate bond with a carrying value of US$303,072, International Corporate bonds with a carrying value of US$31,038,504, a Peru Corporate bond with a carrying value of US$549,330 and Cash totalling US$33,333 have been pledged by the company as security for a loan facility of US$40,000,000 with Credit Suisse NY by Sagicor Life Jamaica Limited.

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9. Financial Investments (Continued)

(iv) International bonds with a carrying value of US$55,640,774 and an equity instrument for US$3,590 have been pledged as security for margin loans of US$39,765,165 with Morgan Stanley Smith Barney by Sagicor Life Jamaica Limited.

(v) International bonds with a carrying value of US$13,609,210 have been pledged as security for margin loans of US$12,733,257 with Morgan Stanley Smith Barney by Sagicor Investments Jamaica Limited.

(vi) Petroleum Company of Trinidad & Tobago Limited Corporate bond with a carrying value of US$1,553,318; Government of Barbados bonds with a carrying value of US$7,925,060; Government of Bermuda bonds with a carrying value of US$1,894,554; Government of Trinidad and Tobago bonds with a carrying value of US$1,964,806 and Government of Bahamas bonds with a carrying value of US$810,120 have been pledged as security for margin loans of US$10,010,410 with Jefferies LLC by Sagicor Investments Jamaica Limited.

Reclassification of Financial Investments

In the financial year ended 31 December 2008, the Group reclassified certain investments from available-for-sale to loans and receivables due to the market for these securities becoming inactive in October 2008 and as allowed by the amendment to IAS 39. The market was deemed to be active again in December 2010, however the Group opted to retain the classification of these securities as loans and receivables.

Fair value reserve (Note 29) includes fair value losses in relation to the reclassified securities not yet derecognised as at the date of the statement of financial position amounting to $165,908,000 (2016 – $187,923,532).

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9. Financial Investments (Continued)

Reclassification of Financial Investments (continued)

The carrying value (excluding accrued interest) and fair value of these securities as at the date of the statement of financial position were as follows:

	The Group			
	Carrying Value 2017 $'000	Fair Value 2017 $'000	Carrying Value 2016 $'000	Fair Value 2016 $'000
Government of Jamaica securities	3,268,964	4,395,034	3,517,862	4,579,685
Other securities	12,773	10,803	13,225	12,124
	3,281,737	4,405,837	3,531,087	4,591,809

	The Group	
	2017 $'000	2016 $'000
Cumulative net fair value gains/(losses) at beginning of year	627,404	487,256
Net fair value gains for the year	419,051	237,066
Disposals	(99,568)	(121,115)
Effect of exchange rate changes	(15,082)	24,197
Cumulative net fair value gains at end of year	931,805	627,404

There was no reclassification of financial assets during the year.

The following are included in the income statement for investments reclassified in 2008:

	The Group	
	2017 $'000	2016 $'000
Interest income	320,375	388,331
Foreign exchange (gains) / losses	(91,053)	221,633
	229,322	609,964

Fair value gains of $419,051,000 (2016 – ($237,066,000) for the Group would have been recognised in other comprehensive income during the year had these securities not been reclassified.

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10. Derivative Financial Instruments and Hedging Activity

Derivatives are carried at fair value and carried in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions are with the same counterparty, a legal right of set-off exists and the cash flows are intended to be settled on a net basis. The fair values are set out below:

	The Group	
	2017	2016
	$'000	$'000
Derivatives – Assets		
(i) Equity indexed options	278,010	174,575
Derivatives - Liabilities		
(i) Equity indexed options	278,010	174,575

(i) Equity indexed options

These derivative instruments give the holder the ability to participate in the upward movement of an equity index while protecting from downward risk and form part of certain structured product contracts with customers (Note 34). Sagicor Investments Jamaica Limited is exposed to credit risk on purchased options only, and only to the extent of the carrying amount, which is their fair value.

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11. Loans and Leases, after Allowance for Credit Losses

	The Group	
	2017	2016
	$'000	$'000
Gross loans and advances	62,670,091	57,406,028
Less: Allowance for credit losses	(1,522,821)	(1,379,263)
	61,147,270	56,026,765
Loan interest receivable	181,804	61,236
	61,329,074	56,088,001
Lease receivables	102,412	87,967
	61,431,486	56,175,968

The Group's current portion of loans and leases was $14,325,221,000 (2016 - $13,864,640,000).

The movement in the allowance for credit losses determined under the requirements of IFRS is:

	The Group			
	Loans		Leases	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Total non-performing loans/leases	2,048,264	1,873,640	12,533	7,767
Balance at beginning of year	1,379,264	1,766,230	2,260	2,260
Movement during the year -				
Charged against profit during the year	934,609	(7,304)	4,644	-
Recoveries of bad debts	(228,042)	(156,046)	-	-
Charged in the income statement	706,567	(163,350)	4,644	-
Recoveries	(543,000)	(274,742)	-	-
Currency revaluation adjustment	(20,010)	51,125	-	-
Balance at end of year	1,522,821	1,379,263	6,904	2,260

Provision for credit losses:

	The Group	
	2017	2016
	$'000	$'000
Loans and leases	706,567	(163,350)
Leases	4,644	-
Other receivables	201	4,326
Total per income statement	711,412	(159,024)

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11. Loans and Leases, after Allowance for Credit Losses (Continued)

The provision for credit losses determined under Central Bank regulatory requirements was as follows:

	The Group	
	2017	2016
	$'000	$'000
Specific provision	1,878,871	1,344,363
General provision	567,809	528,071
	2,446,680	1,872,434
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 31 (b))	994,678	525,802

Lease receivables:

	The Group	
	2017	2016
	$'000	$'000
Gross investment in finance leases -		
Not later than one year	67,127	67,993
Later than one year and not later than five years	59,382	44,999
	126,509	112,992
Less: Unearned income	(25,088)	(23,333)
Net investment in finance leases	101,421	89,659
Net investment in finance leases -		
Not later than one year	42,039	44,661
Later than one year and not later than five years	59,382	44,998
	101,421	89,659
Less: Provision for credit losses	(6,904)	(2,260)
Interest receivable	7,895	568
	102,412	87,967

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12. Pledged Assets

Assets of the Group are pledged as collateral under repurchase agreements with customers and financial institutions. Mandatory cash reserves and investment securities are also held with the regulators, the Bank of Jamaica and the Financial Services Commission.

	The Group			
	Asset		Related Liability	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Balance with regulators	140,529	141,750	-	-
Investment securities and securities sold under repurchase agreements	17,502,259	35,236,200	12,770,433	23,179,463
	17,642,788	35,377,950	12,770,433	23,179,463

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	The Group	
	2017	2016
	$'000	$'000
Investment securities	81,608,214	77,213,401

13. Investment Properties

	The Group	
	2017	2016
	$'000	$'000
At beginning of year	488,000	472,000
Acquired during the year	-	881
Fair value gains	42,000	15,119
At end of year	530,000	488,000

The investment properties as at 31 December 2017 were valued at current market value by Allison Pitter & Company, qualified property appraisers and valuers.

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13. Investment Properties (Continued)

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Rental income	35,456	35,874
Direct operating expenses	(38,151)	(42,773)

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, *Fair Value Measurement*. The valuations have been performed using a sales comparison approach but, as there have been a limited number of similar sales in the local market, incorporate unobservable inputs determined based on the valuators' judgement regarding size, age, condition and state of the local economy.

14. Investment in Joint Venture

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at 1 January	397,822	759,115
Capital injection	19,460	23,364
Capital redeployed as a Certificate of Deposit	-	(360,043)
Share of after tax earnings	(9,710)	8,264
Share of movement in equity reserves	(51,181)	(32,878)
Balance at 31 December	356,391	397,822

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14. Investment in Joint Venture (Continued)

The joint venture has share capital consisting solely of common and nominative shares, which is held directly by the Group.

Sagicor Costa Rica, S.A. is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the joint venture.

Summarised Financial Information of Joint Venture

Set out below are the summarized financial information for Grupo Sagicor GS, G.A. and subsidiary. which is accounted for using the equity method.

Summarised Balance Sheet

	The Group	
	2017	**2016**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	449,930	455,763
Other current assets	1,296,142	578,787
	1,746,072	1,034,550
Non-current assets		
Investments	1,068,953	1,249,754
Other non-current asset	118,639	54,724
	1,187,592	1,304,478
Total Assets	2,933,664	2,339,028
Current liabilities		
Provision for unearned premiums	1,046,589	481,282
Other liabilities	1,174,293	1,062,099
	2,220,882	1,543,381
Total Liabilities	2,220,882	1,543,381
Net Assets	712,782	795,647

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14. Investment in Joint Venture (Continued)

Summarised Financial Information of Joint Venture (Continued)

Summarised statement of comprehensive income

	The Group	
	2017	**2016**
	$'000	**$'000**
Insurance revenue	1,631,297	721,647
Insurance expenses	(1,167,989)	(423,257)
Underwriting profit	463,308	298,390
Other income	131,806	83,268
Operating expenses	(546,766)	(327,596)
Net profit before taxation	48,348	54,062
Taxation	(67,768)	(37,534)
Net (loss) / profit after tax for the period	(19,420)	16,528
Other comprehensive income	(80,961)	(83,607)
Total comprehensive income	(100,381)	(67,079)
Reconciliation of summarised financial information		
Opening net assets at 1 January	795,647	1,309,767
Capital injection	38,917	23,364
Capital redeployed as a Certificate of Deposit	-	(360,043)
Net (loss) / profit after tax for the period	(19,420)	16,529
Other comprehensive income	(80,961)	(83,609)
Other movement	(21,401)	(110,363)
Closing net assets	712,782	795,647
Reconciliation of the Group's share of 50% net assets –		
Opening net assets at 1 January	397,822	759,115
Capital redeployed as a Certificate of Deposit	-	(360,043)
Other movement	(41,431)	(1,250)
Carrying value	356,391	397,822

NOTES TO THE FINANCIAL STATEMENTS

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15. Interest in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 3(a) (ii).

Consolidated Structured Entity

The Group has no consolidated structured entity.

Unconsolidated Structured Entity

The Group established the Sagicor Real Estate X Fund Limited, Sagicor Pooled Investment Fund Limited and Sagicor Sigma Global Unit Trust (eighteen portfolios) to provide customers and pension funds with several investment opportunities.

(i) Sagicor Real Estate X Fund Limited

Sagicor Real Estate X Fund Limited (X Fund) has a separate Board of Directors. The company is 52.16% owned by the Sagicor Pooled Investment Fund Limited, which is a custodian trustee vehicle which holds the assets of the pension funds which are administered by the Group, through one of its subsidiaries, Sagicor Life Jamaica Limited. The company's investment is units in one of the eighteen portfolios managed by Sagicor Sigma Global Unit Trust, the Sagicor Sigma Global - Real Estate Portfolio and hotels operated by the X Fund Group. The fund manager for the eighteen portfolios operated by Sagicor Sigma Global Unit Trust is one of the Group subsidiaries, Sagicor Investments Jamaica Limited. The company's main business activity is to invest in real estate activities.

During 2015, the company became an associate of the Group. See Note 16 for further details.

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

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15. Interest in Structured Entities (Continued)

Unconsolidated Structured Entity (continued)

(ii) Sagicor Pooled Investment Fund
Sagicor Pooled Investment Fund Limited is a custodian trustee for the assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has a separate Board of Directors. The administration of the assets in trust is done by one of the Group's subsidiaries, Employee Benefits Administrator Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Life Jamaica Limited. Both the administration of the assets and the provision of investment management services entitled the Group to receive management fees based on the assets under management.

The table below shows the total assets of the company, the Group's interest in and income arising from involvement with the company as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the company regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2017	**2016**
	$'000	**$'000**
Total assets of the company	142,198,902	118,011,335
Maximum exposure to loss	17,598,774	10,400,209
Total income from the Group's interests	3,493,327	1,502,730

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the company in the future.

(iii) Sagicor Sigma Global Unit Trust
The Group established the Sagicor Sigma Global Unit Trust to provide customers with investment opportunities. The Unit Trust comprises eighteen portfolios.

The Unit Trust has an independent trustee. One of the Group's subsidiaries, Sagicor Investment Jamaica Limited is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

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15. Interest in Structured Entities (Continued)

Unconsolidated Structured Entity (continued)

(iii) Sagicor Sigma Unit Trust (continued)

	The Group	
	2017	**2016**
	$'000	**$'000**
Total assets of the Unit Trust	115,450,672	90,890,454
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 9)	20,900,843	18,630,661
Maximum exposure to loss	(25,240,893)	(23,125,473)
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	8,807,603	10,177,671
Total income from the Group's interests	1,623,066	1,460,336

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

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16. Investment in Associated Company

In September 2015, Sagicor Group acquired of 598,134,700 Sagicor Real Estate X Fund Limited shares, a 21% interest, by way of a non-renounceable rights issue at $6.95 per share. This acquisition took the Sagicor Group's holding to 29.3%.

Sagicor Real Estate X Fund Limited is an international business company incorporated under the International Business Act, 1999 (as amended) of Saint Lucia. Sagicor Real Estate X Fund Limited is listed on the Jamaica Stock Exchange and its main activity is to invest in real estate.

There are no contingent liabilities relating to the Group's interest in the associated company.

(a) *The investment in associated company is represented as follows:*

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Opening net assets at 1 January/Investment, at cost	6,115,829	4,869,225	3,305,560	3,305,560
Acquisition of shares (i)	865,346	-	-	-
Partial disposal of interest (ii)	(796,823)	-	-	-
Share of:				
Income before taxes	945,838	565,097	-	-
Income taxes	(82,992)	(70,050)	-	-
	862,846	495,047	-	-
Other comprehensive income	106,039	843,577	-	-
Total Comprehensive income	968,885	1,338,624	-	-
Dividend paid	(102,395)	(92,020)	-	-
Investment, end of year	7,050,842	6,115,829	3,305,560	3,305,560

(i) In May 2017, the Group acquired an additional 74,100,770 shares, a 3.3% interest. In August 2017, a further 2,500,000 shares, 0.11% holdings, were obtained on settlement of an annuity contact. These acquisitions increased the Sagicor Group's holdings to 32.72%.

(ii) In October 2017, the Group reduced its holdings in Sagicor Real Estate X Fund Limited by 3.41% to 29.31% when it sold 76,470,770 shares.

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16. Investment in Associated Company (Continued)

(b) The carrying values of investment in associated company and the values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") as at December 31, are as follows:

	Carrying Value	JSE Indicative Value	Carrying Value	JSE Indicative Value
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
The Group	7,050,842	9,828,326	6,115,829	8,511,817
The Company	3,305,560	7,077,539	3,305,560	6,130,711

(c) *Summarised Financial Information of Associated Company*

Set out below are the summarized financial information for Sagicor Real Estate X Fund Limited which is accounting for using the equity method.

Summary Balance Sheet

		The Group and the Company	
		2017	2016
		$'000	$'000
Current assets:	Cash resources	966,186	1,213,045
	Other current assets	2,485,152	1,200,410
		3,451,338	2,413,455
Non-current assets:	Investments	15,447,617	15,630,374
	Other non-current asset	28,183,680	26,258,527
		43,631,297	41,888,901
Total Assets		47,082,635	44,302,356
Current liabilities:	Loans payable	1,823,400	2,722,515
	Other liabilities	1,499,696	1,636,099
		3,323,096	4,358,614
Non-current liabilities:	Loan payable	19,634,744	18,925,035
	Other liabilities	1,426,404	1,118,644
Total Liabilities		24,384,244	24,402,293
Net Assets		22,698,391	19,900,063

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16. Investment in Associated Company (Continued)

(c) Summarised Financial Information of Associated Company (Continued)

Summarised statement of comprehensive income

	The Group and The Company	
	2017	**2016**
	$'000	**$'000**
Revenue	10,259,556	8,440,642
Other operating income	2,747,927	1,897,208
Operating expenses	(9,989,445)	(8,409,855)
Net Profit	3,018,038	1,927,995
Taxation	(267,347)	(238,996)
Net Profit after tax	2,750,691	1,688,999
Other comprehensive income	361,658	2,878,122
Total comprehensive income	3,112,349	4,567,121

(d) Reconciliation of the Group's 29.3% interest:

Share of net assets	6,652,816	5,831,165
Intangible assets including goodwill	398,026	284,664
Carrying value	7,050,842	6,115,829

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17. Investment in Subsidiaries

	2017	**2016**
	$'000	**$'000**
Shares in:		
Sagicor Life Jamaica Limited	34,257,354	34,257,354
Sagicor St. Lucia Limited (i) (a)	-	93
Sagicor Life of the Cayman Islands Ltd. (i) (b)	10,858,929	-
Sagicor Re Insurance Limited (i) (b)	211,028	-
Sagicor Insurance Brokers Limited	33,181	33,181
Sagicor International Administrators Limited	5,783	5,783
Sagicor Property Services Limited	150,000	150,000
Sagicor Pooled Investments Limited	1	1
Sagicor Investments Jamaica Limited	10,742,300	10,742,300
Sagicor Bank Jamaica Limited	11,821,188	11,821,188
Sagicor Securities Jamaica Limited	583,974	583,974
Employee Benefits Administrator Limited (ii)	85,001	85,001
	68,748,739	57,678,875

(i) Sagicor St. Lucia Limited

(a) In 2016, interest held in the joint venture, Sagicor Costa Rica, S.A., by Sagicor St. Lucia Ltd. was transferred to the parent, Sagicor Group Jamaica Limited.

(b) On January 1st, 2017, Sagicor St. Lucia Limited transferred its interest held in wholly owned subsidiaries, Sagicor Life of the Cayman Islands and Sagicor Re Insurance Limited to the parent, Sagicor Group Jamaica Limited.

(ii) Employee Benefits Administrator Limited
In 2016, Sagicor Group Jamaica Limited provided additional capital of $85,000,000 to Employee Benefits Administrator Limited (EBA).

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18. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
At 1 January 2016	2,205,798	4,553,499	473,433	2,234,924	9,467,654
Additions	-	-	-	193,875	193,875
Translation adjustment	41,922	-	-	120	42,042
At 31 December 2016	2,247,720	4,553,499	473,433	2,428,919	9,703,571
Additions	-	-	-	504,188	504,188
Translation adjustment	(19,324)	-	-	(87)	(19,411)
At 31 December 2017	2,228,396	4,553,499	473,433	2,933,020	10,188,348
Amortisation -					
At 1 January 2016	-	2,581,046	473,433	750,123	3,804,602
Amortisation charge	-	214,414	-	368,814	583,228
Translation adjustment	-	-	-	110	110
At 31 December 2016	-	2,795,460	473,433	1,119,047	4,387,940
Amortisation charge	-	214,414	-	458,325	672,739
Translation adjustment	-	-	-	(61)	(61)
At 31 December 2017	-	3,009,874	473,433	1,577,311	5,060,618
Net Book Value -					
31 December 2016	2,247,720	1,758,039	-	1,309,872	5,315,631
31 December 2017	2,228,396	1,543,625	-	1,355,709	5,127,730

Amortisation charges of $672,739,000 (2016 - $583,228,000) have been included in expense for the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

18. Intangible Assets (Continued)

	The Company
	Computer Software
	$'000
Cost -	
At 1 January 2016	1,306,628
Additions	95,555
At 31 December 2016	1,402,183
Additions	80,871
At 31 December 2017	1,483,054
Amortisation -	
At 1 January 2016	109,242
Amortisation charge	274,457
At 31 December 2016	383,699
Amortisation charge	290,772
At 31 December 2017	674,471
Net Book Value -	
31 December 2016	1,018,484
31 December 2017	808,583

Amortisation charges of $290,771,000 (2016 - $274,457,000) have been included in expense for the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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18. Intangible Assets (Continued)

The allocation of goodwill to the Group's and the company's Cash Generating Units (CGUs) is as follows:

	The Group	
	2017	2016
	$000	$000
Sagicor Life Jamaica Individual Lines Division	855,191	855,191
Sagicor Life Jamaica Employee Benefits Division	530,126	530,126
Sagicor Life of the Cayman Islands Individual Lines Division	620,149	638,391
Sagicor Investments Jamaica Limited	186,066	186,066
Sagicor Insurance Managers Ltd.	36,864	37,946
	2,228,396	2,247,720

At 31 December 2017, management tested goodwill and the unamortised balance of other purchased intangibles allocated to Sagicor Life Jamaica Individual Lines Division, Sagicor Life Jamaica Employee Benefits Division, Sagicor Life of the Cayman Islands Individual Lines Division, Sagicor Insurance Managers Ltd. and Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited for impairment.

The recoverable amounts of Sagicor Life Jamaica Individual Lines Division, Sagicor Group Jamaica Employee Benefits Division and Sagicor Life of the Cayman Islands Individual Lines Division CGUs are determined on the Capitalised Earnings Approach. These calculations use projected sustainable earnings based on audited earnings and financial budgets approved by management covering a three year period and the earnings multiples stated below.

The recoverable amounts of the non-life CGUs, Sagicor Investments Jamaica Limited, and Sagicor Insurance Managers Ltd. are determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

There was no impairment of any of the Group's CGUs.

Key assumptions used for the impairment calculations are as follows:

	Earnings Multiple	Earnings Growth Rate	Discount Rate
Sagicor Life Jamaica Individual Life Division	8.6	-	-
Sagicor Life Jamaica Employee Benefits Division	9.1	-	-
Sagicor Life of the Cayman Islands Individual Life Division	8.8	-	-
Sagicor Investments Jamaica Limited	-	5.25%	16.12%
Sagicor Bank Jamaica Limited	-	5.75%	17.69%
Sagicor Insurance Managers Ltd.	-	2.00%	12.88%

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(expressed in Jamaican dollars unless otherwise indicated)

19. Property, Plant and Equipment

	The Group					
	Leasehold Buildings & Improvements	Freehold Land & Buildings	Furniture & Equipment	Motor Vehicles	Capital Works in Progress	Total
Cost or Valuation -	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	801,267	2,636,741	2,584,115	155,406	453,962	6,631,491
Additions	103,232	6,009	554,884	45,780	283,735	993,640
Revaluation adjustments	-	102,937	-	-	(204,534)	(101,597)
Disposals	-	(44,234)	(31,582)	(8,968)	-	(84,784)
Translation adjustment	3,055	-	3,893	-	24,745	31,693
At 31 December 2016	907,554	2,701,453	3,111,310	192,218	557,908	7,470,443
Additions	95,071	35,861	613,288	82,491	-	826,711
Transfers	-	543,339	15,417	-	(558,756)	-
Revaluation adjustments	-	112,353	-	-	-	112,353
Disposals	-	-	-	(70,142)	-	(70,142)
Translation adjustment	(1,454)	(16,670)	(1,885)	-	848	(19,161)
At 31 December 2017	1,001,171	3,376,336	3,738,130	204,567	-	8,320,204
Accumulated Depreciation -						
At 1 January 2016	392,699	248,898	1,697,703	96,964	-	2,436,264
Charges for the year	70,748	34,876	281,924	29,318	-	416,866
Relieved on revalued assets	-	(14,306)	-	-	-	(14,306)
Relieved on disposals	-	(12,688)	(3,577)	(8,968)	-	(25,233)
Translation adjustment	2,079	-	3,575	-	-	5,654
At 31 December 2016	465,526	256,780	1,979,625	117,314	-	2,819,245
Charges for the year	75,623	42,771	353,124	36,683	-	508,201
Relieved on revalued assets	-	(14,510)	-	-	-	(14,510)
Relieved on disposals	-	-	-	(53,147)	-	(53,147)
Translation adjustment	(1,196)	(210)	(1,825)	-	-	(3,231)
At 31 December 2017	539,953	284,831	2,330,924	100,850	-	3,256,558
Net Book Value -						
31 December 2016	442,028	2,444,673	1,131,685	74,904	557,908	4,651,198
31 December 2017	461,218	3,091,505	1,407,206	103,717	-	5,063,646

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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19. Property, Plant and Equipment (Continued)

	The Company		
	Leasehold Improvement	Furniture & Equipment	Total
Cost or Valuation -	$'000	$'000	$'000
At 1 January 2016	-	206,933	206,933
Additions	-	51,537	51,537
At 31 December 2016	-	258,470	258,470
Additions	15,278	166,532	181,810
At 31 December 2017	15,278	425,002	440,280
Accumulated Depreciation -			
At 1 January 2016	-	17,325	17,325
Charges for the year	-	48,969	48,969
At 31 December 2016	-	66,294	66,294
Charges for the year	1,123	63,870	64,993
At 31 December 2017	1,123	130,164	131,287
Net Book Value -			
31 December 2016	-	192,176	192,176
31 December 2017	14,155	294,838	308,993

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuators. The excess of revalued amount over the carrying value of these property, plant and equipment, amounting to $126,863,000 (2016 - $117,243,000), has been credited to investment and fair value reserves. If revalued assets of the Group were stated on a historical cost basis, the amounts would be as follows:

	The Group	
	2017	2016
	$'000	$'000
Cost	1,121,149	571,112
Accumulated depreciation	(51,151)	(39,852)
Net book value	1,069,998	531,260
Carrying value of revalued assets	1,920,966	1,253,000

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20. Reinsurance Contracts

	The Group	
	2017	2016
	$'000	$'000
Claims recoverable from reinsurers	302,776	154,501
Unearned premiums ceded to reinsurers	119,872	129,374
Reinsurers share of insurance liabilities	42,898	16,645
	465,546	300,520

The reinsurers' share of actuarial liabilities represents balances which are short-term and expected to be settled within one year.

21. Retirement Benefits

	The Group	
	2017	2016
	$'000	$'000
Retirement benefit assets -		
Pension scheme	517,261	-
Retirement benefit obligations -		
Pension scheme	53,988	2,444,342
Other post-retirement benefits	3,479,475	3,724,181
	3,533,463	6,168,523

Pension schemes comprised the following –

	2017	2016
	$'000	$'000
Retirement benefit assets	(517,261)	-
Retirement benefit obligations	53,988	2,444,342
	(463,273)	2,444,342

The Group operates the following pension plans:

(i) Sagicor Life Jamaica Limited operates a defined contribution plan for eligible sales agents and admin staff joining on or after August 1, 2009 and defined benefit plan for eligible administrative staff before August 1, 2009. The assets are held in a trust fund and are separate and apart from the assets of the company. The benefits for the DB plan are based on service and salary, whereas the benefits for agents are based on contributions and interest. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2015) was 106%.

(ii) Sagicor Life of the Cayman Islands Ltd. participates in the Cayman Islands Chamber of Commerce Pension Plan. This plan is a money purchase contributory plan covering all the employees in the Cayman Islands. Contributions are vested immediately. The company contributes at a fixed rate of 7% of pensionable earnings.

NOTES TO THE FINANCIAL STATEMENTS

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21. Retirement Benefits (Continued)

The Group operates the following pension plans (continued):

(iii) Sagicor Investments Jamaica Limited and former Sagicor Bank Jamaica Limited operate a defined contribution (DC) and defined benefit (DB) pension plans covering its permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2016) was 130% and 114% for the DB and DC plan respectively.

(iv) Sagicor Bank Jamaica Limited, formerly RBC Bank Jamaica Limited, has a DC plan covering all permanent employees not covered under the DC and DB Plans operated in conjunction with Sagicor Investments Jamaica Limited. The assets of this funded plan are held independently of the Group's assets in separate trustee administered funds. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2016) was 109%.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension schemes ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile.
Any plan surplus or funding deficiency for the defined benefits plans as determined by independent actuaries annually using the Projected Unit Credit Method are recognised fully as a charge to shareholders' equity.

(a) Pension schemes

The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Present value of funded obligations	20,904,965	20,051,274
Fair value of plan assets	(21,368,238)	(17,606,932)
(Surplus) / deficit of funded plan	(463,273)	2,444,342
(Asset) / liability in the balance sheet	(463,273)	2,444,342

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31 December 2017
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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Movement in the present value of the defined benefit obligations recognised in the statement of financial position:

	The Group	
	2017	**2016**
	$'000	**$'000**
Liability at start of year	20,051,274	16,652,537
Current service cost	572,500	480,720
Interest cost	1,772,702	1,388,821
Net expense recognised in income	2,345,202	1,869,541
Re-measurements:		
Gains from changes in demographic assumptions	-	(3,374)
(Gains)/losses from changes in financial assumptions	1,747,124	(618,150)
(Gains)/losses from changes in experience	(2,972,604)	2,543,940
Net (gains)/losses recognised in other comprehensive income	(1,225,480)	1,922,416
Contributions by the members	542,187	494,099
Value of purchased annuities	714,687	192,277
Benefits paid	(1,522,905)	(1,079,596)
Net Liability, end of year	20,904,965	20,051,274

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at start of year	17,606,932	15,319,484
Contributions made by the employer	424,737	458,289
Contributions by the members	542,187	494,099
Value of purchased annuities	714,687	192,277
Benefits paid	(1,516,461)	(1,074,075)
Interest income on plan assets	1,594,152	1,315,163
Re-measurement:		
(Gains)/losses from changes in financial assumptions	89,861	(38,512)
Losses from changes in experience	1,912,143	940,207
Net losses recognised in other comprehensive income	2,002,004	901,695
Balance, end of year	21,368,238	17,606,932

The amounts recognised in the income statements as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Current service cost	572,500	480,720
Interest cost on plan obligation	1,772,702	1,388,821
Interest income on plan assets	(1,594,152)	(1,315,163)
Total, included in staff cost (Note 45)	751,050	554,378

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Change in demographic assumptions	-	(3,374)
Change in financial assumptions	1,657,263	(579,638)
Experience adjustments	(4,884,747)	1,603,733
	(3,227,484)	1,020,721
Deferred tax	885,649	(271,968)
	(2,341,835)	748,753

The principal actuarial assumptions used were as follows:

	The Group	
	2017	**2016**
Discount rate - J$ benefits	8.00%	9.00%
Discount rate - US$ Indexed benefits	5.00%	5.00%
Inflation	5.00%	6:00%
Expected return on plan assets	8.00%	9.00%
Future salary increases	7.50%	6.50%
Future pension increases	1.00%	3.00%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	13	13

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	The Group			
	2017		2016	
	$'000	%	$'000	%
Equities	7,006,037	33	4,584,339	26
Mortgages and real estate	3,733,386	18	3,389,685	19
Money market fund	292,341	1	288,962	2
Fixed income fund	1,976,276	9	1,986,974	11
Foreign currency fund	2,937,018	14	2,327,377	13
Global market fund	654,311	3	528,441	3
Diversified investment fund	691,592	3	1,086,136	6
Inflation-linked	609,539	3	600,433	3
	17,900,500	84	14,792,347	83
Value of purchased annuities	3,467,738	16	2,814,585	17
	21,368,238	100	17,606,932	100

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

NOTES TO THE FINANCIAL STATEMENTS

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21. Retirement Benefits (Continued)

(b) Other post-retirement benefits

In addition to pension benefits, the Group offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The amounts recognised in the statement of financial position are determined as follows:

	The Group	
	2017	2016
	$'000	$'000
Present value of unfunded obligations	3,658,697	3,888,605
Fair value of plan assets	(179,222)	(164,424)
Liability in the statement of financial position	3,479,475	3,724,181

Movement in the amounts recognised in the statement of financial position:

	The Group	
	2017	2016
	$'000	$'000
Liability at beginning of year	3,888,605	3,277,268
Current service cost	202,518	178,258
Interest cost	347,535	275,727
Net expense recognised in income	550,053	453,985
Re-measurement:		
Gains from changes in demographic assumptions	-	(7,143)
Losses/(gains) from changes in financial assumptions	896,877	(316,276)
Gains/(losses) from changes in experience	(1,598,499)	548,986
Net (Gains)/losses recognised in other comprehensive income	(701,622)	225,567
Benefits paid	(78,339)	(68,215)
Net Liability, end of year	3,658,697	3,888,605

The principal actuarial assumption used was as follows:

	The Group	
	2017	2016
Rate of medical inflation	7%	8%

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21. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statements are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Current service cost	202,518	178,258
Interest cost	347,535	275,727
Benefits paid	(14,798)	(12,881)
Total, included in staff cost (Note 45)	535,255	441,104

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Change in demographic assumptions	-	(7,143)
Change in financial assumptions	896,877	(316,276)
Experience adjustments	(1,598,499)	548,986
	(701,622)	225,567
Deferred tax	193,578	(54,759)
	(508,044)	170,808

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance	164,424	151,543
Interest income on plan assets	14,798	12,881
Balance, end of year	179,222	164,424

NOTES TO THE FINANCIAL STATEMENTS

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21. Retirement Benefits (Continued)

(c) Plan risks

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks. The Group does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Group has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

(i) Investment risk

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

(ii) Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investment.

(iii) Salary risk

The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore, an increase in the salary of members will increase the plan's liability.

(iv) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

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21. Retirement Benefits (Continued)

(d) Sensitivity tests

(i) The effect of a 1% increase/decrease in the medical inflation rate assumption:

	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000
Sagicor Life Jamaica Limited	(267,450)	338,903
Sagicor Property Services Limited	(4,959)	6,479
Sagicor Investments Jamaica Limited	(28,903)	39,861
Sagicor Bank Jamaica Limited	(267,636)	362,926
Total Group	(568,948)	748,169

(ii) Impact of a 1% increase/decrease in the discount rate assumption:

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	1,011,442	387,834	1,399,276
Sagicor Property Services Limited	26,669	7,054	33,723
Sagicor Investments Jamaica Limited	112,618	42,471	155,089
Sagicor Bank Jamaica Limited	102,533	378,981	481,514
Total Group	1,253,262	816,340	2,069,602

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21. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

(ii) Impact of a 1% increase/decrease in the discount rate assumption (continued):

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(772,105)	(302,038)	(1,074,143)
Sagicor Property Services Limited	(18,254)	(5,316)	(23,570)
Sagicor Investments Jamaica Limited	(83,843)	(30,443)	(114,286)
Sagicor Bank Jamaica Limited	(81,464)	(275,946)	(357,410)
Total Group	(955,666)	(613,743)	(1,569,409)

(iii) Impact of a 1% increase/decrease in future salary increases:

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Decrease by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(303,279)	(20,323)	(323,602)
Sagicor Property Services Limited	(8,923)	(313)	(9,236)
Sagicor Investments Jamaica Limited	(35,673)	(1,388)	(37,061)
Sagicor Bank Jamaica Limited	(20,491)	(7,671)	(28,162)
Total Group	(368,366)	(29,695)	(398,061)

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21. Retirement Benefits (Continued)

(d) Sensitivity tests (continued)

(iii) Impact of a 1% increase/decrease in future salary increases (continued):

	Increase by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	349,449	24,108	373,557
Sagicor Property Services Limited	10,509	380	10,889
Sagicor Investments Jamaica Limited	40,681	1,662	42,343
Sagicor Bank Jamaica Limited	23,310	9,016	32,326
Total Group	423,949	35,166	459,115

(iv) Impact of a 1% increase/decrease in future pension increases:

	Decrease by 1% Increase/ (Decrease) in Pension benefits $'000	Increase by 1% Increase/ (Decrease) in Pension benefits $'000
Sagicor Life Jamaica Limited	(1,146,258)	1,326,111
Sagicor Property Services Limited	(11,829)	13,740
Sagicor Investments Jamaica Limited	(41,255)	48,252
Sagicor Bank Jamaica Limited	(412,945)	483,571
Total Group	(1,612,287)	1,871,674

NOTES TO THE FINANCIAL STATEMENTS

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21. Retirement Benefits (Continued)

(v) Impact of a 1 year change in life expectancy

	Decrease by 1 year Increase/ (Decrease) in Pension benefits $'000	Decrease by 1 year Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	(82,361)	(67,577)	(149,938)
Sagicor Property Services Limited	(1,473)	(1,039)	(2,512)
Sagicor Investments Jamaica Limited	(5,561)	(3,947)	(9,508)
Sagicor Bank Jamaica Limited	(11,601)	(40,730)	(52,331)
Total Group	(100,996)	(113,293)	(214,289)

	Increase by 1 year Increase/ (Decrease) in Pension benefits $'000	Increase by 1 year Increase/ (Decrease) in Health & Life benefits $'000	Total $'000
Sagicor Life Jamaica Limited	80,624	67,910	148,534
Sagicor Property Services Limited	1,415	1,040	2,455
Sagicor Investments Jamaica Limited	5,693	3,935	9,628
Sagicor Bank Jamaica Limited	11,307	40,795	52,102
Total Group	99,039	113,680	212,719

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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21. Retirement Benefits (Continued)

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Bank has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 consists of bonds and equities.

The weighted average duration of the defined benefit obligation range from 34 years (2016 – 32 years) to 42 years (2016 – 44 years).

NOTES TO THE FINANCIAL STATEMENTS

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22. Deferred Income Taxes

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of:

(a) 25% for the company (Sagicor Group Jamaica Limited);
(b) 25% for subsidiaries including Sagicor Life Jamaica Limited, Sagicor Property Services Limited;
(c) 33⅓% for Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited, Sagicor Insurance Administrators Limited Sagicor Securities Jamaica Limited;
(d) 1% for the subsidiaries incorporated in St. Lucia.
(e) The subsidiaries incorporated in Grand Cayman operate under a zero tax regime;

Deferred tax assets and liabilities, net recognized on the statement of financial position are as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets, net	(2,351,201)	(4,538,842)	(14,155)	(22,673)

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance as at 1 January	(4,538,842)	(4,652,992)	(22,673)	(88,261)
Charged/(credited) to the income statement (Note 47(a))	180,897	(150,650)	8,518	65,588
Tax charged/(credited) to components in other comprehensive income (Note 47(c))	2,006,744	264,800	-	-
	(2,351,201)	(4,538,842)	(14,155)	(22,673)

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31 December 2017
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22. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position included the following:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(2,949,994)	(4,764,533)	(55,901)	(30,524)
Deferred tax liabilities to be settled after more than 12 months	712,576	225,691	36,600	7,852

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Property, plant and equipment	(68,923)	(38,988)	(55,901)	(30,525)
Investment securities - available-for-sale	(146,552)	(817,912)	-	-
Trading securities	(125,104)	(18,570)	-	-
Derivatives	-	(41,058)	-	-
Tax losses unused	(1,523,726)	(1,857,495)	-	-
Unrealised foreign exchange losses	(347,801)	(212,981)	-	-
Impairment losses on loans	-	(12,386)	-	-
Pensions and other post-retirement benefits	(850,493)	(1,714,041)	-	-
Interest payable	-	(65,991)	-	-
Other	(204,821)	(165,354)	-	-
	(3,267,420)	(4,944,776)	(55,901)	(30,525)
Deferred income tax liabilities -				
Property, plant and equipment	213,130	244,706	-	-
Investment securities - available-for-sale	242,058	-	-	-
Derivatives	103,672	10,985	-	-
Unrealised foreign exchange gains	36,600	-	36,600	-
Impairment losses on loans	116,729	-	-	-
Interest receivable	204,030	150,243	5,146	7,852
	916,219	405,934	41,746	7,852
Net deferred tax (asset)/liability	(2,351,201)	(4,538,842)	(14,155)	(22,673)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Income Taxes (Continued)

The movement in deferred tax assets and liabilities is as follows:

	The Group							
	Property, plant and equipment	Fair value gains	Unused tax losses	Unrealised foreign exchange gains	Loan loss provision	Post-employment benefits	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2016	369,824	(1,481,807)	(2,332,782)	95,703	65,505	(1,253,567)	(115,868)	(4,652,992)
(Credited)/charged to income statement	(114,391)	(26,051)	475,287	(308,684)	(77,891)	(133,686)	34,766	(150,650)
Credited to other comprehensive income	(49,715)	641,303	-	-	-	(326,788)	-	264,800
At 31 December 2016	205,718	(866,555)	(1,857,495)	(212,981)	(12,386)	(1,714,041)	(81,102)	(4,538,842)
(Credited)/charged to income statement	(75,611)	27,211	333,769	(98,220)	129,115	(215,678)	80,311	180,897
Credited to other comprehensive income	14,100	913,418	-	-	-	1,079,226	-	2,006,744
At 31 December 2017	144,207	74,074	(1,523,726)	(311,201)	116,729	(850,493)	(791)	(2,351,201)

23. Taxation Recoverable

Taxes are withheld at 25% from interest payments on Government of Jamaica securities and other local bonds. The Group makes monthly filings to Tax Administration of Jamaica (TAJ) for recovery. Amounts approved by TAJ are refunded as cash flows allow and approvals for off-sets are sometimes granted. The amounts are expected to be recovered within one year of the financial statements date.

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31 December 2017

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24. Other Assets

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Due from sales representatives	902,293	588,289	-	-
Real estate developed for resale -				
Opening balance	683,244	638,070	-	-
Additions during the year	140,495	45,174	-	-
	823,739	683,244	-	-
Premiums due and unpaid	3,554,754	2,378,392	-	-
Due from related parties (Note 25)	537,855	466,823	24,171	3,941
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	759,091	1,033,419	-	-
Prepayments	1,232,397	1,152,224	393,966	157,412
Customer settlements accounts/unsettled trades	1,063,098	300,950	-	-
Legal claim (Note 56)	8,838,088	6,747,230	-	-
Other receivables	1,286,212	1,020,034	53,272	55,498
	18,997,527	14,370,605	471,409	216,851
Provision against doubtful receivables	(253,257)	(244,484)	-	-
	18,744,270	14,126,121	471,409	216,851

Real estate developed for sale relates to the construction of residential and commercial complexes.

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(expressed in Jamaican dollars unless otherwise indicated)

25. Related Party Balances and Transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party, in making financial or operational decisions.

The Group is controlled by Sagicor Financial Corporation, a company incorporated and domiciled in Bermuda, which owns 49.11% (2016 – 49.11%) of the ordinary stock units. PanJam Investment Limited owns 31.55% (2016 – 31.55%) of the ordinary stock units. The remaining 19.34% (2016 – 19.34%) of the stock units is widely held.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Group and its parent company provide management services. Pan-Jamaican Investment Trust Limited is a related party by virtue of being a shareholder with significant influence over the parent company. Related parties also include the Pooled Investment Funds and the Sagicor Sigma Funds managed by the Group.

(a) The statement of financial position includes the following balances with related parties and companies:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Due from related companies -				
Ultimate parent company	408,338	261,900	-	-
Subsidiaries	-	-	24,171	3,941
Parent company	45,576	45,316	-	-
Other related companies	24,782	13,584	-	-
Other managed funds	59,159	146,021	-	-
	537,855	466,821	24,171	3,941

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(expressed in Jamaican dollars unless otherwise indicated)

25. Related Party Balances and Transactions (Continued)

(a) The statement of financial position includes the following balances with related parties and companies (continued):

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Due to related companies -				
Parent company	410,205	374,274	-	-
Subsidiaries - promissory notes	-	-	13,763,583	6,737,599
Subsidiaries – other liabilities	-	-	3,670,605	2,525,812
Other related companies	9,190	5,988	-	-
Pooled	2,064	90,666	-	-
Other managed funds	107,938	46,375	-	-
	529,397	517,303	17,434,188	9,263,411

(b) The above balances include the following transactions with related parties and companies

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Parent company -				
Shared services fees	235,511	174,203	-	-
Party with significant influence over the group -				
Securities sold under agreements to repurchase	(12,663,086)	(9,824,800)	-	-
Customer deposits	(9,010,164)	(3,356,476)	-	-
Customer accounts	2,417	(174,390)	-	-
Structured products	(932,734)	(39,820)	-	-
Loans	622,119	1,456,320	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Sagicor Pooled Investment Funds -				
Lease rental expense	380,354	364,823	-	-
Management fee income	1,021,386	863,296	-	-
Administration fee income	421,269	328,073	-	-
Directors and key management personnel -				
Interest expense	9,432	5,602	-	-
Interest income	5,319	1,249	-	-
Other related parties -				
Management fees - subsidiaries	-	-	383,786	307,804
Interest recharged expense - subsidiaries	-	-	52,200	52,200
Interest expense - subsidiaries	-	-	(722,922)	(567,236)
Dividend in specie - subsidiaries	-	-	-	4,000,000
Dividend income - subsidiaries	-	-	6,011,268	6,354,291
Dividend income - associate	-	-	66,278	66,278
Interest and other income earned	1,413,326	1,246,221	-	-
Key management compensation -				
Salaries and other short term benefits	469,051	435,064	-	-
Share based payments	523,059	33,390	-	-
Contributions to pensions and insurance schemes	24,420	22,569	-	-
	1,016,530	491,023	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies (continued):

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Directors' emoluments -				
Fees	103,211	90,641	29,663	26,754
Other expenses	10,541	5,256	2,781	1,348
Management remuneration (included above)	315,701	113,007	-	-
	429,453	208,904	32,444	28,102
Party with significant influence over the Group -				
Fee income	4,950	3,070	-	-
Rent and net lease	49,958	23,445	-	-
Interest expense paid	(369,307)	(438,264)	-	-
Interest income earned	47,608	31,092	-	-

26. Share Capital

	The Group and The Company	
	2017 $'000	2016 $'000
Authorised:		
13,598,340,000 (2016 – 13,598,340,000) Ordinary shares		
Issued and fully paid:		
3,905,634,916 ordinary stock units at no par	9,161,065	9,161,065
Treasury shares (Note 28)	(746,014)	(608,503)
	8,415,051	8,552,562

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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27. Equity Reserves

	Attributable to owners of the parent									
	Investment and Fair Value Reserves				Other Reserves					
	Stock Options Reserve	Available-for-sale fair assets	Actuarial Liabilities	Owner occupied properties	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	**49,804**	**(3,598,900)**	**(704,538)**	**1,400,877**	**5,025,749**	**1,086,018**	**398, 488**	**(1,048,645)**	**1,595,131**	**4,203,984**
Net gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(1,188,069)	-	-	-	-	-	-	-	(1,188,069)
Net unrealized gains on available-for-sale securities	-	4,262,012	-	-	-	-	-	-	-	4,262,012
Net unrealized losses on revaluation of owner occupied properties	-	-	-	218,491	-	-	-	-	-	218,491
Deferred tax on unrealized capital gains	-	(913,418)	-	(31,702)	-	-	-	-	-	(945,120)
Impairment of equities and bonds	-	326,340	-	-	-	-	-	-	-	326,340
Shadow accounting	-	-	657,563	-	-	-	-	-	-	657,563
Currency translation	-	-	-	-	(436,727)	-	-	-	-	(436,727)
Total comprehensive income for the year	**-**	**2,486,865**	**657,563**	**186,789**	**(436,727)**	**-**	**-**	**-**	**-**	**2,894,490**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

27. Equity Reserves (Continued)

	Attributable to owners of the parent									
		Investment and Fair Value Reserves				Other Reserves				
	Stock Options Reserve	Available-for-sale assets	Actuarial Liabilities	Owner occupied properties	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total comprehensive income for the year	**-**	**2,486,865**	**657,563**	**186,789**	**(436,727)**	**-**	**-**	**-**	**-**	**2,894,490**
Transactions with owners -										
Employee share option scheme										
- value of services provided	37,090	-	-	-	-	-	-	-	-	37,090
- employee stock grants and options exercised / expired	(55,927)	-	-	-	-	-	-	-	-	(55,927)
Total transactions with owners	(18,837)	-	-	-	-	-	-	-	-	(18,837)
Transfers between reserves -										
To special investment reserve	-	-	-	-	-	-	15,000	-	-	15,000
To retained earnings	-	(25,000)	-	-	-	-	-	-	-	(25,000)
Adjustment between regulatory loan provisioning and IFRS	-	-	-	-	-	-	-	452,446	-	452,446
Total transfers between reserves	-	(25,000)	-	-	-	-	15,000	452,446	-	442,446
Balance at 31 December 2017	**30,967**	**(1,137,035)**	**(46,975)**	**1,587,666**	**4,589,022**	**1,086,018**	**413,488**	**(596,199)**	**1,595,131**	**7,522,083**

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31 December 2017

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27. Equity Reserves (Continued)

	Attributable to owners of the parent									
	Investment and Fair Value Reserves				Other Reserves					
	Stock Options Reserve	Available-for-sale fair assets	Actuarial Liabilities	Owner occupied properties	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2016	**61,917**	**(7,500,833)**	**-**	**622,390**	**4,346,839**	**1,086,018**	**385,747**	**(1,421,097)**	**1,595,131**	**(823,888)**
Net gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(658,060)	-	-	-	-	-	-	-	(658,060)
Net unrealized gains on available-for-sale securities	-	4,661,614	-	-	-	-	-	-	-	4,661,614
Net unrealized losses on revaluation of owner occupied properties	-	-	-	931,544	-	-	-	-	-	931,544
Deferred tax on unrealized capital gains	-	(641,304)	-	(153,057)	-	-	-	-	-	(794,361)
Impairment of equities and bonds	-	562,873	-	-	-	-	-	-	-	562,873
Shadow accounting	-	-	(704,538)	-	-	-	-	-	-	(704,538)
Currency translation	-	-	-	-	678,910	-	-	-	-	678,910
Total comprehensive income for the year	**-**	**3,925,123**	**(704,538)**	**778,487**	**678,910**	**-**	**-**	**-**	**-**	**4,677,982**

NOTES TO THE FINANCIAL STATEMENTS

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27. Equity Reserves (Continued)

	\----------Attributable to owners of the parent----------\									
		Investment and Fair Value Reserves				Other Reserves				
	Stock Options Reserve	Available-for-sale assets	Actuarial Liabilities	Owner occupied properties	Currency Translation Reserve	Capital redemption reserve	Special investment reserve	Loan Loss Reserve	Retained earnings reserve	Grand Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total comprehensive income for the year	**-**	**3,925,123**	**(704,538)**	**778,487**	**678,910**	**-**	**-**	**-**	**-**	**4,677,982**
Transactions with owners -										
Employee share option scheme										
- value of services provided	31,902	-	-	-	-	-	-	-	-	31,902
- employee stock grants and options exercised / expired	(44,015)	-	-	-	-	-	-	-	-	(44,015)
Total transactions with owners	(12,113)	-	-	-	-	-	-	-	-	(12,113)
Transfers between reserves -	-	-	-	-	-	-	12,741	-	-	12,741
To special investment reserve	-	(23,190)	-	-	-	-	-	-	-	(23,190)
To retained earnings	-	-	-	-	-	-	-	-	-	-
Adjustment between regulatory loan provisioning and IFRS	-	-	-	-	-	-	-	372,452	-	372,452
Total transfers between reserves	-	(23,190)	-	-	-	-	12,741	372,452	-	362,003
Balance at 31 December 2016	**49,804**	**(3,598,900)**	**(704,538)**	**1,400,877**	**5,025,749**	**1,086,018**	**398,488**	**(1,048,645)**	**1,595,131**	**4,203,984**

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28. Stock Options and Grants

Long-term Incentive plan

The Group offers stock grants and stock options to senior executives as part of its long-term incentive plan. The Group has set aside 150,000,000 of its authorised but un-issued shares at no par value for the stock grants and stock options.

In January 2007, the Group introduced a new Long Term Incentive (LTI) plan which replaced the previous Stock Option plan. Under the LTI plan, executives are entitled but not obliged to purchase the Group stock at a pre-specified price at some future date. The options are granted each year on the date of the Board of Directors Human Resources Committee meeting following the performance year at which the stock option awards are approved. Stock options vest in 4 equal installments beginning the first December 31 following the grant date and for the next three December 31st dates thereafter (25% per year). Options are not exercisable after the expiration of 7 years from the date of grant. The number of stock options in each stock option award is calculated based on the LTI opportunity via stock options (percentage of applicable salary) divided by the Black-Scholes value of a stock option of Sagicor Group Jamaica Limited stock on 31 March of the measurement year. The exercise price of the options is the closing bid price on 31 March of the measurement year.

Details of the combined share options outstanding are as follows:

	Sagicor Group Jamaica Limited			
	2017		2016	
	Options (thousands)	Weighted Average exercise price in $ per share	Options (thousands)	Weighted Average exercise price in $ per share
At beginning of year	44,964	8.83	53,646	8.63
Measurement year – 2015 awarded 2016	-	-	12,451	10.49
Measurement year – 2016 awarded 2017	4,561	23.65	-	-
Prior year adjustment – 2012	-	-	29	10.75
Expired	(2,772)	11.41	(2,238)	9.09
Exercised	(24,872)	9.66	(18,924)	8.56
At end of year	21,881	10.61	44,964	8.83
Exercisable at the end of the period	13,820	9.72	26,509	9.47

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28. Stock Options and Grants (Continued)

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

	2017		2016	
Expiry Date	Exercise Price	No. of Outstanding Options 000's	Exercise Price	No. of Outstanding Options 000's
March 2016	-	-	7.92	(47)
March 2017	-	-	10.45	1,556
March 2017	-	-	4.20	1,191
March 2018	10.96	273	10.96	1,441
March 2018	6.51	1,597	6.51	1,910
March 2019	14.10	226	14.10	1,085
March 2019	7.52	427	7.52	1,330
March 2020	10.75	1,875	10.75	4,045
March 2021	7.11	3,581	7.11	11,104
March 2022	9.50	4,099	9.50	9,093
March 2023	10.49	6,727	10.49	12,256
March 2024	23.65	3,076	-	-
	11.31	21,881	9.16	44,964

For options outstanding at the end of the year, exercise prices range from $6.51 to $23.65 (2016 - $4.20 to $14.10). The remaining contractual terms range from 3 months to 7 years (2016 – 3 months to 7 years).

The weighted average share price for options exercised during the year was $29.17 (2016 - $22.72) and the Group's share of the cost of these options was $10,103,000 (2016 - $11,646,000).

The stock options reserve balance at the year-end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares. The fair value of the options granted during the year as determined using the Black-Scholes valuation model was $32,478,000. The significant inputs into the model were share price of $34.10, dividend yield of 3.37%, standard deviation of the expected share price returns of 25%, and annual risk free interest rate of 8.70%. The expected volatility is based on statistical analysis of month end share prices over the preceding seven years.

The Group recognised cumulative expenses of $30,963,000 in the Stock Option Reserves (2016 – $49,800,000) and share options expense of $42,911,000 (2016 - $36,522,000) in the income statement.

In 2017, the Sagicor Group Jamaica Board HR & Compensation Committee approved the amendment to the Sagicor Group Jamaica LTI Plan rules to state that only Excom members upon retirement will benefit from full and automatic vesting of options and grants already awarded but not exercised in accordance with their contractual arrangements with SFC.

NOTES TO THE FINANCIAL STATEMENTS

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(expressed in Jamaican dollars unless otherwise indicated)

28. Stock Options and Grants (Continued)

The Group also has in place a share purchase plan which enables its administrative and sales staff to purchase a pool of Sagicor Group Jamaica Limited shares at a predetermined discount rate of the closing bid price on December 31 each year. During 2017, the Staff Share Purchase Plan Trust purchased 6,245,802 shares over the Stock Exchange for a total cost of $197,627,318. The Group has recognised no expense in respect of these shares in 2017 as the discounted shares will be transferred in 2017. At the point at which the shares are transferred to staff, the Subsidiary Companies recognize their share of the cost of those shares in the income statement.

The company has not been issuing new shares to fulfill its obligations under these plans but instead the Long Term Incentive and the Staff Share Purchase Plan Trust bought SGJ's shares on the open market. The total number of treasury shares held by the Group at year end was 21,309,010 (2016 – 24,212,081) at a cost of $746,014,000 (2016 - $608,503,000).

29. Investment and Fair Value Reserve

This represents the unrealised surplus or deficit on the re-measurement of available-for-sale securities and the revaluation of property, plant and equipment. An analysis of the investment and fair value reserves is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	$000	$000	$000	$000
Unrealised gains on owner-occupied properties of joint ventures and associates	823,796	749,771	-	-
Unrealised gains on owner-occupied properties of group entities	763,870	651,106	-	-
	1,587,666	1,400,877	-	-
Unrealised gains on available-for-sale securities	(1,137,035)	(3,598,900)	(135,717)	(48,377)
Actuarial liabilities	(46,975)	(704,538)	-	-
	403,656	(2,902,561)	(135,717)	(48,377)

30. Currency Translation Reserve

This represents the unrealised foreign exchange gains and losses on the translation of subsidiaries with functional currencies other than the Jamaican dollar.

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31. Other Reserves

(a) Special Investment Reserve - This represents a non-distributable reserve under the provisions of the Insurance Regulations, 2001 (Note 2(s)).

(b) Loan Loss Reserve - This is a non-distributable reserve representing the excess of the allowance for impairment losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS.

(c) Retained earnings reserve - Section 2 of the Banking Act of 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the subsidiary's Board of Directors; such transfers must be notified to the Bank of Jamaica.

(d) Reserve fund (included as a part of retained earnings reserve) - This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profit of the banking subsidiary as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the subsidiary, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the subsidiary.

The deposit liabilities and other indebtedness for borrowed money together with all interest accrued should not exceed twenty times its capital base for the banking subsidiary.

32. Dividends Declared

	The Group	
	2017	2016
	$'000	$'000
First interim dividend – 70 cents per share (2016 – 66 cents per share)	2,733,944	2,577,719
Second interim dividend – 58 cents per share (2016 – 45 cents per share)	2,265,268	1,757,536
	4,999,212	4,335,255

The dividends paid for 2017 and 2016 represented a dividend per stock unit of $1.28 and $1.12 respectively.

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33. Net Profit and Retained Earnings

	2017 $'000	2016 $'000
(i) Net profit dealt with in the financial statements of:		
The company	5,081,421	9,805,487
Less dividends from subsidiaries	(6,011,268)	(10,354,291)
The subsidiaries	12,999,670	11,806,843
	12,069,823	11,258,039
(ii) Retained earnings reflected in the financial statements of:		
The company	21,054,200	20,971,990
The subsidiaries	31,510,797	22,682,446
	52,564,997	43,654,436

34. Deposit and Security Liabilities

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Securities sold under repurchase agreements	59,322,292	41,027,823	-	-
Due to banks and other financial institutions (i)	16,633,429	27,714,377	-	-
Customer deposits and other accounts	81,285,114	104,149,488	-	-
Structured products (ii)	5,926,746	4,451,011	-	-
Promissory notes (iii)	-	-	13,763,582	6,737,599
Redeemable preference shares (iv)	2,054,231	-	-	-
	165,221,812	177,342,699	13,763,582	6,737,599

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34. Deposit and Security Liabilities (Continued)

	Interest Rate (%)	Maturity Period	2017 $'000	2016 $'000
(I) Due to banks and other financial institutions:				
Long term loans:				
Development Bank of Jamaica Limited	various	2018	2,427,056	1,914,006
National Housing Trust (NHT)	various	various	1,137,879	996,978
Credit Suisse NY	various	2019	5,000,329	-
Short term loans:				
CIBC First Caribbean International Bank Jamaica Limited	3.0	2017	-	250,069
National Commercial Bank Jamaica Limited	various	2017	-	200,060
Citibank N.A.	3.0	2017	-	1,000,301
Goldman Sachs International	1.95	2017	-	5,838,432
Credit Suisse NY	various	2017	-	5,139,762
Jefferies LLC	2.0	2018	1,244,335	1,279,696
Morgan Stanley Smith Barney	1.66-2.17	2018	6,525,769	10,921,611
Bank overdraft:				
National Commercial Bank Jamaica Limited	21.25	2018	298,061	173,462
			16,633,429	27,714,377

(a) Development Bank of Jamaica Limited (DBJ)
The agreement allows DBJ, at its absolute discretion, to approve J$ financing to Sagicor Bank Jamaica Limited (SBJ) and Sagicor Investments Jamaica Limited (SIJL) for on-lending to customers for developmental projects which meet the criteria of DBJ and on such terms and conditions as DBJ may stipulate.

Funds disbursed to SBJ and SIJL bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise carried by DBJ and extended to the client at a maximum spread as stipulated by DBJ.

(b) National Housing Trust (NHT)
This is a third party financing agreement between Sagicor Life Jamaica Limited and the National Housing Trust, and attracts interest at rates ranging from 0.759 % to 7%.

(c) Bank Overdrafts
The bank overdraft balance represents book overdraft at year end. The actual balances at bank were positive at year end.

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34. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions (continued)

(d) *Credit Suisse NY*
This represents loan facilities received from Credit Suisse NY in the amounts of US$40,000,000 by Sagicor Life Jamaica Limited. The loan attached interest of 2.0% plus 6 months USD Libor-BBA. In addition, the loan facility matures on May 2, 2019 and is secured by a Government of Italy bond totalling US$1,176,100; a Government of Cayman Islands bond totalling US$1,712,304; Government of Jamaica Global bonds totalling US$22,509,832; a Petroleum Company of Trinidad and Tobago bond totalling US$303,072; International Corporate bonds totalling US$31,038,504; a Peru Corporate bond totalling US$549,330 and Cash totalling US$33,333. This loan is repayable in one instalment on 2 May 2019.

(e) *Jefferies LLC*
This represents amounts due to the broker for securities purchased by Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities with SIJL attract interest rate of 2.0%. These loans are repayable on demand and secured by a Petroleum Company of Trinidad and Tobago bond totalling US$1,553,318; Government of Barbados bonds totalling US$7,925,060; Government of Bermuda bonds totalling US$1,894,554; Government of Trinidad and Tobago bonds totalling US$1,964,806 and Government of Barbados bonds totalling US$810,120.

(f) *Morgan Stanley Smith Barney*
This represents amounts due to the broker for securities purchased by Sagicor Life Jamaica Limited (SLJ) and Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities are payable on demand and attract interest rates of 1.66% to 2.17%.

The facilities with SLJ are secured by International Corporate bonds totalling US$55,640,774 and Equities totalling US$3,590.

The facilities with SIJL are secured by International Corporate bonds totalling US$13,609,210.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

(ii) Structured products

	2017	2016
	$'000	$'000
Principal protected notes -		
With no interest guaranteed	-	378,227
With interest guaranteed	5,926,746	4,072,784
	5,926,746	4,451,011

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34. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions (continued)

(ii) Structured products (continued)

Principal Protected Notes
Principal protected notes comprise a fixed income element with or without an interest guarantee (included above) and an equity indexed option element disclosed in Note 17. These notes entitle the holders to participate in any positive returns on the equity indexed options and they also include a principal protection feature. If the return on the index is negative, the holder will obtain the principal invested for notes with no interest guarantee and principal invested plus interest for notes with an interest guarantee. The maturity of these notes ranges from 2018 to 2019.

(iii) Promissory notes

	The Company	
	2017	2016
	$'000	$'000
Sagicor Life Jamaica Limited	11,916,767	4,977,343
Sagicor Bank Jamaica Limited	642,460	613,254
Sagicor Investment Jamaica Limited	1,204,355	1,147,002
	13,763,582	6,737,599

The above represent promissory notes that have been issued by the company with respect to the corporate reorganization of the Group.

(i) The promissory notes have been issued to one of the Group's subsidiaries, Sagicor Life Jamaica Limited, for consideration for the value of Sagicor Investment Jamaica Limited, Sagicor Life of the Cayman Island, Sagicor Re Insurance Limited and other small subsidiaries whose ownership has been transferred from the previous parent company, Sagicor Life Jamaica Limited to the holding company, Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 5% per annum and mature May and June 2018.

(ii) The promissory note was issued to Sagicor Bank Jamaica Limited for the consideration for the value of Sagicor Securities Jamaica Limited whose ownership has been transferred from Sagicor Bank Jamaica Limited to Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 5% per annum and mature May, June and December 2020.

(iii) The promissory note was issued to Sagicor Investment Jamaica Limited for the consideration for the value of Sagicor Bank Jamaica Limited whose ownership has been transferred from Sagicor Investment Jamaica Limited to Sagicor Group Jamaica Limited. The promissory notes are unsecured and attract interest at 5% per annum and mature May, June and December 2017.

NOTES TO THE FINANCIAL STATEMENTS

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34. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions (continued)

(iv) Redeemable Preference Shares

In March 2017, one of the Group's subsidiaries issued redeemable preference shares in two tranches. Tranche A, matures eighteen months from issued and attracts interest at 7.75% and Tranche B matures thirty six months from issued and attracts interest at 8.25%.

35. Other Liabilities

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Legal claim payable (Note 56)	8,838,088	6,747,230	-	-
Premiums not applied	2,093,034	1,358,246	-	-
Accounts payable and accruals	1,709,718	908,844	108,715	34,864
Accrued vacation	256,575	255,247	-	-
Dividends payable	125,796	136,931	50,795	61,211
Due to related parties (Note 25)	529,397	517,303	3,670,605	2,525,812
Due to brokers and agents	531,665	336,707	-	-
Bonus payable	459,680	395,232	-	-
Reinsurance payable	207,558	129,518	-	-
Mortgage principal and real estate payables	639,024	312,303	-	-
Customer settlement accounts	1,690,068	248,399	-	-
Regulatory fees and Statutory payables	516,425	298,482	-	-
Items in course of payment	405,834	656,185	-	-
Cheques issued but uncashed	490,725	162,545	-	-
Unearned reinsurance commissions	9,983	11,359	-	-
Miscellaneous	356,325	356,841	4,851	3,566
	18,859,895	12,831,372	3,834,966	2,625,453

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36. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	The Group	
	2017 $'000	2016 $'000
Group annuities	44,392,609	39,225,538
Group insurance	4,952,099	4,919,710
Individual insurance	28,573,805	24,564,091
Total	77,918,513	68,709,339

(b) Movements in insurance liabilities:

	The Group			
	2017			
	Group Annuities $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Balance at the beginning of the year	39,225,538	24,564,091	4,919,710	68,709,339
Normal changes in policyholders' liabilities recorded to income statement (Note 36(d))	6,328,723	4,252,750	93,595	10,675,068
Changes in actuarial liabilities recorded in Other Comprehensive Income	(475,622)	(181,942)	-	(657,564)
Changes as a result of revaluation	(686,030)	(61,094)	(61,206)	(808,330)
Balance at end of year	44,392,609	28,573,805	4,952,099	77,918,513

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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36. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities (continued):

	The Group			
	2016			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Balance at the beginning of the year	35,765,414	21,083,739	4,736,672	61,585,825
Normal changes in policyholders' liabilities recorded to income statement (Note 36(d))	1,585,379	3,159,230	39,787	4,784,396
Changes in actuarial liabilities recorded in Other Comprehensive Income	491,594	212,944	-	704,538
Changes as a result of revaluation	1,383,151	108,178	143,251	1,634,580
Balance at end of year	39,225,538	24,564,091	4,919,710	68,709,339

NOTES TO THE FINANCIAL STATEMENTS

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36. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	The Group				
	2017				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	24,813,497	-	-	9,689,799	34,503,296
Investment properties	-	-	-	530,000	530,000
Fixed income securities	28,874,718	53,668,422	140,722,568	24,633,094	247,898,802
Mortgages	-	618,557	-	2,405,112	3,023,669
Other assets	3,769,665	-	31,066,968	31,244,120	66,080,753
	57,457,880	54,286,979	171,789,536	68,502,125	352,036,520

	The Group				
	2016				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	20,673,868	-	-	9,266,948	29,940,816
Investment properties	-	-	-	488,000	488,000
Fixed income securities	31,464,891	49,146,736	149,794,377	20,858,802	251,264,806
Mortgages	-	-	-	1,910,957	1,910,957
Other assets	3,454,246	-	30,009,741	23,886,266	57,350,252
	55,593,005	49,146,736	179,804,118	56,410,973	340,954,832

NOTES TO THE FINANCIAL STATEMENTS

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36. Insurance Contract Liabilities (Continued)

(d) Changes in policy liabilities were caused by the following business activities and changes in actuarial assumptions:

	The Group 2017			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
Change in assumed investment yields and inflation rate	(1,058,151)	(166,442)	(100,294)	(1,324,887)
Change due to the issuance of new policies and the decrements on in-force policies	6,977,163	6,521,711	173,121	13,671,995
Change in actuarial liabilities recorded in Other Comprehensive Income	(475,622)	(181,942)	-	(657,564)
Change due to other actuarial assumptions	885,333	(1,920,577)	20,768	(1,014,476)
	6,328,723	4,252,750	93,595	10,675,068

	The Group 2016			
Change in assumed investment yields and inflation rate	(490,205)	501,502	172,428	183,725
Change due to the issuance of new policies and the decrements on in-force policies	2,470,304	2,687,459	(31,218)	5,126,545
Change in actuarial liabilities recorded in Other Comprehensive Income	491,594	212,944	-	704,538
Change due to other actuarial assumptions	(886,314)	(242,675)	(101,423)	(1,230,412)
	1,585,379	3,159,230	39,787	4,784,396

NOTES TO THE FINANCIAL STATEMENTS

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36. Insurance Contract Liabilities (Continued)

(e) Policy assumptions

At each date for valuation of actuarial liabilities, the Appointed Actuary of each insurer reviews the assumptions made at the last valuation date. The Appointed Actuary tests the validity of each assumption by reference to current data, the Group's experience and where appropriate, changes the assumptions for the current valuation.

Insurance and investment contract liabilities have two major assumptions, best estimate assumptions and provisions for adverse deviation assumptions.

A similar process of review and assessment is conducted in the determination of margins for adverse deviations.

Life Insurance and Annuity Contracts

(i) Best estimate assumptions
Assumptions cover the lifetime of the policies and are made for many variables including mortality, morbidity, investment yields, rates of policy termination, operating expenses and certain taxes.

(ii) Mortality and morbidity
The assumptions are based on past group and industry experience. For individual life policies the Group bases its assumption on the Canadian Institute of Actuaries 97-04 male and female aggregate mortality tables which are 21 year select and ultimate mortality tables. For accidental death and dismemberment benefits the Group bases its assumptions on the 1959 Accidental Death Benefit table for rider benefits and the Canadian Population Accident 1990-1992 sex distinct table for coupon products. Critical illness incidence rates are based on British population sex-distinct incidence rates developed by the Institute of Actuaries. Group annuitant mortality is based on the Society of Actuaries 1994 Group Annuitant male and female basic mortality tables with projection scale AA for improvements in mortality. Individual Annuitant mortality is based on the Society of Actuaries 2012 Individual Annuitant male and female Period mortality tables with projection scale G2 beyond 2012 for improvements in mortality.

(iii) Investment yields
The Group broadly matches assets and liabilities by line of business. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's investment policy to determine expected rates of return on these assets for all future years. The gross long term ultimate reinvestment rate (after 20 years) is based on expectations of risk-free government bond yields. The gross rate is adjusted to take into account investment expenses and asset default. Assumptions taking into account inflation are that real returns after 30 years will be between 1.0% and 3.0%.

NOTES TO THE FINANCIAL STATEMENTS

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36. Insurance Contracts Liabilities (Continued)

(e) Policy assumptions (continued)

Life Insurance and Annuity Contracts (continued)

(iv) Lapses and persistency
Lapses relate to termination of policies due to non-payment of premiums. Surrender and withdrawals relate to voluntary termination of policies by policyholders. Policy termination assumptions are based on the Group's own experience and vary by type of product. Lapse rates in the first year of a policy range between 6% and 25% of insurance amounts issued. Lapse rates after 20 policy years are assumed to be between 0% and 9.5% of insurance amounts in force. Partial withdrawal rates average about 13.4% of fund values available from policies in force.

(v) Policy expenses
Policy maintenance expenses are derived from the Group's own internal cost studies projected into the future with an allowance for inflation. All expenses, including overhead, are functionally allocated by line of business, between the administration of the business and the acquisition of the business. All expenses related to the administration of the business are used to determine the policy maintenance unit costs. No expenses related to the acquisition of the business are included in the unit expense assumption used in the valuation of the actuarial liabilities. Interest sensitive and Universal life policies are assumed to be twice as costly to administer as traditional life policies. The inflation assumption is kept consistent with the investment assumption. The initial inflation rate is based on average calendar year inflation over the last 3 years and declines over the life of the policies such that real returns after 30 years are between 1.0% and 3.0%.

(vi) Provision for adverse deviation assumptions

To recognise the uncertainty in establishing best estimate assumptions, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin for adverse deviation in each assumption. The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Canadian Institute of Actuaries standards indicate that margins are to be between 5% and 20% of the best estimate assumptions. The Group uses margins for each assumption at the mid to conservative end of the range, taking into account the risk profiles of the business.

(vii) Changes in assumptions
Every financial year, the expectations of the Group with respect to the best estimate assumptions and the margins for adverse deviation described above are reviewed. All assumptions are updated as appropriate to reflect the circumstances of the Group.

Health Insurance Contracts
The outstanding liabilities for health insurance claims incurred but not yet reported and for claims reported but not yet paid are determined by statistical methods using expected loss ratios which have been derived from recent historical data. No material claim settlements are anticipated after one year from the balance sheet date.

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37. Investment Contract Liabilities

	The Group	
	2017	**2016**
	$'000	**$'000**
Amortised cost -		
Amounts on deposit	10,345,085	10,624,380
Deposit administration fund	2,981,844	3,094,351
Other investment contracts	450,181	413,069
	13,777,110	14,131,800

All financial liabilities at fair value through profit or loss are designated by the Group to be in this measurement category. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date. There will be no difference between the carrying amount and the maturity amount at the maturity date.

The fair value of financial liabilities at amortised cost is based on a discounted cash flow valuation technique. This discount rate is determined by current market assessment of the time value of money and risk specific to the liability.

Amounts on deposit comprise of Guaranteed Investor liabilities amounting to $7,673,231 (2016 - $8,099,406) and other policyholders' savings plans of $2,671,854 (2016 - $2,524,974).

Movement of the Deposit Administration Funds:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at the beginning of the year	3,094,351	3,169,705
Deposits received	200,483	278,081
Interest earned	153,019	186,139
Service charges	(24,551)	(23,339)
Withdrawals	(440,985)	(517,206)
Revaluation adjustment	(473)	971
Balance at the end of the year	2,981,844	3,094,351

These represent funds managed on behalf of pension plans administered by the Group and the company. Interest credited to the funds is paid at a fixed annual rate of return, with the rate being revised on an annual basis. At the end of the year, there were 171 (2016 - 173) clients in the company. The average interest rate paid by the company during the year was 5.85% (2016 – 5.85%).

NOTES TO THE FINANCIAL STATEMENTS

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38. Other Policy Liabilities

	The Group	
	2017	2016
	$'000	$'000
Insurance benefits payable	2,863,517	2,563,325
Provision for unearned premiums	130,177	137,691
Policy dividends and other funds on deposit	803,732	847,789
	3,797,426	3,548,805

39. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to $5,885,801 (2016 - $5,355,943) are accrued to the account of the policyholders as the fair value of the net gains arising from the underlying linked assets. All these contracts are designated at fair value through profit or loss.

40. Premium Income

(a) Gross premiums by line of business:

	The Group	
	2017	2016
	$'000	$'000
Group insurance -		
Group creditor life	723,024	600,209
Group health	9,375,501	9,187,405
Group life	2,032,213	1,865,510
	12,130,738	11,653,124
Individual insurance -		
Individual life -		
Insurance premium	13,413,224	12,198,956
Segregated funds contributions	7,252,647	6,079,301
Individual health	564,122	508,289
Individual annuities	103,341	401,080
	21,333,334	19,187,626
Group annuities	8,114,589	3,215,391
Property and casualty	394,686	313,521
	41,973,347	34,369,662

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40. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group	
	2017	2016
	$'000	$'000
Group insurance -		
Group health	255,173	249,947
Group life	56,835	50,410
	312,008	300,357
Individual life	258,922	218,400
Property and casualty	403,882	356,264
	974,812	875,021
Net premiums	40,998,535	33,494,641

(c) Net premiums by geography:

	The Group	
	2017	2016
	$'000	$'000
Jamaica	38,544,689	30,971,472
Cayman Islands	2,453,846	2,523,169
	40,998,535	33,494,641

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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41. Net Investment Income

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Interest income -				
Short term deposits	206,071	56,878	19,721	28,420
Financial assets at fair value through profit or loss	436,631	446,117	-	-
Available-for-sale	7,212,211	8,324,070	40,308	70,562
Loans and receivables	5,057,622	3,921,342	30,270	65,603
Held to maturity	219,747	283,752	-	-
Loans	7,106,002	6,482,249	-	-
Policy loans	80,997	68,710	-	-
Government securities purchased under resale agreements	69,342	61,943	1,396	534
Other	18,076	18,466	-	-
Dividends	173,296	97,914	6,077,546	10,420,569
Realized gains	3,029,020	3,574,355	33,036	-
Unrealized gains	3,058,954	1,744,953	-	-
Net gains on investment properties	42,000	15,119	-	-
Other investment income/(losses)	(8,999)	(10,111)	-	-
	26,700,990	25,085,757	6,202,277	10,585,688
Impairment losses on investments	(326,340)	(562,873)	-	-
Interest expense -				
Customer deposits and repurchase liabilities	(3,549,692)	(3,836,605)	-	-
Due to banks and other financial institutions	(403,129)	(400,115)	-	-
Investment contracts	(655,764)	(646,380)	-	-
Promissory notes	-	-	(722,921)	(567,236)
Other	(336,950)	(291,212)		-
	(4,945,535)	(5,174,312)	(722,921)	(567,236)
Net investment income	21,429,115	19,348,572	5,479,356	10,018,452

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017
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42. Fees and Other Income

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Administration fees	3,468,810	3,043,216	-	-
Bank service fees	1,811,837	1,921,466	-	-
Surrender charges	244,543	213,835	-	-
Credit related fees, net	1,974,759	336,892	-	-
Stockbrokerage fees	170,218	73,130	-	-
Treasury fees	4,636	14,121	-	-
Trust fees	88,352	45,668	-	-
Corporate finance fees	335,451	115,868	-	-
Foreign exchange gains/(losses)	(623,039)	444,911	(22,868)	150,116
Property management and related fees	366,246	350,578	-	-
Reinsurance Commission	33,808	30,662	-	-
Other Interest Income	43,476	52,444	-	-
Miscellaneous fees & other income	97,062	214,871	384,362	308,842
	8,016,159	6,857,662	361,494	458,958

43. Insurance Benefits and Claims

	The Group			
	2017			2016
	Gross incurred	Reinsured	Net	Net Claims
	$'000	$'000	$'000	$'000
Death and disability	3,197,042	(224,902)	2,972,140	2,915,471
Maturities	99,059	-	99,059	8,827
Surrenders and withdrawals	843,869	-	843,869	797,181
Segregated funds withdrawals	5,885,801	-	5,885,801	5,355,943
Annuities payments	3,829,706	-	3,829,706	3,642,226
Policy dividends and bonuses	62,064	-	62,064	66,050
Health insurance	7,780,248	(380,194)	7,400,054	7,605,766
Other benefits	816,251	-	816,251	661,809
	22,514,040	(605,096)	21,908,944	21,053,273

44. Finance Costs

Finance costs represent interest costs incurred on loans used for business development.

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45. Administration Expenses

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Auditors' remuneration -				
Current year	104,713	91,518	8,893	9,000
Prior year	8,000	4,000	4,451	-
Office accommodation	1,190,282	978,681	593	667
Communication and technology	1,670,740	1,443,824	169,600	95,354
Advertising and branding	597,419	553,896	99,048	28,192
Sales convention and incentives	268,210	213,811	-	-
Postage, printing and office supplies	331,425	313,964	102	1,853
Policy stamp duties and reimbursements	66,929	89,712	-	-
Regulators fees	249,699	229,563	7,985	5,479
Directors costs	113,753	95,936	32,444	28,102
Legal and professional fees	343,306	153,768	13,498	16,372
Services outsourced	762,629	687,033	2,147	-
Electronic channels charges	783,775	482,059	-	-
Commission and fees	29,761	26,415	-	-
Insurance	176,839	174,067	1,778	718
Travel and entertainment	183,090	156,569	6,256	4,953
Bank charges and cash transport	263,567	250,328	1,139	720
Other expenses	408,411	712,582	65,062	63,390
Staff cost (a)	9,060,176	7,667,733	-	-
	16,612,724	14,325,459	412,996	254,800

(a) Staff costs

	The Group	
	2017 $'000	2016 $'000
Salaries	5,737,428	5,277,729
Payroll taxes	652,900	569,693
Pension costs (Note 21)	751,050	554,378
Other post-retirement benefits (Note 21)	535,255	441,104
Share based compensation	696,556	70,061
Restructuring costs	65,617	55,424
Other	621,370	699,344
	9,060,176	7,667,733

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46. Commission and Sales Expense

Amount represents commission and bonuses paid to sales representatives.

47. Taxation

(a) Tax is computed as follows:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current year taxation -				
Dividend income tax @ 15%	6,081	1,730	-	-
Income tax at 33 ⅓%	983,601	936,439	-	-
Income tax at 25%	1,753,203	2,166,461	(18,049)	27,908
	2,742,885	3,104,630	(18,049)	27,908
Deferred income tax (Note 22) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	180,897	(150,650)	8,517	65,589
Taxation	2,923,782	2,953,980	(9,532)	93,497
(b) Premium and other taxes:				
Asset tax @ 0.25%	611,229	552,684	200	200
Withholding tax	7,763	9,895	-	-
Premium and other taxes	618,992	562,579	200	200

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47. Taxation (Continued)

(b) Premium and other taxes: (continued):

(i) Income tax at 33⅓% is payable on taxable profits of Sagicor Investments Jamaica Limited, Sagicor Bank Jamaica Limited, Employee Benefits Administrator Limited, Sagicor Insurance Brokers Limited and Sagicor International Administrators Limited.

(ii) Income tax at 25% is payable on taxable profits of Sagicor Life Jamaica Limited, Sagicor Group Jamaica Limited, and Sagicor Property Services Limited.

(iii) Asset taxes

(a) Life Insurance Companies
Life Insurance Companies are subjected to asset tax at a rate of 0.25% (2016 - 0.25%) of total assets less required capital specified by the Financial Services Commission and withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica.

(b) Bank of Jamaica Regulated Companies
Commercial Banks, Building Society and other deposit taking institutions are subjected to tax of 0.25% (2016 – 0.25%) of total assets less loan loss reserves, withholding tax receivables owed by the Commissioner General of Tax Administration Jamaica and Regulated Capital required by the Bank of Jamaica.

(c) Non- Regulated Entities
These entities are subjected to a fixed rate based on the total value of assets.

(iv) Subject to the agreement of the Taxpayer Audit and Assessment Department, losses of the company and certain subsidiary companies, available for set off against future taxable profits amount to approximately $177,203,000 (2016 – $143,700,000) and $105,715,000 (2016 - $ Nil) respectively. No deferred tax asset was recognised on these losses.

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47. Taxation (Continued)

(c) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Investment income tax -				
Dividend income	40,540	11,530	-	-
Tax at 15%	6,081	1,730	-	-
Income tax -				
Profit before taxation	14,993,605	14,212,019	5,071,889	9,898,984
Tax at 25% and 33⅓%	4,180,128	3,961,903	1,267,973	2,474,746
Adjusted for:				
Income not subject to income tax (i)	(3,990,920)	(2,814,951)	(1,519,387)	(2,633,822)
Asset tax not deductible for tax purposes	189,481	170,654	50	50
Expenses not deductible for tax purposes (ii)	2,873,631	1,774,059	227,016	143,168
Subsidiaries taxed at zero rate	(123,422)	(128,527)	-	-
Prior year (over)/under provision	(63,242)	43,320	(18,049)	-
Net effect of other charges and allowances	(147,955)	(54,208)	32,865	109,355
	2,917,701	2,952,250	(9,532)	93,497
Taxation expense	2,923,782	2,953,980	(9,532)	93,497

(i) This includes income from Annuities, earnings from associated company and joint venture.

(ii) This include expenses relating to annuities and interest charges of SGJ.

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47. Taxation (Continued)

(d) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group					
	2017			2016		
	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000	Before tax $'000	Tax (charge)/ credit $'000	After tax $'000
Fair value (losses)/gains on available-for-sale investments	4,262,012	(913,418)	3,348,594	4,661,611	(641,303)	4,020,308
Shadow accounting reserve	657,563	-	657,563	(704,538)	-	(704,538)
Re-measurement of post-employment benefits	3,929,106	(1,079,226)	2,849,880	(1,246,287)	326,788	(919,499)
Unrealised gains/(losses) on owner-occupied properties:						
Sagicor Group excluding Associated Entity	126,864	(14,100)	112,764	(20,999)	49,715	28,716
Retranslation of foreign operations	436,727	-	436,727	678,910	-	678,910
Other comprehensive income	9,412,272	(2,006,744)	7,405,528	3,368,697	(264,800)	3,103,897
Deferred income taxes (Note 22)		(2,006,744)			(264,800)	
Unrealised gains/(losses) on owner-occupied properties:						
Associated Entity	91,627	(17,602)	74,025	952,543	(202,772)	749,771
	9,503,899	(2,024,346)	7,479,553	4,321,240	(467,572)	3,853,668

48. Earnings per Stock Unit

(i) Basic earnings per stock unit are calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary shares in issue during the year.

	The Group	
	2017	2016
Net profit attributable to stockholders ($'000)	12,069,823	11,258,039
Weighted average number of ordinary stock units in issue ('000)	3,884,326	3,881,423
Basic earnings per stock unit ($)	3.11	2.90

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48. Earnings per Stock Unit (Continued)

(ii) Diluted earnings per stock unit is calculated adjusting the weighted average number of ordinary stock unit outstanding to assume conversion of all dilutive potential ordinary shares under the following schemes:

(a) An Employee Share Ownership Plan.

(b) Effective 1 May 2003, the Group instituted a share based compensation plan for Executives. A new long-term Incentive Plan was put in place from January 2007. Shares amounting to 150,000,000 have been set aside to cover share grants and options to Executives.

The company adopted a policy not to issue new shares to satisfy the staff share ownership plans, options being exercised or grants being awarded. Instead, the required shares are being purchased over the Jamaica Stock Exchange in the name of the Staff Share Purchase Trust or the Long-term Incentive Plan.

	The Group	
	2017	2016
Net profit attributable to stockholders ($'000)	12,069,823	11,258,039
Weighted average number of ordinary stock units in issue ('000)	3,887,356	3,883,538
Fully diluted earnings per stock unit ($)	3.11	2.90

(iii) The weighted average number of ordinary stock units used in the basic and diluted earnings per stock unit computations may be reconciled as follows:

	The Group	
	2017 '000	2016 '000
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	3,884,326	3,881,423
Effect of dilutive potential ordinary stock units – stock options	3,030	2,115
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	3,887,356	3,883,538

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49. Cash Flows

(a) Operating activities

	Note	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
Adjustments for non-cash items, interest and dividends:					
Depreciation and amortisation		1,180,940	1,000,094	355,764	323,426
Interest and dividend income		(20,580,015)	(19,761,441)	(6,169,241)	(10,585,688)
Interest expense and finance costs	41	4,945,535	5,174,312	722,921	567,236
Income tax expense	46	2,923,782	2,953,980	(9,532)	93,497
Premium and other tax expense	47	618,992	562,579	200	200
Amortization of cost for preference shares		12,876	-	-	-
Gains on disposal of investment securities/investment properties		(3,029,020)	(3,574,352)	(33,036)	-
Fair value gains on trading securities		(3,058,954)	(1,744,955)	-	-
Impairment charge on investments, loans and other assets		326,340	562,873	-	-
Impairment charge on property, plant & equipment		-	66,292	-	-
Share based compensation		203,819	31,902	-	31,902
Gains on revaluation of investment properties	13	(42,000)	(15,119)	-	-
Losses/(gains) on disposal of property, plant and equipment		11,283	(65,976)	-	-
Increase in policyholders' funds		61,706	1,267,095	-	-
Net movement in actuarial liabilities		10,675,068	4,784,396	-	-
Retirement benefit obligations		776,784	463,458	-	-
Effect of exchange gains on foreign currency balances		623,038	(444,911)	21,959	(144,187)
Gain on sale of interest in associate		(289,586)	-	-	-
Share of income from joint venture and associate		(853,136)	(503,310)	-	-
		(5,492,548)	(9,243,083)	(5,110,965)	(9,713,614)

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49. Cash Flows (Continued)

(b) Changes in other operating assets and liabilities:

	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
Changes in other operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(3,169,306)	(1,790,638)	-	-
Structured products and derivatives	1,348,741	199,373	-	-
Stock options and grants	(222,651)	(44,015)	(18,837)	(44,015)
Reinsurance contracts	(176,763)	141,046	-	-
Due from related parties	(110,767)	137,698	668,567	959,321
Deposit and security liabilities	(3,996,471)	11,696,604	(2,388,466)	(5,170,933)
Other assets	(3,780,220)	(2,600,847)	(192,317)	(162,733)
Other liabilities	6,248,091	1,111,956	64,812	25,652
	(3,859,346)	8,851,177	(1,866,241)	(4,392,708)

(c) Net investment purchases:

	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
Proceeds on sale of investment securities	173,876,086	186,924,618	1,377,595	-
Purchase of investment securities	(170,219,123)	(184,001,397)	-	-
Loans	(4,883,419)	(12,694,260)	(2,940)	16,853
Lease receivables	(14,445)	11,002	-	-
	(1,240,901)	(9,760,037)	1,374,655	16,853

(d) Investing Activities

	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
Purchase of property, plant and equipment (Note 19)	(826,711)	(894,973)	(181,810)	(51,537)
Proceeds from sale of property, plant and equipment	5,712	26,859	-	-
	(820,999)	(868,114)	(181,810)	(51,537)

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49. Cash Flows (Continued)

(e) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	The Group 2017 $'000	The Company 2017 $'000	The Group 2016 $'000	The Company 2016 $'000
Cash and cash equivalents	18,811,881	278,418	13,203,955	212,264
Borrowings – repayable within one year (including overdraft)	(16,633,429)	(13,763,583)	(27,714,377)	(6,737,599)
Borrowings – repayable after one year	(2,054,231)	-	-	-
Net Debt	(124,221)	(13,485,164)	(14,510,422)	(6,525,335)
Cash and liquid investments	18,811,881	278,418	13,203,955	212,264
Gross debt – fixed interest rates	(2,054,231)	(13,763,583)	-	(6,737,599)
Gross debt – variable interest rates	(16,633,429)	-	(27,714,377)	-
Net Debt	(124,221)	(13,485,164)	(14,510,422)	(6,525,335)

	The Group				
	Cash $'000	Liquid Investments (i) $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Cash and cash equivalents	12,944,084	8,030,058	(12,809,380)	(8,314,229)	(149,467)
Foreign exchange adjustments	(291,767)	-	195,223	121,790	25,246
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2017	12,652,317	8,030,058	(12,614,157)	(8,192,439)	(124,221)
Cash and cash equivalents	10,117,764	12,270,203	(22,065,892)	(15,142,980)	(14,820,905)
Foreign exchange adjustments	674,706	-	(221,450)	(142,773)	310,483
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2016	10,792,470	12,270,203	(22,287,342)	(15,285,753)	(14,510,422)

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49. Cash Flows (Continued)

(e) Net debt reconciliation (continued)

	The Company				
	Cash/bank overdraft $'000	Liquid Investments (i) $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 January 2016					
Cash and cash equivalents	281,088	-	(13,763,583)	-	(13,487,833)
Foreign exchange adjustments	(2,669)	-	-	-	(2,669)
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2016	**278,419**	-	**(13,763,583)**	-	**(13,485,164)**
Cash and cash equivalents	209,332	-	(6,737,599)	-	(6,528,267)
Foreign exchange adjustments	2,932	-	-	-	2,932
Other non-cash movements	-	-	-	-	-
Net debt as at 31 December 2017	**212,264**	-	**(6,737,599)**	-	**(6,525,335)**

(i) Liquid investments comprise current investments that are traded in an active market, being the company's financial assets held at fair value through profit or loss.

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50. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items.

(ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices or dealer quotes when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques. Investments in unit trusts are based on prices quoted by the fund managers.

(iii) The fair value of the interest rate swap is calculated as the present value of the estimated future cash flows. The fair value of currency forward contracts is determined using quoted forward exchange rates. The fair value of the equity indexed options and the exchange traded funds that are shorted are based on quoted prices. The fair value of the cross currency swap is based on the present value of the net future cash payments and receipts, which fluctuate based on changes in market interest rates and the euro/U.S. dollar exchange rate.

(iv) The fair value of demand deposits and customer accounts with no specific maturity is assumed to be the amount payable on demand at the year end date. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using interest rates for new deposits.

(v) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(vi) Loans are net of provision for impairment. The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value; and

(vii) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Differences between the fair values and the carrying values are accounted for in determining the amount of policyholders' liabilities that must be set aside each year.

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50. Fair Values of Financial Instruments (Continued)

The table below summaries the carrying amount and fair value of financial assets and financial liabilities not presented on the Group's statement of financial position at their fair value:

	The Group			
	Carrying Value 2017 $000	Fair Value 2017 $000	Carrying Value 2016 $000	Fair Value 2016 $000
Financial Assets				
Financial investments - held to maturity	-	-	2,644,669	2,775,620
Financial investments – loans and receivables	64,315,138	75,722,508	55,546,899	59,585,260
Loans & leases, after allowance for credit losses	61,431,486	59,877,132	56,175,968	53,892,243
Financial Liabilities				
Securities sold under agreements to repurchase	59,322,292	59,477,014	41,027,823	41,027,823
Customer deposits and other accounts	81,285,114	81,420,897	104,149,488	103,775,901
Due to banks and other financial institutions	16,633,429	17,135,064	27,714,377	28,326,421

	The Company			
	Carrying Value 2017 $000	Fair Value 2017 $000	Carrying Value 2016 $000	Fair Value 2016 $000
Financial Assets				
Financial investments – loans and receivables	132,946	132,946	922,855	930,415

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2017 , grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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50. Fair Values of Financial Instruments (Continued)

	The Group 2017			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	79,654,312	75,068,633	47,093	154,770,038
Derivative financial instruments	-	278,010	-	278,010
	79,654,312	75,346,643	47,093	155,048,048
Non Financial Assets				
Property, plant & equipment	-	-	3,091,505	3,091,505
Investment properties	-	-	530,000	530,000
	79,654,312	75,346,643	3,668,598	158,669,553
Financial Liabilities				
Derivative financial instruments	-	278,010	-	278,010

	The Group 2016			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	81,882,815	69,550,175	106,459	151,539,449
Pledged assets	-	10,197,793	-	10,197,793
Derivative financial instruments	-	174,575	-	174,575
	81,882,815	79,922,543	106,459	161,911,817
Non Financial Assets				
Property, plant & equipment	-	-	2,444,673	2,444,673
Investment properties	-	-	488,000	488,000
	81,882,815	79,922,543	3,039,132	164,844,490
Financial Liabilities				
Derivative financial instruments	-	174,575	-	174,575

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50. Fair Values of Financial Instruments (Continued)

Description	Fair value at 2017 $'000	Fair value at 2016 $'000	Unobservable inputs	Range of unobservable inputs 2017 $'000	Range of unobservable inputs 2016 $'000	Relationship of unobservable inputs to fair value
Investment properties	530,000	488,000	Comparable sale	5%	5%	Increased in comparable sale prices will have direct correlation to the fair value
Property, plant & equipment	3,091,505	2,444,673	Comparable sale	5%	5%	Increased in comparable sale prices will have a direct correlation to fair value
Unquoted ordinary equity	47,093	106,459	Valued at cost less impairment	2.5% - 3.5%	2.5% - 3.5%	Increased earnings growth factor (+500 basis points (bps) and lower discount rate (-100 bps) would increase /decrease fair value by $4,709,000 (2016 - $10,646,000).
	3,668,598	3,039,132				

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50. Fair Values of Financial Instruments (Continued)

Reconciliation of level 3 items –

	The Group	
	2017	2016
	$'000	$'000
Balance at beginning of year	3,039,132	6,320,175
Total gains/(losses) – OCI	110,403	117,243
Total gains/(losses) – income statement	(771)	(56,590)
Purchases	579,200	24,080
Settlements	(59,366)	(3,365,776)
Balance at end of year	3,668,598	3,039,132

The gains or losses recorded in the income statement are included in Note 41.

The following table summarizes the quantitative information about the significant unobservable inputs used to measure the Group's Level 3 financial instruments:

The carrying value (excluding accrued interest) (Note 23) and fair value of investment securities classified as loans and receivables were as follows:

	The Group	
	Carrying Value $'000	Fair Value $'000
At December 31, 2017	63,164,569	74,571,940
At December 31, 2016	54,590,579	58,628,940

Similar to debt securities classified as available-for-sale, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

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51. Insurance and Financial Risk Management

The Group's activities expose it to a variety of financial risks and those activities necessitate the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. Taking various types of risk is core to the financial services business and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group has a risk management framework with clear terms of reference. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to Executive Management committees and senior managers. Policy frameworks which set out the risk profiles for the Group's risk management, control and business conduct standards for the Group's operations have been put in place. Each policy has a member of Executive Management charged with overseeing compliance with that policy.

The Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board of Directors has established committees/departments/structures for managing and monitoring risks, as follows:

(i) Board Audit Committee
The Board Audit Committee comprises independent directors. The Committee:

- Oversees how management monitors internal controls, compliance with the Group's risk management policies and adequacy of the risk management framework to risks faced by the Group;
- Reviews the Group's annual and quarterly financial statements, related policies and assumptions and any accompanying reports or statements; and
- Reviews the internal audit function as well as the external auditor's independence, objectivity and effectiveness.

The Board Audit Committee is assisted in its oversight role by the Internal Audit Department. The Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit Committee.

(ii) Board Investment Committee
The Board Investment Committee comprises independent directors. As part of its Terms of Reference, the Committee:

- Oversees the Group's financial risk management framework.
- Approves the investment policies within which the Group's investment portfolios are managed;
- Reviews the performance of the Group's investment portfolios;
- Ensures adherence to prudent standards in making investment and lending decisions and in managing investments and loans; and
- Approves new investment projects over certain thresholds, ensuring the required rates of returns are considered.

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51. Insurance and Financial Risk Management (Continued)

(iii) Asset/Liability Management (ALM) Committee
The Group has in place an Asset/Liability Management (ALM) Committee. This Committee:

- Monitors the profile of the Group's assets and liabilities;
- Plans, directs and monitors various financial risks including, interest rate risk, equity risk, liquidity risk, currency risk and country risk;
- Provides guidance to the Investment Managers with regards to the appropriateness of investments assigned or purchased to support the liabilities of the various lines of business; and
- Monitors market interest rates and establishes the credited rate for various investment contracts.

(iv) Anti-Money Laundering (AML)
The Group has assigned responsibility for AML and anti-fraud to a designated department. The responsibilities of this department include:

- Maintaining and communicating the AML and Anti-fraud policies and procedures;
- Interrogating financial transactions to identify suspicious and threshold reportable items;
- Coordinating information received from operating departments on reportable items;
- Ensuring that adequate anti-fraud controls are in place; and
- Filing required reports with Management, Board of Directors and Regulatory bodies.

(v) Regulatory Compliance
The Board has assigned responsibility for monitoring regulatory compliance to a designated department. This department maintains a catalogue of all required regulatory filings and follows-up the respective departments to ensure timely submissions. The Department files the required performance reports with management and the Board of Directors.

(vi) Enterprise Risk Management
The Group utilises an Enterprise Risk Management (ERM) framework, including policies and procedures designed to identify, measure and control risk in all business activities. The policies and procedures are reviewed periodically by senior managers and the Board of Directors.

The framework provides for quarterly evaluation of risks by senior management, with reporting to the Board Audit Committee. The risk exposures are prioritised each year and the top twenty (20) risks reported on.

Boards of subsidiary companies and management teams carry similar operating structures where applicable.

The most important types of risk facing the Group are insurance risk, reinsurance risk, credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk
The Group issues both short term and long term contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Long term insurance contracts
Long-term contracts are typically for a minimum period of 5 years and a maximum period which is determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the insurer has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the insurer's assessment of the risk. The insurer assesses the likely benefits and cash flows both in establishing the amount of premium payable under the contract and in estimating the statement of financial position liability arising from the contract.

For long-term contracts in-force, the Group has adopted a policy of investing in assets with cash flow characteristics that closely match the cash flow characteristics of its policy liabilities. The primary purpose of this matching is to ensure that cash flows from these assets are synchronised with the timing and the amounts of payments that must be paid to policyholders.

(i) Frequency and severity of claims
For contracts where death is the insured risk the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the group. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts

(i) Frequency and severity of claims (continued)
For contracts with fixed and guaranteed benefits and fixed return premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The table below presents the company's concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described below in Note 51(b). At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group. As was the case in the previous year, the risk is concentrated at the higher value bands. (These tables do not include annuity contracts, for which a separate analysis is reported in following pages).

Individual Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2017	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	121,224,579	9	112,989,983	9
200 - 400	110,332,534	9	104,477,972	8
400 - 800	113,464,274	9	104,778,770	9
800 - 1000	100,070,629	8	94,382,364	8
More than 1,000	843,525,650	65	820,384,934	66
Total	1,288,617,666	100	1,237,014,023	100

Individual Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2016	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	128,538,216	11	118,685,633	10
200 - 400	111,255,219	9	101,679,805	9
400 - 800	114,767,199	10	103,927,491	9
800 - 1000	100,697,964	8	94,498,562	8
More than 1,000	750,194,175	62	722,501,640	64
Total	1,205,452,773	100	1,141,293,131	100

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The table below represents the company's concentration of insured benefits across five bands of insured benefits per group individual life assured. The benefit insured figured are shown gross and net of reinsurance.

Group Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2017	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	29,272,485	4	19,888,852	3
200 - 400	2,398,421	-	1,128,272	-
400 - 800	521,346	-	328,625	-
800 - 1,000	34,327	-	34,327	-
More than 1,000	739,823,119	96	732,837,994	97
	772,049,698	100	754,218,070	100

Group Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2016	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 - 200	30,141,782	5	20,896,439	3
200 - 400	3,140,188	-	1,580,172	-
400 - 800	516,418	-	19,224	-
800 - 1,000	34,327	-	34,327	-
More than 1,000	627,748,611	95	623,443,626	97
	661,581,326	100	645,973,788	100

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(i) Frequency and severity of claims (continued)
The following tables for the company's annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum as if the annuity was in payment at the year end. The greatest risk concentration remains at the highest band, which is consistent with the prior year. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

	The Group	
Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
2017	$'000	%
0 – 20	79,554	2
20 - 40	82,400	2
40 - 80	81,792	2
80 - 100	38,306	1
More than 100	3,586,062	93
Total	3,868,114	100

	The Group	
Annuity Payable per annum per annuitant ('000)	Total Benefits Insured	
2016	$'000	%
0 - 20	74,859	2
20 - 40	84,443	3
40 - 80	79,766	2
80 - 100	37,368	1
More than 100	3,103,514	92
Total	3,379,950	100

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

For interest-sensitive and unit-linked contracts the Group charges for mortality risks on a monthly basis for all insurance contracts and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk. Delays in implementing increases in charges, and market or regulatory restraints over the extent of any increases may reduce this mitigating effect.

The Group manages these risks through its underwriting strategy and reinsurance arrangements.

(i) Frequency and severity of claims (continued)
The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Group reinsures the excess of the insured benefit for new business for standard risks under an excess of loss reinsurance arrangement. Medical impaired lives are reinsured at lower levels. The Group does not place any reinsurance for contracts that insure survival risk. Insurance risk for contracts is also affected by the policyholders' rights to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. On the assumption that the policyholders will make decisions rationally, overall risk can be assumed to be aggravated by such behaviour.

The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

(ii) Sources of uncertainty in the estimation of future benefit payments and premium payments
Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in the policyholder behaviour.

The Group uses appropriate base tables of standard mortality according to the type of contract being written. An investigation as to the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. The best estimate of future mortality is based on standard industry tables adjusted for the group's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on the mortality investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Long term insurance contracts (continued)

(iii) Process used in deriving assumptions
The assumptions for short term life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

For long-term insurance contracts, at the reporting date, the Group determines current best estimate assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. The best estimate assumptions are determined based on experience studies and the current circumstances of the business. A margin for adverse deviation based on expected deterioration or mis-estimation of the mean, is added to the best estimate assumptions to derive the valuation assumptions which are used for calculating the liabilities arising under the insurance contracts.

See Note 36(e) for detail policy assumptions.

Short-duration life and health insurance contracts
Short-term contracts are typically for one year's coverage, with an option to renew under terms that may be amended by the insurer. In determining the premium payable under the contract, the insurer considers the nature and amount of the risk assumed, and recent experience and industry statistics of the benefits payable. This is the process of underwriting, which establishes appropriate pricing guidelines, and may include specific tests and enquiries which determine the insurer's assessment of the risk. Insurers may also establish deductibles to limit amounts of potential losses incurred.

Policy benefits payable under short-term contracts are generally triggered by an insurable event, i.e. a medical expense or a death claim. Settlement of these benefits is expected generally within one year. However, some benefits are settled over a longer duration.

The principal risks arising from short-term insurance contracts are premium risk, claims risk and reinsurance risk (See Note 51(b)).

Premium risk is the risk that the premium rate has been set too low for the risk being assumed.

Claims risk is the risk that:
- the number of claims may exceed expectations
- the severity of claims incurred may exceed expectations
- the claim amount may develop during the interval between occurrence and settlement.

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

For the Group's life and health insurance contracts, significant risk exposures arise from mortality and morbidity experience.

(i) Frequency and severity of claims
These contracts are mainly issued to employers to insure their commitments to their employees in terms of their employee benefit plans. This risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry. Undue concentration of risk by industry will therefore increase the risk of a change in the underlying average mortality or morbidity of employees in a given industry, with significant effects on the overall insurance risk.

Insurance risk under disability contracts is also dependent on economic conditions in the industry. The Group attempts to manage this risk through its underwriting, claims handling and reinsurance policy. Excess of loss reinsurance contracts have been purchased by the Group to limit the maximum loss on any one life and health claims, see Note 50(b) for retention limits.

(ii) Sources of uncertainty in the estimation of future claim payments
There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration.

(iii) Process used in deriving assumptions
The assumptions for short-duration life contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

See Note 36(e) for detail policy assumptions.

The process to derive the assumptions for short-duration life contracts is similar to long-term insurance contracts. However, the short-term nature of the mortality risk underwritten makes the Group's estimate of the liability covering death benefit payments less uncertain than in the case of long-term contracts.

Short-duration property and casualty insurance contracts

Casualty insurance risks
Certain casualty risks for the Group and its affiliates are covered through the subsidiary, Sagicor Re Insurance Company Limited.

The frequency and severity of casualty claims can be affected by several factors. The most significant casualty risks under the professional indemnity, directors and officers liability, medical malpractice, contractors all risk, employer's liability and public liability policies are slip and fall accidents at the insured premises, and damage to areas occupied or contents at the insured premises due to blocked drains or burst pipes. In addition, increasing level of awards, the increasing number of cases coming to court and inflation all impact on ultimate claims costs. The Group manages these risks through its underwriting strategy and proactive claims handling. The underwriting strategy concentrates on fully reinsuring the exposures to casualty risks.

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51. Insurance and Financial Risk Management (Continued)

(a) Insurance risk (continued)

Short-duration property and casualty insurance contracts (continued)

(ii) Property insurance risks
Property risks for the Group and its affiliates are covered through one of its subsidiaries, Sagicor Re Insurance Company Limited (Sagicor Re).

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes, etc.) and their consequences (for example, subsidence claims). For certain contracts, there is a maximum amount payable for claims in any policy year.

The Sagicor Re has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage.

All of the property and casualty risks insured by Sagicor Re are reinsured with unrelated reinsurance companies. However, in the event that these reinsurers are unable to meet their obligations under the reinsurance agreements, Sagicor Re would be liable to pay the gross amount of settled claims, subject to a "catch all clause". Sagicor Re mitigates the risks associated with failure of its reinsurers by transacting only with well-established reinsurance companies. The reinsurers are primarily located in Europe, however, a portion of reinsurance is placed with reinsurers located in the Caribbean.

(b) Reinsurance risk
To limit its exposure of potential loss on an insurance policy, the insurer may cede certain levels of risk to a reinsurer. The Group selects reinsurers which have established capability to meet their contractual obligations and which generally have high credit ratings. The credit ratings of reinsurers are monitored.

For its property risks, the Group uses facultative reinsurance on a quota share and layered basis to cover single events and multiple claims arising from catastrophes. The insurer may be required to pay an additional premium to reinstate the reinsurance coverage where a claim exhausts the reinsurance limit.

For other insurance risks, insurers limit their exposure by event or per person by excess of loss or quota share treaties.

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51. Insurance and Financial Risk Management (Continued)

(b) Reinsurance risk (continued)
Retention limits represent the level of risk retained by the insurer. The Board of Directors approved policy retention limits. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarised below:

Type of insurance contract	Retention by insurers
Health insurance contracts with groups	Retention per individual to a maximum J$1,350,000.
Life insurance contracts with individuals	Retention per individual to a maximum of J$35,000,000 and US$500,000.
Life insurance contracts with groups	Retention per individual to a maximum of J$35,000,000 and US$100,000.

(c) Cash flow and fair value interest rate risk
Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate changes may also result in losses if asset and liability cash flows are not closely matched with respect to timing and amount. The Asset and Liability Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored at least quarterly.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to change in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimate assumptions (Note 35(e) for further details).

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

(i) Long term traditional insurance contracts and some investment contracts
Insurance and investment contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial components of these benefits may include a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

NOTES TO THE FINANCIAL STATEMENTS

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

(ii) Long term insurance contracts and investment contracts without fixed terms
For unit-linked contracts the Group matches all the assets on which the unit prices are based with assets in the portfolio. There is no price, currency, credit, or interest rate risk for these contracts.

The Group's primary exposure to financial risk for these contracts is the risk of volatility in asset management fees due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which investment management fees are based.

A decrease of 10% in the value of the assets would reduce the asset management fees to $251,247,000 (2016 - $254,698,000) per annum.

Unit-linked and interest-sensitive universal life type contracts have embedded surrender options. These embedded derivatives vary in response to the change in a financial variable (such as equity prices and interest rates). At year end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

(iii) Short term contracts
For short term insurance contracts, the Group has matched the insurance liabilities with a portfolio of debt securities. The financial assets in this portfolio are characterised by interest rate risk.

Short term liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

The following tables summarise carrying amounts of statement of financial position assets, liabilities and equity in order to arrive at the Group and company's interest rate gap based on earlier of contractual repricing or maturity dates.

The disclosures provided in this note are based on the Group and company's investment portfolio as at 31 December 2017 and 2016.

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2017						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	9,879,662	-	-	-	-	2,772,655	12,652,317
Cash reserve at Bank of Jamaica	11,418,839	-	-	-	-	-	11,418,839
Financial investments and pledged assets	-	38,814,628	8,230,843	13,039,096	136,361,843	27,269,861	223,716,271
Derivative financial instruments	-	-	-	-	-	278,010	278,010
Loans & leases, after allowance for credit losses	8,755,513	50,555,044	25,838	813,073	1,092,318	189,700	61,431,486
Reinsurance contracts	-	-	-	-	-	465,546	465,546
Other assets	-	-	-	8,838,088	-	7,853,191	16,691,279
Non-financial assets							
Investment properties	-	-	-	-	-	530,000	530,000
Investment in joint venture	-	-	-	-	-	356,391	356,391
Investment in associated companies	-	-	-	-	-	7,050,842	7,050,842
Intangible assets	-	-	-	-	-	5,127,730	5,127,730
Property, plant and equipment	-	-	-	-	-	5,063,646	5,063,646
Deferred income taxes	-	-	-	-	-	2,351,201	2,351,201
Taxation recoverable	-	-	-	-	-	2,332,710	2,332,710
Retirement benefit Assets	-	-	-	-	-	517,261	517,261
Other assets	-	-	-	-	-	2,052,991	2,052,991
Total assets	30,054,014	89,369,672	8,256,681	22,690,257	137,454,161	64,211,735	352,036,520

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2017						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Liabilities							
Deposit and security liabilities	-	116,665,034	32,767,627	13,054,790	2,247,645	486,716	165,221,812
Derivative financial instruments	-	-	-	-	-	278,010	278,010
Other liabilities	-	-	-	8,838,088	-	10,021,807	18,859,895
Insurance contracts liabilities	-	881,493	2,583,202	13,654,497	57,605,895	3,193,426	77,918,513
Investment contracts liabilities	-	7,491,896	1,953,628	4,331,586	-	-	13,777,110
Other policy liabilities	-	967,309	-	-	-	2,830,117	3,797,426
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	148,160	148,160
Retirement benefit obligations	-	-	-	-	-	3,533,463	3,533,463
Total liabilities	-	126,005,732	37,304,457	39,878,961	59,853,540	20,491,699	283,534,389
On statement of financial position interest sensitivity gap	30,054,014	(36,636,060)	(29,047,776)	(17,188,704)	77,600,621	43,720,036	68,502,131
Cumulative interest sensitivity gap	30,054,014	(6,582,046)	(35,629,822)	(52,818,526)	24,782,095	68,502,131	

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group						
	2016						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest	Total
	$000	$000	$000	$000	$000	$000	$000
Assets							
Cash resources	7,882,834	-	-	-	-	2,909,636	10,792,470
Cash reserve at Bank of Jamaica	8,249,533	-	-	-	-	-	8,249,533
Financial investments and pledged assets	-	40,494,860	13,025,160	20,455,102	128,257,753	24,533,161	226,766,036
Derivative financial instruments	-	-	-	-	-	174,575	174,575
Loans & leases, after allowance for credit losses	-	56,068,354	44,834	976	-	61,804	56,175,968
Reinsurance contracts	-	-	-	-	-	300,520	300,520
Other assets	-	-	-	6,747,230	-	5,504,320	12,251,550
Non-financial assets							
Investment properties	-	-	-	-	-	488,000	488,000
Investment in joint venture	-	-	-	-	-	397,822	397,822
Investment in associated companies	-	-	-	-	-	6,115,829	6,115,829
Intangible assets	-	-	-	-	-	5,315,631	5,315,631
Property, plant and equipment	-	-	-	-	-	4,651,198	4,651,198
Deferred income taxes	-	-	-	-	-	4,538,842	4,538,842
Taxation recoverable	-	-	-	-	-	2,862,287	2,862,287
Retirement benefit Assets	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	1,874,571	1,874,571
Total assets	16,132,367	96,563,214	13,069,994	27,203,308	128,257,753	59,728,196	340,954,832

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group 2016						
	Immediately Rate Sensitive	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-Interest bearing	Total
	$000	$000	$000	$000	$000	$000	$000
Liabilities							
Deposit and security liabilities	-	130,978,870	20,960,136	8,459,688	663,433	16,280,572	177,342,699
Derivative financial instruments	-	-	-	-	-	174,575	174,575
Other liabilities	-	-	-	6,747,230	-	6,084,142	12,831,372
Insurance contracts liabilities	-	816,969	2,491,123	13,357,061	49,166,865	2,877,321	68,709,339
Investment contracts liabilities	-	3,181,522	4,249,442	6,700,836	-	-	14,131,800
Other policy liabilities	-	1,010,074	-	-	-	2,538,731	3,548,805
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	1,636,737	1,636,737
Retirement benefit obligations	-	-	-	-	-	6,168,523	6,168,523
Total liabilities	-	135,987,435	27,700,701	35,264,815	49,830,298	35,760,601	284,543,850
On statement of financial position interest sensitivity gap	16,132,367	(39,424,221)	(14,630,707)	(8,061,507)	78,427,455	23,967,595	56,410,982
Cumulative interest sensitivity gap	16,132,367	(23,291,854)	(37,922,561)	(45,984,068)	32,443,387	56,410,982	

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

The table summarises the average effective yields by the earlier of the contractual repricing or maturity dates:

	The Group 2017					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.06	-	-	-	-	0.06
Investments (1)	-	5.14	6.70	7.16	7.78	7.04
Loans	11.99	12.00	11.50	13.90	-	11.99
Mortgages (2)	-	9.41	9.41	9.41	9.41	9.41
Policy loans	-	-	-	-	8.83	8.83
Investment contracts	-	5.10	5.10	5.10	5.10	5.10
Bank overdraft	30.39	-	-	-	-	30.39
Deposits	-	3.40	4.01	3.88	3.00	3.71
Amounts due to banks and other financial institutions	-	6.55	4.09	4.17	6.25	3.71

	The Group 2016					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Cash resources	0.06	-	-	-	-	0.06
Investments (1)	-	5.14	6.70	7.16	7.78	7.04
Loans	11.99	12.00	11.50	13.90	-	11.99
Mortgages (2)	-	9.73	9.73	9.73	9.73	9.73
Policy loans	-	-	-	-	7.46	7.46
Investment contracts	-	4.08	4.08	4.08	4.08	4.08
Bank overdraft	38.78	-	-	-	-	38.78
Deposits	-	2,44	2.99	1.00	2.00	2.41
Amounts due to banks and other financial institutions	-	6.55	4.09	4.17	6.25	3.71

(1) Yields are based on book values and contractual interest adjusted for amortization of premiums and discounts.

(2) Yields are based on book values, net of allowances for impairment and contractual interest rates.

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

Sensitivity
Sensitivity to interest rate risk is considered by operating subsidiaries. The effects of changes in interest rates of assets backing actuarial liabilities are disclosed in Note 51.

The effects of changes in interest rates of assets backing other policy liabilities, deposit and security liabilities and equity are considered below.

(d) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes
Key areas where the Group is exposed to credit risk are:

(i) Reinsurers' share of insurance liabilities – see Note 50(b) for details of reinsurance risk.
(ii) Amounts due from reinsurers in respect of claims already paid.
(iii) Loans, leases, mortgages and investments

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and leases
The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

Group's rating	Description of the grade
1	Standard
2	Potential Problem Credit
3	Sub-Standard
4	Doubtful
5	Loss

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit review process (continued)

(i) Loans and leases (continued)
Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

(ii) Investments and cash
Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. It does not generally require collateral in respect of other financial assets, mainly premiums receivable. There is a credit policy in place to minimise the Group's exposure to credit risk. Limits may be placed on the amount of risk accepted in relation to one borrower. As a result of the Central Securities Depository (CSD), all domestic Government of Jamaica securities have been dematerialised which has significantly reduced the settlement risk. At the year end date, the only significant concentration of credit risk related to the Group's investments in Government of Jamaica securities.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

Collateral and other credit enhancements
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans and leases – cash and near cash securities, mortgages over commercial and residential properties, charges over business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles.

Securities lending and reverse repurchase transactions – cash or Government of Jamaica securities.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans given to private companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Impairment loss provision methodology
The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances are provided for financial assets that are above materiality thresholds based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at year end date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

In addition, collectively assessed allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by taking into consideration historical losses on the portfolio, current economic conditions and expected receipts and recoveries once impaired.

Commitments and guarantees
To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do not contain credit risk and are therefore part of the overall risk of the Group.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the year end date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)
The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two rating classes (doubtful and loss). The tables below show the Group's loans and leases and the associated impairment provision for each internal rating classes:

Group and company's rating

	The Group			
	2017		2016	
	Loans and leases	Impairment Provision	Loans and leases	Impairment provision
	$'000	$'000	$'000	$'000
Standard	56,640,590	416,471	46,490,321	2
Potential Problem Credit	4,259,825	30,915	5,919,674	91
Sub-Standard	729,350	458,071	2,758,473	28,518
Doubtful	388,130	147,375	511,408	9,216
Loss	943,316	476,893	1,877,614	1,343,695
	62,961,211	1,529,725	57,557,490	1,381,522

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The following table represents a worst case scenario of credit risk exposure to the Group at 31 December 2017 and 2016, without taking account of any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

	The Group	
	Maximum exposure	
	2017	2016
	$'000	$'000
Credit risk exposures relating to on-statement of financial position are as follows:		
Cash and balances due from other financial institutions (excluding cash on hand)	25,929,596	22,969,593
Investment securities	194,973,991	198,810,505
Loans & leases, net of allowance for credit losses	61,431,486	56,175,968
Reinsurance contracts	465,546	300,520
Other assets	16,691,279	12,251,549
	299,491,898	290,508,135
Credit risk exposures relating to items not on the statement of financial position are as follows:		
Loan commitments	8,294,154	7,402,927
Guarantees and letters of credit	3,891,060	2,881,299
	12,185,214	10,284,226

Loans and leases

(i) Credit quality of loans and leases are summarised as follows:

	The Group	
	2017	2016
	$'000	$'000
Neither past due nor impaired -		
Standard	56,640,590	46,490,321
Past due but not impaired	4,259,825	9,189,556
Impaired	2,060,796	1,877,614
Gross	62,961,211	57,557,491
Less: provision for credit losses	(1,529,725)	(1,381,523)
Net	61,431,486	56,175,968

Loans and leases become past due when payments are not received on contractual repayment dates. The majority of past due loans are not considered impaired.

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(i) Credit quality of loans and leases are summarized as follows (continued):
The majority of loans are made to customers in Jamaica. The following table summarizes the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group	
	2017	2016
	$'000	$'000
Agriculture	529,719	406,701
Construction and land development	7,347,306	10,405,194
Distribution	10,066,392	8,274,577
Manufacturing	2,156,027	3,883,783
Personal	23,412,436	21,078,303
Professional and other services	9,573,461	2,973,443
Tourism and entertainment	4,245,719	4,096,362
Transportation storage and communication	718,326	404,910
Overseas residents and other	4,722,125	5,972,414
Total	62,771,511	57,495,687
Total provision	(1,529,725)	(1,381,523)
Interest receivable	189,700	61,804
Net	61,431,486	56,175,968

(ii) Aging analysis of past due but not impaired loans and leases:

	The Group	
	2017	2016
	$'000	$'000
Less than 30 days	2,834,297	5,827,090
31 to 60 days	979,775	2,849,290
61 to 90 days	445,753	511,408
More than 90 days	-	1,767
	4,259,825	9,189,555

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of $20,725,000 (2016 - $19,024,000).

The Group holds adequate collateral for past due not impaired loans and leases.

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Loans and leases (continued)

(iii) Financial assets – individually impaired
Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	The Group	
	2017	2016
	$'000	$'000
Loans and leases	943,316	1,877,614
Mortgage loans	349,382	347,927

In addition to those listed above, several available-for-sale securities have been determined to be individually impaired, see Note 41 for further details.

(iv) Renegotiated loans and leases
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

(v) Repossessed collateral
The Group can obtain assets by taking possession of collateral held as security.

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group do not occupy repossessed properties for business use.
The Group is in the process of repossessing collateral totaling $32,435,000 (2016 - $38,600,000).

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure

Investments and cash
The following table summarizes the credit exposure of the Group to businesses and government by sectors in respect of investments and cash:

	The Group	
	2017	2016
	$'000	$'000
Government of Jamaica securities	105,450,088	101,201,808
Foreign government securities	13,114,189	27,689,526
Corporate bonds	67,236,005	62,234,249
Financial institutions	27,976,956	23,632,192
Mortgage loans	3,023,668	2,866,259
Policy loans	897,213	937,410
Promissory notes	48,000	48,000
	217,746,119	218,609,444
Interest receivable	3,157,468	3,170,654
	220,903,587	221,780,098

There are equal and offsetting claims against customers in the event of a call on the above commitments for customer guarantees and letters of credit.

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51. Insurance and Financial Risk Management (Continued)

(d) Credit risk (continued)

Credit exposure (continued)
The Group's exposures to individual counterparty credit risks exceeding 2.5% of exposures by class are set out below:

	The Group	
	2017	**2016**
	$'000	**$'000**
Debt securities:		
Government of Jamaica debt securities	107,250,586	102,904,355
Deposits and cash:		
Bank of America	1,873,054	5,824,128
Citibank N.A.	1,705,259	363,352
Bank of Jamaica	16,352,052	8,291,838
National Commercial Bank Jamaica Limited	292,869	110,206
The Bank of Nova Scotia Jamaica Limited	18,863	59,067
Reinsurance contracts:		
Swiss Re - rated A+ (superior) by A.M Best	272,870	139,658
Munich Re - rated A+ (superior) by A.M Best	29,906	14,843

Exposure to credit risk is also managed in part by obtaining collateral and guarantees for mortgage loans. For mortgage loans, the collateral is real estate property, and the approved loan is usually no more that 95% of collateral value.

Policy loans are advanced on the security of the underlying insurance policy cash values. Cash loans are advanced to a maximum of 80% of the cash surrender value. Automatic premium loans are advanced to the extent of available cash surrender value.

For securities purchased under agreement to resell, title to securities are transferred to the Group by agreement, and for the duration of the latter.

Past due and impaired financial investments
Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Mortgages less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group is exposed to daily calls on their available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process
The Group's liquidity management process, as carried out within the Group and monitored by the Treasury Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit and optimising cash returns on investments;

(iv) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Certain investment portfolios within the Group contain securities which can only be disposed of over a period of time. In such instances, the Group generally maintains higher levels of short term instruments to compensate for the relative illiquidity of the aforementioned securities.

The disclosures provided in this note are based on the Group's and the company's investment portfolio as at 31 December 2017 and 2016.

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Group's financial and non-financial liabilities based on contractual repayment obligations. The Group expects that many policyholders/customers will not request repayment on the earliest date the Group could be required to pay. The expected maturity dates of liabilities are based on estimates made by management as determined by retention history.

	The Group					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Undiscounted Financial Liabilities - 31 December 2017	$000	$000	$000	$000	$000	$000
Deposit and security liability	131,421,574	19,983,750	16,416,320	2,237,193	-	170,058,837
Derivative financial instruments	198,587	51,589	27,834	-	-	278,010
Other liabilities	6,351,143	166,122	138,208	55,235	12,149,187	18,859,895
Insurance contracts liabilities	881,493	2,583,202	13,654,497	60,799,321	-	77,918,513
Investment contracts liabilities	7,491,896	1,953,628	4,412,517	-	-	13,858,041
Other policy liabilities	967,309	2,830,117	-	-	-	3,797,426
Total undiscounted liabilities	147,312,002	27,568,408	34,649,376	63,091,749	12,149,187	284,770,722

	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Undiscounted Financial Liabilities - 31 December 2016						
Deposit and security liabilities	151,616,024	21,689,781	4,787,054	1,539,991	-	179,632,850
Derivative financial instruments	-	45,370	129,205	-	-	174,575
Other liabilities	5,471,858	335,571	49,513	-	6,974,430	12,831,372
Insurance contracts liabilities	816,969	2,491,123	13,357,061	52,044,186	-	68,709,339
Investment contracts liabilities	3,181,522	4,249,442	6,780,341	-	-	14,211,305
Other policy liabilities	1,010,074	2,538,731	-	-	-	3,548,805
Total undiscounted liabilities	162,096,447	31,350,018	25,103,174	53,584,177	6,974,430	279,108,246

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Off-balance sheet items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At December 31, 2017				
Credit commitments	7,946,312	122,172	225,670	8,294,154
Guarantees, acceptances and other financial facilities	2,221,231	229,966	1,439,863	3,891,060
Operating lease commitments	445,930	443,094	-	889,024
Capital commitments	1,590,220	-	-	1,590,220
	12,203,693	795,232	1,665,533	14,664,458
At December 31, 2016				
Credit commitments	7,402,927	-	-	7,402,927
Guarantees, acceptances and other financial facilities	1,980,566	313,988	586,745	2,881,299
Operating lease commitments	434,842	558,540	-	993,382
Capital commitments	937,487	-	-	937,487
	10,755,822	872,528	586,745	12,215,095

Lease payments, including maintenance, for Group during the year were $518,004,000 (2016 – $490,190,000).

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The tables below reflect the expected maturities of the Group's discounted financial and non-financial assets and liabilities at the year-end date.

	The Group					
	2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Assets	$000	$000	$000	$000	$000	$000
Cash resources	12,652,317	-	-	-	-	12,652,317
Cash reserve at Bank of Jamaica	11,418,839	-	-	-	-	11,418,839
Financial investments & pledged assets	11,842,822	6,214,542	20,691,632	160,756,677	24,210,598	223,716,271
Derivative financial instruments	198,587	51,589	27,834	-	-	278,010
Loans and leases, after allowance for credit losses	11,350,998	2,974,223	15,983,810	31,122,455	-	61,431,486
Reinsurance contracts	-	465,546	-	-	-	465,546
Other assets	5,175,187	1,781,993	201,427	11,206	9,521,466	16,691,279
Non-financial assets:						
Investment properties	-	-	-	-	530,000	530,000
Investment in joint venture	-	-	-	-	356,391	356,391
Investment in associated companies	-	-	-	-	7,050,842	7,050,842
Intangible assets	-	-	-	5,127,730	-	5,127,730
Property, plant and equipment	-	-	-	-	5,063,646	5,063,646
Deferred income taxes	-	113,783	2,237,418	-	-	2,351,201
Taxation recoverable	2,332,710	-	-	-	-	2,332,710
Retirement benefit assets	-	-	-	517,261	-	517,261
Other assets	781,278	525,277	447,863	-	298,573	2,052,991
Total assets	55,752,738	12,126,953	39,589,984	197,535,329	47,031,516	352,036,520

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Group					
	2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
	$000	$000	$000	$000	$000	$000
Liabilities						
Deposit and security liabilities	131,496,583	18,905,953	13,526,040	1,293,236	-	165,221,812
Derivative financial instruments	198,587	51,589	27,834	-	-	278,010
Other liabilities	6,351,143	166,122	138,208	55,235	12,149,187	18,859,895
Insurance contracts liabilities	881,493	2,583,202	13,654,497	60,799,321	-	77,918,513
Investment contracts liabilities	7,491,896	1,953,628	4,331,586	-	-	13,777,110
Other policy liabilities	967,309	2,830,117	-	-	-	3,797,426
Non-financial liabilities:						
Taxation payable	148,160	-	-	-	-	148,160
Retirement benefit obligations	-	-	-	3,533,463	-	3,533,463
Total liabilities	147,535,171	26,490,611	31,678,165	65,681,255	12,149,187	283,534,389
On statement of financial position interest sensitivity gap	(91,782,433)	(14,363,658)	7,911,819	131,854,074	34,882,329	68,502,131
Cumulative interest sensitivity gap	(91,782,433)	(106,146,091)	(98,234,272)	33,619,802	68,502,131	
	2016					
Total assets	50,653,292	23,611,378	46,906,727	177,566,229	42,217,206	340,954,832
Total liabilities	155,180,081	31,272,752	30,016,007	61,100,580	6,974,430	284,543,850
On statement of financial position interest sensitivity gap	(104,526,789)	(7,661,374)	16,890,720	116,465,649	35,242,776	56,410,982
Cumulative interest sensitivity gap	(104,526,789)	(112,188,163)	(95,297,443)	21,168,206	56,410,982	

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

	The Company					
	2017					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Assets	$000	$000	$000	$000	$000	$000
Cash resources	200,061	-	-	-	-	200,061
Financial investments & pledged assets	97,856	376,939	82,690	235,433	-	792,918
Other assets	46,480		30,963	-	-	77,443
Non-financial assets:						
Investment in subsidiaries	-	-	-	-	68,748,739	68,748,739
Investment in associated companies	-	-	-	-	3,305,560	3,305,560
Investment in joint venture	-	-	-	-	395,543	395,543
Intangible assets	-	-	-	808,583	-	808,583
Property, plant and equipment	-	-	-	-	308,993	308,993
Deferred income taxes	-	14,155	-	-	-	14,155
Taxation recoverable	164,123	-	-	-	-	164,123
Other assets	349,609	44,357	-	-	-	393,966
Total assets	858,129	435,451	113,653	1,044,016	72,758,835	75,210,084
Liabilities						
Taxation payable						
Other liabilities	3,834,966	-	-	-	-	3,834,966
Promissory notes	-	13,763,583	-	-	-	13,763,583
Total liabilities	3,834,966	13,763,583	-	-	-	17,598,549
On statement of financial position interest sensitivity gap	(2,976,837)	(13,328,132)	113,653	1,044,016	72,758,835	57,611,535
Cumulative interest sensitivity gap	(2,976,837)	(16,304,969)	(16,191,316)	(15,147,300)	57,611,535	
	2016					
Total assets	565,208	508,004	-	2,779,308	61,552,693	65,405,213
Total liabilities	2,625,449	6,851,373	-	-	-	9,476,827
On statement of financial position interest sensitivity gap	(2,060,241)	(6,343,370)	-	2,779,308	61,552,693	55,928,386
Cumulative interest sensitivity gap	(2,060,241)	(8,403,615)	(8,403,615)	(5,624,307)	55,928,386	

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

(f) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Investment department which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

(i) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency or interest rate risk, whether those changes are caused by factors specific to the instrument or affecting all similar instruments in the market.

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Group.

The Group's investments in equity securities are publicly traded on the Jamaica Stock Exchange (JSE), the National Association of Securities Dealers Automated Quotation System (NASDAQ) and the New York Stock Exchange (NYSE). The Group's sensitivity to equity securities price risk is disclosed in Note 50(iii).

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk the Asset and Liability Committee (ALCO) has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by ALCO.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

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51. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) Currency risk (continued)

The Group's operations in the Cayman Islands create two additional sources of currency risk:

- The operating results of the Group's foreign subsidiaries in the Group financial statements are translated at the average exchange rate prevailing during the period.
- The equity investment in the foreign subsidiaries is translated into Jamaican dollars using the closing exchange rate.

Concentrations of currency risk

The Group and the company are most sensitive to currency risk in its operating currencies which float against the United States dollar.

The following tables summarise the exposure of the Group and the company to foreign currency exchange rate risk. Included in the tables are the Group's assets and liabilities at carrying amounts categorised by currency.

	The Group			
	2017			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	7,141,585	3,440,448	2,070,284	12,652,317
Cash reserve at Bank of Jamaica	5,667,693	5,519,293	231,853	11,418,839
Financial investments and pledged assets	94,397,986	127,641,519	1,676,766	223,716,271
Derivative financial instruments	-	278,010	-	278,010
Loans & leases, after allowance for credit losses	44,265,841	17,165,645	-	61,431,486
Reinsurance contracts	38,647	426,899	-	465,546
Other assets	15,901,801	692,520	96,978	16,691,279
Non-financial assets:				
Investment properties	530,000	-	-	530,000
Investment in joint venture	-	356,391	-	356,391
Investment in associated companies	7,050,842	-	-	7,050,842
Intangible assets	4,469,852	657,878	-	5,127,730
Property, plant and equipment	4,489,163	574,483	-	5,063,646
Retirement benefit asset	517,261	-	-	517,261
Deferred income taxes	2,351,201	-	-	2,351,201
Taxation recoverable	2,332,710	-	-	2,332,710
Other assets	1,851,482	201,509	-	2,052,991
Total assets	191,006,044	156,954,575	4,075,881	352,036,520
Financial liabilities				
Deposit and security liabilities	70,290,951	92,838,231	2,092,630	165,221,812
Derivative financial instruments	-	278,010	-	278,010
Other liabilities	17,003,271	1,612,616	244,008	18,859,895
Insurance contracts liabilities	43,838,899	31,114,772	2,964,842	77,918,513
Investment contracts liabilities	8,925,719	4,778,942	72,449	13,777,110
Other policy liabilities	2,872,260	401,767	523,399	3,797,426
Non-financial liabilities:				
Taxation payable	148,160	-	-	148,160
Retirement benefit obligations	3,533,463	-	-	3,533,463
Total liabilities	146,612,723	131,024,338	5,897,328	283,534,389
Net on statement of financial position	44,393,341	25,930,237	(1,821,447)	68,502,131

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51. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) *Currency risk (continued)*

Concentrations of currency risk (continued)

	The Group			
	2016			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	1,418,269	8,332,928	1,041,273	10,792,470
Cash reserve at Bank of Jamaica	4,079,663	3,984,390	185,480	8,249,533
Financial investments and pledged assets	82,669,604	142,928,443	1,167,989	226,766,036
Derivative financial instruments	-	174,575	-	174,575
Loans & leases, after allowance for credit losses	40,587,318	15,588,650	-	56,175,968
Reinsurance contracts	42,976	257,544	-	300,520
Other assets	11,309,996	849,042	92,512	12,251,550
Non-financial assets:				
Investment properties	488,000	-	-	488,000
Investment in joint venture	-	397,822	-	397,822
Investment in associated companies	6,115,829	-	-	6,115,829
Intangible assets	4,638,148	677,483	-	5,315,631
Property, plant and equipment	4,076,390	574,808	-	4,651,198
Deferred income taxes	4,538,842	-	-	4,538,842
Taxation recoverable	2,862,287	-	-	2,862,287
Other assets	1,856,960	17,611	-	1,874,571
Total assets	164,684,282	173,783,296	2,487,254	340,954,832
Financial liabilities				
Deposit and security liabilities	61,852,666	113,375,148	2,114,885	177,342,699
Derivative financial instruments	-	174,575	-	174,575
Other liabilities	11,890,746	890,785	49,841	12,831,372
Insurance contracts liabilities	38,748,460	27,298,130	2,662,749	68,709,339
Investment contracts liabilities	8,508,589	5,550,722	72,489	14,131,800
Other policy liabilities	2,622,465	425,893	500,447	3,548,805
Non-financial liabilities:				
Taxation payable	1,636,737	-	-	1,636,737
Retirement benefit obligations	6,168,523	-	-	6,168,523
Total liabilities	131,428,186	147,715,253	5,400,411	284,543,850
Net on statement of financial position	33,256,096	26,068,043	(2,913,157)	56,410,982

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52. Sensitivity Analysis

Actuarial liabilities for the Group comprise 74.49% (2016 – 72.56%) of total Policyholders' Funds. The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in those assumptions could have a significant effect on the valuation results. These factors are discussed in detail in Note 34(e).

(i) Sensitivity arising from the valuation of life insurance and annuity contracts

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations.

The Appointed Actuary tests the actuarial liabilities under several economic scenarios. These tests have been done and the liabilities have been derived from the scenarios which produce the worst results.

The assumption for future investment yields has a significant impact on actuarial liabilities.

The other assumptions to which the actuarial liabilities of the Group are most sensitive, are in descending order of impact:

- Lapse rates
- Mortality and morbidity
- Operating expenses and taxes

(ii) Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's future financial condition in the light of different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

The purpose of the DCAT is:

- to develop an understanding of the sensitivity of the total equity of the insurer and future financial condition to changes in various experience factors and management policies;
- to alert management and the Board to material, plausible and imminent threats to the insurer's solvency; and
- to describe possible courses of action to address these threats.

A DCAT analysis has been completed for Sagicor Life Jamaica Limited and Sagicor Life of the Cayman Islands Ltd.

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52. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The results are as follows:

(i) Worsening rate of lapse. The scenario was tested in either of the following ways:

For business which produces higher valuation reserves with an increase in lapse rates, the scenario lapse rates were doubled. For business which produces higher valuation reserves with a decrease in lapse rates, the scenario lapse rates were halved.

Overall, this scenario produces adverse results in 2017 and for the next five years.

(ii) High interest rate. An assumed increase in portfolio rate of 0.5% per year for 10 years. Overall, this scenario produces favourable results in 2017 and for the next five years.

(iii) Low interest rate. An assumed decrease in portfolio rate of 0.5% for 10 years was tested in this scenario. Overall, this scenario produces adverse results in 2017 and for the next five years.

(iv) Worsening mortality and morbidity. To test this scenario, mortality and morbidity rates were increased for life insurance, health and critical illness products and decreased for annuity products. For life insurance, health and critical illness products, rates were increased by 3% of the base rate per year for 5 years. For annuity products, rates were decreased by 3% of the base rate for 5 years. Overall, this scenario produces adverse results in 2017 and for the next five years.

(v) Higher expenses. Higher unit maintenance expenses were tested by setting the unit expense rate for each projection year 5% greater than the unit expense rate assumed in the base scenario. Overall, this scenario produces adverse results in 2017 and for the next five years.

(vi) Level new business. New business planned for 2017 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2017 but produces favourable results for the next five years.

(vii) Double new business. New business planned for the 5 year period was projected to grow at twice the rate of growth anticipated in the base scenario. Overall, this scenario has no effect on the 2017 liabilities, but will produce net lower liabilities over the next five years.

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52. Sensitivity Analysis (Continued)

(ii) Dynamic capital adequacy testing (DCAT) (continued)

The DCAT conducted has not tested any correlation that may exist between assumptions. The use of differing sensitivity rates by insurers reflects differences in the insurers' environment.

The following table represents the estimated sensitivity of each of the above scenarios to net actuarial liabilities totalling $77,823,415 for the Group at the year-end date.

		The Group	
Variable	**Change in Variable**	**2017 Change in Liability $'000**	**2016 Change in Liability $'000**
Worsening of mortality/morbidity	+3% for 5 yrs.	4,264,586	3,839,721
Improvement in annuitant mortality	-3% for 5 yrs.	1,064,161	922,294
Lowering of investment return	-0.5% for 10 yrs.	12,729,494	15,921,014
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	2,183,772	1,911,929
Worsening of lapse rate	x2 or x0.5	6,710,655	6,096,415
Higher interest rates	+0.5% for 10 yrs.	(13,835,097)	(12,636,248)

(iii) Sensitivity arising from a decline in equity prices

The Group is sensitive to fair value risk on its financial assets at fair value through profit or loss and available for sale equity securities. The effects of an increase by 10% and a decrease by 10% in equity prices at the year end date are set out below.

	The Group	
	Carrying Value $'000	**Effect of 10% change at 31 December 2017 $'000**
Financial assets at fair value through profit or loss and available for sale equity securities:		
Listed on Jamaica Stock Exchange	517,426	51,743
Listed on US stock exchanges	2,500,009	250,001
Other	21,093,750	2,109,375
	24,111,185	2,411,119

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52. Sensitivity Analysis (Continued)

(iv) Sensitivity arising from currency risk

The Group is most sensitive to currency risk in its operating currencies which float against the United States dollar.

The effect of a further 15% (2016 – 15%) depreciation and a 1% (2016 – 1%) appreciation in the Jamaican dollar (JMD) relative to the United States dollar (USD) at the year-end date is considered in the following tables.

	The Group					
	2017			**2016**		
	Balances Denominated in other than JMD $'000	**Effect of a 15% depreciation at 31 December 2017 $'000**	**Effect of a 1% appreciation at 31 December 2017 $'000**	**Balances denominated in other than JMD $'000**	**Effect of a 15% depreciation at 31 December 2016 $'000**	**Effect of a 1% appreciation at 31 December 2016 $'000**
Statement of financial position:						
Assets	161,030,476	185,185,047	159,420,171	176,270,550	202,711,133	174,507,845
Liabilities	136,921,667	157,459,917	135,552,450	153,115,664	176,083,014	151,584,507
Net position	24,108,809	27,725,130	23,867,721	23,154,886	26,628,119	22,923,338
Income statement:						
Net income	-	3,073,873	(277,251)	-	4,126,372	(188,006)
Equity	-	542,448	36,163	-	520,985	34,732

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52. Sensitivity Analysis (Continued)

(v) Development of Property and Casualty claims

The development of an insurer's claims in the course of settlement provides a measure of its ability to estimate the ultimate value of claims incurred. In the table below, the estimate of total claims incurred for each year is provided at successive year ends. The most recent estimate is then reconciled to the liability recognised in the statement of financial position.

	The Group			
	2015	2016	2017	Total
Gross	$'000	$'000	$'000	$'000
Estimate of ultimate claims incurred:				
At the end of the reporting year	4,865	8,088	52,748	65,701
One year later	2,532	6,234	-	8,766
Two years later	742	-	-	742
Current estimate of cumulative claims	742	6,234	52,748	59,724
Cumulative payments to date	(686)	(3,247)	(13,870)	(17,803)
Liability recognised in the statement of financial position	56	2,987	38,878	41,921
Liability in respect of prior years and ULAE				1,077
Total liability				42,998

The reinsurers' share of the amounts in the following table is set out below.

Reinsurers' share	2015 $'000	2016 $'000	2017 $'000	Total $'000
Estimate of ultimate claims incurred:				
At the end of the reporting year	4,865	8,088	52,648	65,601
One year later	2,532	6,234	-	8,766
Two years later	742	-	-	742
Current estimate of cumulative claims	742	6,234	52,648	59,624
Cumulative payments to date	(686)	(3,247)	(13,870)	(17,803)
Recoverable recognised in the statement of financial position	56	2,987	38,778	41,821
Recoverable in respect of prior years				1,077
Total recoverable from reinsurers				42,898

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52. Sensitivity Analysis (Continued)

(vi) Interest rate sensitivity

For Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited, the following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statements and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of financial assets and financial liabilities. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

	Sagicor Investments Jamaica Limited			
	Effect on Net Profit 2017 $'000	Effect on Equity 2017 $'000	Effect on Net Profit 2016 $'000	Effect on Equity 2016 $'000
Change in percentage				
J$:1%, US$: 0.5% (2016 – J$: -1%, US$: -0.5%)	366,236	2,291,864	135,183	1,681,811
J$:1%, US$: 0.5% (2016 – J$: +2.5%, US$: +2%)	(408,429)	(2,115,747)	(472,212)	(5,953,198)

	Sagicor Bank Jamaica Limited			
	Effect on Net Profit 2017 $'000	Effect on Equity 2017 $'000	Effect on Net Profit 2016 $'000	Effect on Equity 2016 $'000
Change in percentage				
J$:1%, US$: 0.5% (2016 – J$: -1%, US$: -0.5%)	695,723	361,211	292,286	338,923
J$:1%, US$: 0.5% (2016 – J$: +2.5%, US$: +2%)	(694,762)	(337,254)	(905,595)	(1,055,115)

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53. Capital Management

The Group manages its capital resources according to the following objectives:

(i) To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;

(ii) To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;

(iii) To safeguard its ability to meet future obligations to policyholders, depositors, note-holders and stockholders;

(iv) To provide adequate returns to stockholders by pricing insurance, investment and other contracts commensurately with the level of risk; and

(v) To maintain a strong capital base which are sufficient for the future development of the Group's operations.

The principal capital resources of the Group comprise its stockholders' equity, any non-controlling interest equity, and any debt financing. The summary of these resources at the year end is as follows:

	2017	2016
	$'000	$'000
Stockholders' equity	68,502,131	56,410,982
Total statement of financial position capital resources	68,502,131	56,410,982

The Group deploys its capital resources to activities carried out through various lines of business in operating companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that each line of business generates the desired return on capital employed, that the operating companies have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

Required capital adequacy information is computed for regulated entities of the Group on a monthly basis and assessed by Management. These metrics are filed with the Regulators in Jamaica monthly, in Cayman annually and in Costa Rica monthly.

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53. Capital Management (Continued)

The capital adequacy of the principal operating entities within the Group is set out below.

(a) Sagicor Life Jamaica Limited

Capital adequacy is managed at the operating company level. It is calculated monthly by the Appointed Actuary and reviewed by Executive Management and the Board of Directors. In addition, the company seeks to maintain internal capital adequacy at levels higher than the regulatory requirements. To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is one of the core measures of financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Surplus and Capital Requirement (MCCSR) standard as per the Insurance Regulations, 2001. The minimum standard required Insurance Regulations 2001 at the year-end date is an MCCSR of 150%. The MCCSR for the Sagicor Life Jamaica Limited as at 31 December 2017 and 2016 is set out below.

	2017	2016
Sagicor Life Jamaica Limited	186.0%	156.1%

(b) Sagicor Life of the Cayman Islands Ltd.

During 2014, the Cayman Islands Insurance (Capital and Solvency) (Class A Insurers) Regulations became effective. The minimum capital requirement (MCR) for a local Class A insurer was established as the greater of US$300,000, or the square root of the sum of the square of five risk components – assets, policy liabilities, subsidiaries, catastrophe exposure and foreign exchange. Additionally, the prescribed capital for a local Class A insurer must be at least 125% of the minimum capital requirement. As at the year-end date, the prescribed capital requirement was US$16,216,000 (2016 - $31,618,000) and available capital when expressed as a percentage of prescribed capital, was 363.0% (2016 – 168.3%).

The MCR, based on the Cayman Island Regulations, is as follows.

2017	2016
363.0%	168.3%

The MCCSR, based on the Canadian Regulatory Standards, is as follows.

2017	2016
236.0%	233.7%

(c) Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited

The Bank's objectives in managing their capital are:

(i) To To comply with the capital requirements set by the Regulators of the financial market in Jamaica.

(ii) To provide adequate returns to shareholders commensurate with the level of risk undertaken and adequate benefits to staff and other stakeholders.

(iii) To safeguard the Banks' ability to meet its obligations to depositors, note-holders and other stakeholders.

(iv) To safeguard the Banks' ability to continue as solvent going concerns.

(v) To maintain an appropriate capital base to support the growth and development of its business.

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53. Capital Management (Continued)

Capital adequacy, capital management ratios and the financial statements of the Banks are monitored monthly by management. These are reviewed quarterly by the Boards of Directors. Capital is managed based on prudent best practices and employing techniques and guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Board of Directors Risk Management Committees. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ and the FSC require each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and

(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The regulatory capital is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and revaluation on property, plant and equipment.

Any investment in subsidiaries is deducted from Tier 1 and Tier 2 capital to arrive at the regulated capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The capital risk ratios for Sagicor Bank Jamaica Limited and Sagicor Investments Jamaica Limited at the year-end were as follows:

	Sagicor Investments Jamaica Limited		Sagicor Bank Jamaica Limited	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Total regulatory capital	11,260,853	8,642,433	13,119,200	12,017,320
Total required capital	7,198,497	6,693,858	8,796,047	8,769,697
Actual capital base to risk	15.64%	12.91%	14.91%	13.70%
Required capital base to risk	10%	10%	10%	10%

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

53. Capital Management (Continued)

(i) During 2017 and 2016, both banking entities complied with all of the externally imposed capital requirements to which they are subject.

(ii) Derivative products
The Banks' derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with matching deals being utilised to achieve this where necessary. When entering into derivative transactions, the credit risk management procedures to assess and approve potential credit exposures are the same that are used for traditional lending.

54. Fiduciary Risk

Certain subsidiaries in the Group provide custody, trustee, corporate administration, investment management or advisory services to third parties which involve these subsidiaries making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These assets are not included in these financial statements. As at 31 December 2017, these subsidiaries had financial assets under administration of approximately $327,374,238 (2016 - $268,575,446) as follows:

	The Group	
	2017	2016
	$'000	$'000
Sagicor Sigma Global Funds	115,864,519	90,890,453
Custody portfolio	24,685,082	22,527,056
Real Estate Investment Trust	473,836	424,340
Pooled Investment Funds	142,198,902	118,011,706
Self-directed pension funds	44,559,844	36,721,891
	327,782,183	268,575,446

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

55. Contingent Liabilities

Legal proceedings

The Group and the company are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

Significant matters as follows:

(a) Suit has been filed by a customer against one of the Group's, subsidiaries for breach of contract, and breach of trust in the amount of US$8,928,500, being loss allegedly suffered as a result of what the claimants say is the unlawful withholding of insurance proceeds by the subsidiary. No provision was made in these financial statements for this claim as the matter has not been heard.

(b) Suit has been filed by an independent contractor against one of the Group's subsidiaries for breach of contract arising from alleged contractual agreement. The Claimant alleges that the company failed to pursue initiatives contemplated by the contract with a third party and that by not doing so, it caused the Claimant company significant losses which they have estimated at over US$300,000,000. No provision was made in these financial statements for this claim as the claim has been stayed to accommodate arbitration as required under the Agreement between the parties.

56. Litigation

On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited).

This claim pre-dated the acquisition of the Bank by Sagicor Group Jamaica Limited, and also pre dated the acquisition of control of the Bank by RBTT from Finsac Limited ("Finsac") in 2001.

By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group, is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

The decision of the Supreme Court was appealed and is pending as at December 31, 2017. The amount previously awarded to the Claimant has been recorded as payable to the claimant with accrued interest and correspondingly receivable from Finsac/Government of Jamaica.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

57. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2017						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	21,298,501	-	21,298,501	-	(11,418,839)	-	9,879,662
Financial investments	285,425,767	-	285,425,767	(151,252,556)	-	(7,275,648)	126,897,563
Other assets	16,691,279	-	16,691,279	-	-	-	16,691,279
	323,415,547	-	323,415,547	(151,252,556)	(11,418,839)	(7,275,648)	153,468,504
	2016						
Assets							
Cash resources	16,132,367	-	16,132,367	-	(8,249,533)	-	7,882,834
Financial investments	283,116,579	-	283,116,579	(105,269,646)	-	(16,141,382)	161,705,551
Other assets	12,552,069	-	12,552,069	-	-	-	12,552,069
	311,801,015	-	311,801,015	(105,269,646)	(8,249,533)	(16,141,382)	182,140,454

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

57. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Company						
	2017						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	200,061	-	200,061	-	-	-	200,061
Financial investments	792,918	-	792,918	-	-	(383,027)	409,891
Other assets	77,443	-	77,443	-	-	-	77,443
	1,070,422	-	1,070,422	-	-	(383,027)	687,395
	2016						
Assets							
Cash resources	189,583	-	189,583	-	-	-	189,583
Financial investments	2,198,794	-	2,198,794	-	-	-	2,198,794
Other assets	59,442	-	59,442	-	-	-	59,442
	2,447,819	-	2,447,819	-	-	-	2,447,819

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

57. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2017						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Due banks and other financial institutions	165,221,812	-	165,221,812	(148,377,510)	-	(5,000,329)	11,843,973
Derivative financial instruments	278,010	-	278,010	(278,010)	-	-	-
Other liabilities	18,859,895	-	18,859,895		-	-	18,859,895
	184,359,717	-	184,359,717	(148,655,520)	-	(5,000,329)	30,703,868
	2016						
Liabilities							
Due banks and other financial institutions	177,517,274	-	177,517,274	(84,809769)	-	(10,978,194)	81,729,311
Other liabilities	12,831,372	-	12,831,372	-	-	-	12,831,372
	190,348,646	-	190,348,646	(84,809,769)	-	(10,978,194)	94,560,683

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

57. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Company						
	2017						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Due banks and other financial institutions	13,763,583	-	13,763,583	-	-	-	13,763,583
Other liabilities	3,834,966	-	3,834,966	-	-	-	3,834,966
	17,598,549	-	17,598,549	-	-	-	17,598,549
	2016						
Liabilities							
Due banks and other financial institutions	6,737,599	-	6,737,599	-	-	-	6,737,599
Other liabilities	2,625,449	-	2,625,449	-	-	-	2,625,449
	9,363,048	-	9,363,048	-	-	-	9,363,048

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

58. Breach of Insurance Regulations – Related Party Balances

As at December 31, 2017, one of the Group's subsidiaries, Sagicor Life Jamaica Limited exceeded the regulated 5% maximum of related party balances to total assets of the company. Management is in discussions with the Regulator, Financial Services Commission, in relation to this matter. The regulatory has not imposed any penalty.

59. Cease and Desist Order - Sagicor Life of the Cayman Islands Ltd.

During 2017, the Cayman Islands Monetary Authority "the Authority" conducted an on-site inspection of Sagicor Life of the Cayman Islands Ltd., following which the Authority requested certain requirements to be met, including computer system changes and enhanced communications to policyholders. The Authority instructed that until the requirements are fulfilled the company should stop further sale of certain products. The company has been working closely with the Authority to clear the list of requirements. The company anticipates all requirements to be cleared and verified early in 2018 and the Cease and Desist Order to be lifted.

60. Subsequent Event

Subsequent to the year-end, certain affiliates of SGJ, including Sagicor Real Estate X Fund Limited, entered into an agreement for a business combination with Playa Hotels & Resorts N.V. "Playa", an entity listed on the NASDAQ. Under the terms of the agreement, SGJ's affiliated entities will receive 20 million shares of Playa and US$100 million in cash in return for certain owned and managed hotels in Jamaica.

The properties subject to the agreement comprise properties owned by the Sagicor Sigma Real Estate Fund, the Sagicor Pooled Investment Funds and Sagicor X Fund Property Limited. The properties include 4 existing resorts, being the 489-room Hilton Rose Hall, the 268-room Jewel Runaway Bay, the 250-room Jewel Dunn's River and the 225-room Jewel Paradise Cove, as well as a newly-built 88-room Sentry Palm hotel tower and spa at Jewel Grande and 2 developable land sites with a potential density of up to 700 rooms. A hotel management contract for the Jewel Grande Sabal Palm and Silver Palm Towers is also included in the agreement.

DISCLOSURE OF **SHAREHOLDINGS**

SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

AT 31 DECEMBER 2017

	SHAREHOLDERS		NO OF SHARES	%
1.a	Sagicor Life Inc	650,663,398	1,918,137,454	49.11%
	LOJ Holdings Limited - connected company	1,267,474,056		
1.b	(Sagicor PIF Equity Fund - connected company)	11,004,099	35,984,728	0.92%
	(Trustee Sagicor Long-Term Incentive Plan - connected company)	17,612,008		
	(Sagicor Life Jamaica Share Purchase Plan 2003)	222,339		
	(Trustee of the SLJ of Employee Share Purchase Plan)	4,828,141		
	(Trustee SIJL of Employee Share Inv Trust)	2,318,141		
2	Pan-Jamaican Investment Trust Ltd	1,232,749,252	1,233,467,652	31.56%
	(C. B. Facey Foundation - Connected Company)	718,400		
3	SJIML 3119		49,654,821	1.27%
4	National Insurance Fund		47,611,210	1.22%
5	Ideal Portfolio Services Ltd	39,292,333	44,106,094	1.01%
	(Ideal Global/Ideal Group/Ideal Betting/Ideal Finance - Con. Co.)	4,813,761		
6	ATL Group Pension Fund Trustee Nominee Limited		31,050,088	0.80%
7	GraceKennedy Ltd Pension Scheme		27,632,689	0.71%
8	Richard Byles	Nil	21,035,743	0.54%
	(Bracknell Holdings - connected Company)	20,967,377		
	(Pavel Byles - connected person)	68,366		
9	Donwis Ltd	19,567,360	22,882,560	0.59%
	(Donovan Lewis/Kathryn Lewis/Luke Lewis - connected person)	3,315,200		
10	Jps Superannuation Fund (PAM)		20,047,940	0.51%
	Total		3,451,610,979	88.38%
	Others		454,023,937	11.62%
	Total Issued Shares		3,905,634,916	100.00%

SHAREHOLDINGS OF DIRECTORS

AT 31 DECEMBER 2017

	SHAREHOLDERS		NO OF SHARES	%
1	Dodridge Miller		25,389	0.00%
2	Christopher Zacca	Nil	3,615	0.00%
	(Edward & Hope Zacca - connected person)	3,615		
3	Richard Byles		21,035,743	0.54%
	(Bracknell Holdings - connected company)	20,967,377		
	(Pavel Byles - connected person)	68,366		
4	R. Danny Williams	Nil	12,332,825	0.32%
	(Ravers Limited - connected company)	12,332,825		
5	Jeffrey Cobham		25,000	0.00%
6	Dr. Marjorie Fyffe-Campbell		25,000	0.00%
7	Paul Facey	948,999	3,890,960	0.10%
	(Heather Facey - connected person)			
	(Robert A Facey - connected person)	1,838,891		
	(Angela G. Nathan - connected person)	1,103,070		
8	Stephen Facey	1,027,791	1,135,254	0.03%
	(Wendy Facey - connected person)			
	(Alexander & Matthew Facey - connected person)	107,463		
9	Paul Hanworth		99,799	0.00%
10	Richard Downer		25,000	0.00%
11	Jacqueline D Coke-Lloyd		25,000	0.00%
12	Peter Clarke		Nil	0.00%
13	Peter Melhado		Nil	0.00%
14	Stephen McNamara		Nil	0.00%

SHAREHOLDINGS OF EXECUTIVE MANAGEMENT

AT 31 DECEMBER 2017

	SHAREHOLDERS		NO OF SHARES	%
1	Christopher Zacca		3,615	0.00%
	(Edward & Hope Zacca - connected person)	3,615		
2	Ivan Carter		13,826,748	0.35%
3	Janice A M Grant Taffe		2,053,793	0.05%
	(Joseph Taffe - connected person)			
4	Rohan Miller		578,045	0.01%
	(Debra Miller - connected person)			
	(Aaron Miller - connected person			
5	Mark Chisholm		3,838,657	0.10%
	(Te-Anne Chisholm - connected person)			
	(Sharo Anne Chisholm - connected person)			
	(Jonel Chisholm - connected person)			
7	Philip Armstrong	3,242,098	3,287,098	0.08%
	(Trevor Armstrong - connected person)	45,000		
	(Nicola Armstrong - connected person)			
8	Willard Brown		1,935,251	0.05%
9	Ingrid Card		116,941	0.00%
10	Karl Williams		1,078,674	0.03%

CORPORATE **DIRECTORY**

SAGICOR LIFE

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Marvin Walters
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Norman Wilson
Branch Manager
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Regional Manager - Corporate

Marvia Brown
Branch Manager
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Clement Ellington
Branch Manager
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Tamara Waul-Douglas
Branch Manager

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Nursita Gray Barriffe

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Natalie Buddan-Powell
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Ingrid Wood
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SAGICOR GROUP JAMAICA

FORM OF **PROXY**

Sagicor Group Jamaica

I _____ of _____ being a member

of Sagicor Group Jamaica Limited hereby appoint _____

of _____ or failing him _____

of _____ as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Friday, the 25th day of May 2018 at 3:00 p.m. at 28-48 Barbados Avenue, Kingston 5 and at any adjournment thereof. The Proxy will vote on the under-mentioned resolutions as indicated:

	For	Against
Resolution No. 1 THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2017 be and are hereby adopted.		
Resolution No. 2 THAT the election of Directors be made en bloc.		
Resolution No. 3 THAT Directors Peter Clarke, Paul Hanworth, Jeffrey Cobham and Richard Downer, who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors of the Company en bloc.		
Resolution No. 4 THAT the amount of $29,663,220.48 included in the Audited Accounts of the Company for the year ended December 31, 2017 as remuneration for their services as Directors be and is hereby approved.		
Resolution No. 5 THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.		
Resolution No. 6 THAT the interim dividends of Seventy (70) cents paid on 5th May, 2017 and Fifty-eight (58) cents paid on 31st October 2017, respectively, be and are hereby ratified and declared as final for the year ended December 31, 2017.		

	For	Against
Resolution No. 7 That the Company's Articles of Incorporation be amended as follows: (i) Article 79 of the Company's Articles of Incorporation be deleted in its entirety.		
(ii) Article 97(f) of the Articles of Incorporation of the Company be hereby amended by increasing the age of retirement of a Director from sixty-five years to seventy-two years.		

NOTE: If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

As witness my hand this _____ day of _____ 2018

Signature _____

_____

NOTE:

(I) If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.

(2) To be valid, this proxy must be lodged with the Secretary of the Company, 28-48 Barbados Avenue, Kingston 5, not less than 48 hours before the time appointed for holding the meeting

(3) A proxy need not be a member of the Company.

$100.00 Stamp to be affixed

Connect with us!

We welcome your feedback. Please use these convenient channels to keep up to date on developments at your company or to send us your comments and queries.

SHAREHOLDERS	Connection Points
Contact our Registrar for: • Dividends • Change in share registration and address • Lost share certificates • Estate transfers • General shareholder requests	Corporate Trust Ground Floor R. Danny Williams Building 28-48 Barbados Avenue Kingston 5 sbj_registrar@sagicor.com sgj_grouplegal@sagicor.com (876) 929-5583 ext. 2215 - 7 and 2221-2 (876) 764-0356 (876) 920-5804
To obtain additional printed copies of the Annual Report or make enquiries about company news and initiatives	Investor Relations sbj_InvestorRelations@sagicor.com (876) 929-5583

CLIENTS	Connection Points
Get general information on the company's activities, policies, products and services.	Client Relations infoja@sagicor.com 1-888-SAGICOR (724-4267)
View information on Sagicor Group Jamaica online	Website www.sagicorjamaica.com
Receive the latest company news or learn more about Sagicor Group Jamaica	Public Relations sgj_publicrelations@sagicor.com
Call toll free	Within Jamaica - 1-888-SAGICOR (724-4267) From Canada & USA - 1-800-SAGICOR From Canada 1-800-947-7886 From U.S.A 1-800-550-7886 From the U.K. 1-800-895-903

Don't forget to:

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- Follow us on Twitter — http://twitter.com/SagicorJa
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Sagicor Group Jamaica

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