COMMITMENT
STRENGTH
RELIABILITY

Sagicor Group

2016 | ANNUAL REPORT

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.

OUR BRAND VISION To be loved by our clients and admired by our competitors.

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Dr. The Hon. R.D. Williams
Chairman

Richard O. Byles
President & CEO

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 2016 PERFORMANCE OF OUR GROUP OF COMPANIES.

Sagicor understands that all truly successful companies are built on meeting the expectations of the customer, the team member, the Jamaican public and the shareholder. In 2016 we successfully executed on all our key business objectives intended to reinforce the foundations of a solid Group:

Continuous improvement of service delivery to customers. Notwithstanding Sagicor's renown for good customer service, the addition of 500 new team members from the RBC bank portfolio and the usual trials and tribulations associated with installing a new technology platform at both the commercial bank and the investment bank, stressed that reputation. Indeed, our independent survey at the end of 2015 showed our approval rating by customers had fallen from 43% to 30%. In 2016 we launched a training programme for all team members in the banks and then in the insurance company itself and measured customer reaction on a continuous basis every month. We also worked hard to stabilise the new systems. As a result of these efforts, our customer rating showed improvement, rising to 37% for the Group. We still have more work to do in 2017 as we are intent on delivering great service to all Sagicor customers at all points of contact with our Group.

Systems modernisation. We understand that great customer service requires modern technology to provide our clients with the facility to transact business more efficiently and conveniently. Following on the implementation of the new banking systems in 2015, which included internet banking during 2016, we introduced a mobile app that allows clients to process banking transactions from their cellphones and other mobile devices. Further we installed an upgraded version of our new credit cards system, Prime 4, which has enhanced anti-fraud administration capabilities

and provides greater analytics to serve our customers better. In 2017, more of the updated capabilities of Prime 4 will be rolled out. In the insurance business we installed a new group insurance system, GIAS, which allows for swifter new product development and more efficient claims processing.

Stimulate team engagement.

SAGICOR HAS ALWAYS HAD A TEAM THAT IS UNIQUE IN ITS COMMITMENT AND DILIGENCE AS WELL AS PROFICIENT IN JOB KNOWLEDGE.

In 2016, training courses were offered to provide further development in both technical skills as well as behavioural attributes. The total number of training hours for Sagicor Group in 2016 was 76,800 hours. We worked hard to maintain and improve the spirit of engagement, hosting several social and bonding activities for the team throughout the year. Team member engagement was again measured via the annual LOMA Team Member Opinion Survey, which showed an overall team member satisfaction rating of 77.4%, a 1.5-point increase over the previous year. We also continued our Sagicor Experience Internship Programme, which is geared at developing the leaders of tomorrow. The Programme gives recent university graduates an opportunity to not only gain valuable work experience and build confidence, but to transition seamlessly into the workforce.

Cross-selling amongst our customers. 2016 saw us step up 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 was very good and we established a specific team to pursue this opportunity even more diligently in 2017. We see cross-selling as an important opportunity to drive revenue in a slow-growing economy.

Strengthen the Sagicor brand. For another year we continued to endeavour at making every Jamaican aware of Sagicor, what we do and how we contribute to Jamaica's development. As a result, our brand recognition rose to 98% in 2016, up from 96% in 2015, and our favourability rating improved from 95% to 98%, underlying the fact that Sagicor is one of Jamaica's top brands. In the area of corporate social responsibility we, Sagicor Group Jamaica, continued our support of various organisations and communities in the areas of health, education and sports in 2016, through the Sagicor Foundation, which was formalised as a charitable organisation in 2016. The annual Sagicor Sigma Corporate Run held in February 2016 was successful in raising approximately $43 million for its beneficiaries, including the Cornwall Regional Hospital's Neonatal Unit and the Jamaica Kidney Kids Foundation. In addition, as part of its educational initiatives, approximately $20,040,000 was disbursed in scholarships to outstanding secondary and tertiary scholarship awardees.

Maintain Sagicor as an attractive investment for shareholders. The growth trend continued with our Team producing improved financial results for the seventeenth consecutive year. Net profit for the year was $11.3 billion, which is 15% above 2015. All business units made a positive contribution to profits and we were particularly pleased to see the commercial bank's improvement and continue to be optimistic about its future growth and role in the Group. The return on average equity for the Group was 22%. Dividends per share paid in 2016 amounted to $1.11 up 52% on the 2015 amount of $0.73. Revenues were 9% ahead of prior year, reaching $59.7 billion. EPS was $2.90, 16% better than 2015. Rising confidence in the economy, combined with this favourable EPS performance, improved the price per share from $20.00 at 31/12/2015 to $29.90 at 31/12/2016 and market cap from $78.1 billion to $116.8 billion, an increase of nearly 50%. Taking into account the capital gain and dividend per share in 2016, the total return to the shareholder was 49.6%. At the end of 2016, all the regulated companies exceeded their respective minimum capital requirement. In Sagicor Life Jamaica the MCCSR was 156.5% (150% regulated minimum). Sagicor Investments Jamaica and Sagicor Bank Jamaica were 12.91% and 13.70% 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 and proper governance.

WE THANK OUR CUSTOMERS FOR THE CONFIDENCE PLACED IN US TO PROVIDE FOR ALL THEIR FINANCIAL NEEDS THROUGH HEALTH INSURANCE, LIFE INSURANCE, ANNUITIES, PENSIONS MANAGEMENT, AND COMMERCIAL AND INVESTMENT BANKING.

We thank our stockholders for their confidence and guidance.
We thank our entire team of 2,216 individuals and our business partners for their continued support and professionalism. Your continued hard-work, perseverance and passion are highly appreciated.

To our committed Directors, we say thank you for your wise counsel and untiring support.

The Jamaican economy continues to show improvements and we recognise the government's efforts to encourage economic growth even as it stays the course of tight fiscal management and reform. We look forward to 2017 with optimism and confidence.

Dr. The Hon. R.D. Williams
Chairman

Richard O. Byles
President & CEO

24th February, 2017

THE 2016 SAGICOR SIGMA CORPORATE RUN RAISED A RECORD BREAKING J$43,014,738 IN CASH AND KIND

In 2016 we expanded our reach through the Sagicor Sigma Corporate Run and raised a record-breaking J$43,014,738 in cash and kind; the largest amount raised in a single staging. The money raised aimed to strengthen three worthy beneficiaries: Children with Cancer across Jamaica, the Jamaica Cancer Society and the Black River Hospital Paediatric Unit.

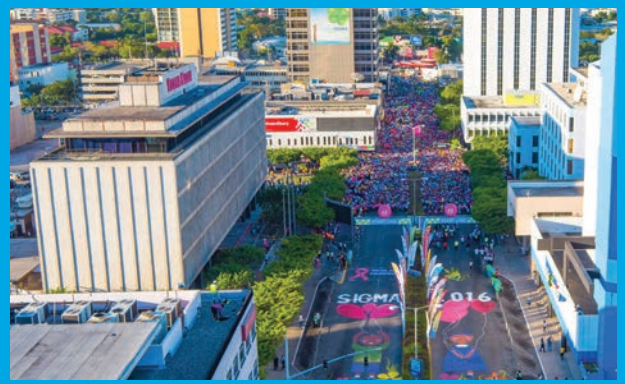
Sagicor Sigma Corporate Run, the largest 5K road race in the Caribbean, solidified its presence as one of the largest charitable movements locally. The event, which demonstrates our commitment to the health and welfare of the people of Jamaica, saw just fewer than 300 corporate, non-corporate, tertiary, high and primary school teams and individuals totalling nearly 24,000 runners, walkers and wheelchair participants turn out to lend their support. The annual event took place on Sunday, February 21 in New Kingston.

Through the funds amassed from the Run, Sagicor was able to procure a mammography machine for the Cancer Society's mobile unit to conduct breast cancer screenings in the most rural areas of Jamaica. The Black River Hospital Paediatric Unit received an arterial blood gas analyzer, which will allow doctors to test or measure the oxygen and carbon dioxide levels in babies and children. Refurbishing efforts were carried out in the Paediatric Lounge to facilitate the privacy and comfort of new mothers. It will also ensure that they have secure and comfortable accommodations as they tend to their sick babies and children while on the ward. It is expected that the hospital will now have the qualifications required to make it a 'baby-friendly' hospital. The hospital also received directional signage which was unveiled at the handing over ceremony in December 2016. We were also able to assist with life-saving equipment and supplies for children with cancer across the island.

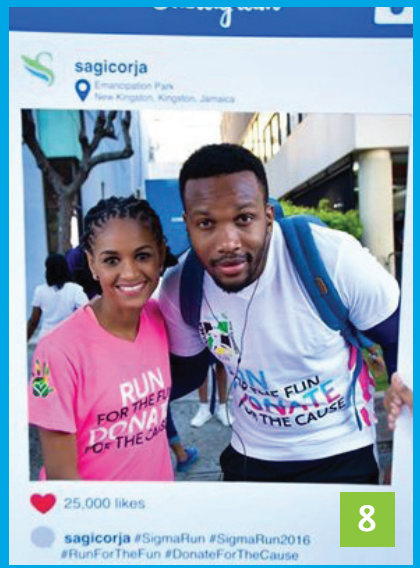
To meet our Sigma Run target, we rolled out new means to raise donations and increase awareness to the needs of our beneficiaries. We introduced a public online donation platform through Generosity® by Indiegogo® to cater to our Jamaican Diaspora. Sagicor's team members were also enlisted in a donation drive and together raised over $1.2 million. Pledge cards were also made available in the local newspapers and at various Sagicor branch locations.

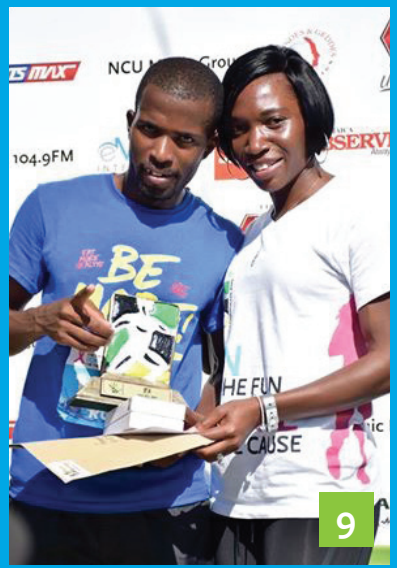
The Run culminated in a wonderful post-run awards ceremony that saw over twenty of Jamaica's top artistes supporting the charity by performing free of cost. Over the years Sagicor, through the Sigma Run, has donated approximately J$200 million to child health-related charities.

Sigma Run 2016 wheelchair participants line up at the start line to release their 'I Run For...' balloons, in honour of persons affected by cancer and in memory of those who have lost their battle with the disease.



An aerial shot of the start of Sigma Run 2016.





■ 1. Donovan Perkins, CEO and President of Sagicor Bank gives encouraging words to a young wheelchair participant before the start of Sigma Run 2016. ■ 2. Mark Chisholm, Executive Vice President, Individual Insurance Division points out "the way ahead" to the young wheelchair participant ■ 3. Individual participants of the Sigma Run ahead of the race. ■ 4. A Sigma Run participant rejoices after crossing the finishing line at the 5K event. ■ 5. Donovan Perkins, President and CEO of Sagicor Bank on stage at the start line of the Sigma Run 2016 with Richard Byles, President and CEO of Sagicor Group specially invited guest, Rusheka Goodall. ■ 6. Sagicor Sigma Run participants were decked out in pink on race morning to show their support for the fight against cancer. ■ 7. Our hardworking Sigma Run Volunteers! ■ 8. Miss Jamaica World 2015 Saneta Myrie and Recording Artiste Agent Sasco were at the start line of the event. ■ 9. Breast Cancer survivor, Sigma Run 2016 Patron and Olympian Novlene Williams-Mills presents one of the hand-crafted trophies to the winner of the Open Male Run at the Sigma Run post-race awards ceremony. ■ 10. Tonya Russell, Marketing Manager, ATL Group Unbeatable presents Sylvia Grant, winner of the Wheelchair-Female category with gift certificate following an outstanding performance in Sigma Run 2016.

OUR GROUP'S **PERFORMANCE**

Sagicor Group

Sagicor maintained its track record of **17 consecutive years** of increased profitability

Total Revenue

$**59.70**B

9% Growth over 2015

Net Profit

$**11.26**B

15% Growth over 2015

Total Assets

$**340.95**B

14% Growth over 2015

Stockholders' Equity

$**56.41** B

21% Growth over 2015

Dividend per Stock Unit

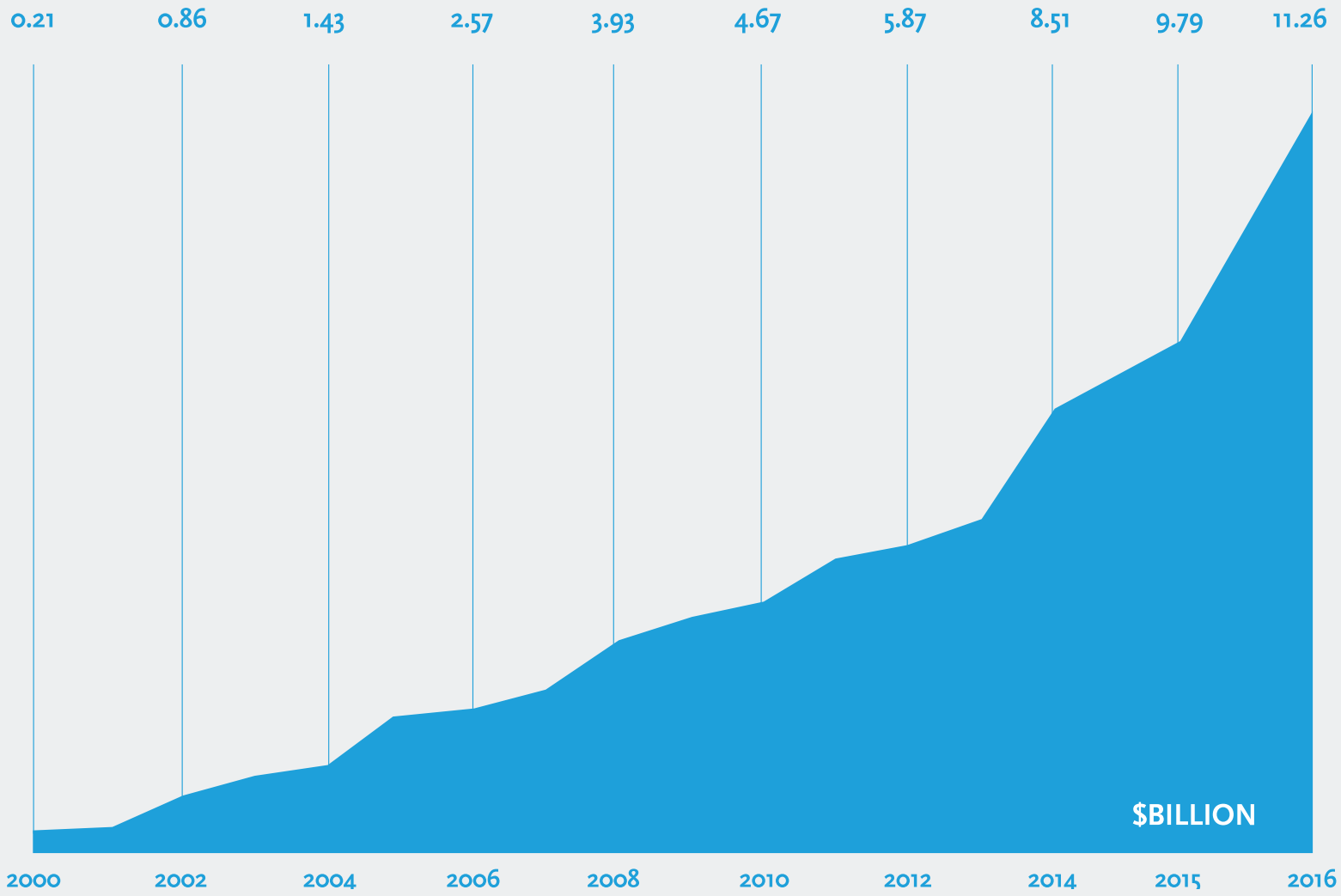
$**1.11**

52% Growth over 2015

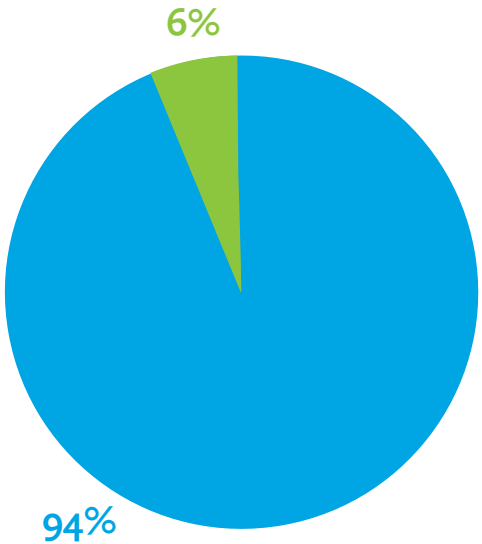
Earnings per Share

$**2.90**

16% Growth over 2015



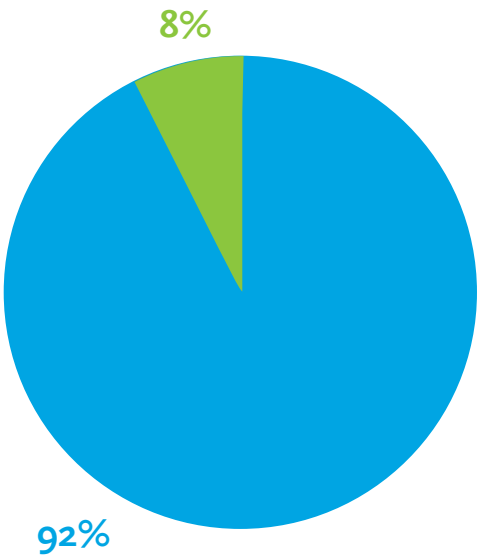
NEW INSURANCE AND ANNUITIES SALES **AT A GLANCE**



BY GEOGRAPHICAL AREA

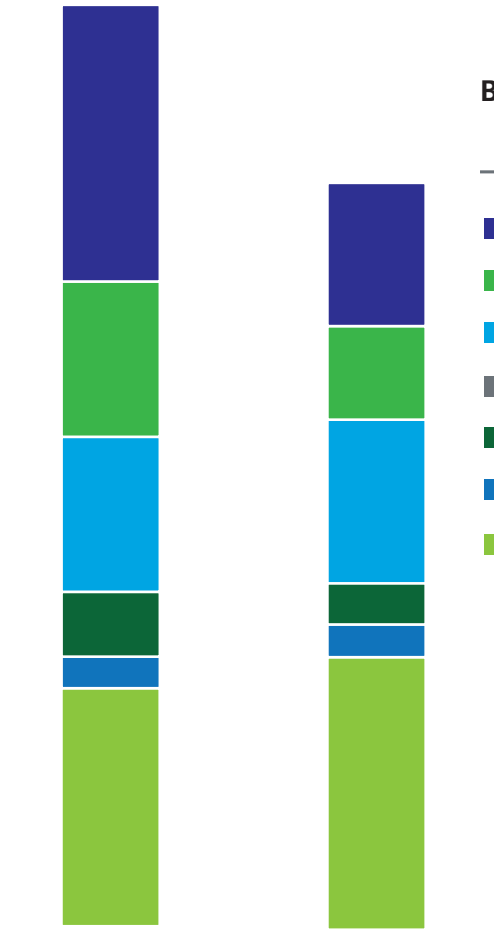
2015

- Jamaica
- Cayman



2016

- Jamaica
- Cayman



BY LINE OF BUSINESS

- Group Pensions
- Bulk Annuities Single Premiums
- Group Annuities
- Group Health Single Premiums
- Group Life and Health
- Individual Annuities
- Individual Life and Health

2015 TOTAL
J$11,328M

2016 TOTAL
J$9,187M

GROUP 10-YEAR **FINANCIAL STATISTICS**

Year ended December 31, 2016

						THE GROUP					
						Revised	Revised	Revised	Revised	Revised	Revised
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
SALES:											
INSURANCE AMOUNTS											
Individual Life - Sums Assured	$m	176,329	171,246	151,131	149,096	137,571	150,624	116,311	119,432	86,120	75,435
Group Life - Sums Assured	$m	6,109	9,678	6,940	4,988	1,710	2,358	1,462	5,053	5,212	4,180
Total New Insurance Amount	**$m**	**182,438**	**180,924**	**158,071**	**154,084**	**139,281**	**152,982**	**117,773**	**124,485**	**91,332**	**79,615**
NEW ANNUALISED PREMIUMS											
Individual Life and Health	$m	3,341	2,918	2,656	2,583	2,530	2,110	1,998	1,943	1,432	1,352
Individual Annuities	$m	401	387	83	117	131	194	90	45	-	34
Group Life and Health	$m	510	794	496	647	636	184	194	311	604	327
Group Health Single Premiums	$m	26	33	49	-	-	56	356	-	1,447	
Group Annuities	$m	2,007	1,900	1,209	1,456	1,820	1,139	1,279	1,302	810	831
Bulk Annuities Single Premiums	$m	1,147	1,904	2,212	4,820	428	2,153	-	1,699	6,141	-
Group Pensions	$m	1,756	3,392	4,348	475	212	-	111	-	-	418
Total New Annualised Premiums	**$m**	**9,187**	**11,328**	**11,053**	**10,098**	**5,757**	**5,836**	**4,028**	**5,300**	**10,434**	**2,962**
IN FORCE:											
INSURANCE AMOUNT											
Individual Life - Sums Assured	$m	1,198,090	1,075,967	996,768	908,068	813,598	734,195	666,096	622,513	527,376	442,844
Group Life - Sums Assured	$m	661,581	601,357	591,020	493,945	553,171	491,577	468,407	571,731	424,576	376,715
Property and Casualty	$m	67,937	43,940	40,135	34,481	29,058	22,957	19,584	134,787	118,864	100,081
Total Insurance Amounts in Force	**$m**	**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**	**919,640**
Number of Individual Life policies in force		492,355	440,328	421,937	407,927	393,411	376,872	361,548	352,345	335,931	322,884
Number of New Individual Life policies		63,968	56,164	59,449	59,318	60,226	55,547	49,782	50,231	45,226	41,958
FINANCIAL POSITION & STRENGH:											
Total Assets [1]	$m	340,955	300,390	284,216	198,310	174,532	160,372	142,731	134,530	116,934	86,806

GROUP 10-YEAR **FINANCIAL STATISTICS**

Year ended December 31, 2016

						THE GROUP					
						Revised	Revised	Revised	Revised	Revised	Revised
		2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Pension Funds under Management [2]	$m	154,734	130,311	98,209	85,506	79,725	74,399	64,569	55,336	46,709	50,705
Other Funds under Management	$m	113,842	95,616	78,865	45,692	40,683	22,304	20,081	19,610	19,418	25,001
Total Assets Under Management	**$m**	**609,531**	**526,317**	**461,290**	**329,508**	**294,940**	**257,075**	**227,381**	**209,476**	**183,061**	**162,512**
Bank Loans and Advances, net of provision for credit losses	$m	56,038	43,760	37,302	10,819	9,390	9,258	9,501	8,686	8,442	7,158
Customer Deposits	$m	75,166	62,924	56,044	12,468	11,411	10,600	9,017	8,782	7,457	5,490
Invested Assets [5]	$m	290,118	256,506	232,678	180,330	155,730	144,942	127,941	114,745	97,042	73,408
Policyholders' Funds (including Segregated Funds)	$m	86,390	77,617	71,143	64,538	52,534	47,532	42,735	42,047	35,290	20,893
Shareholders' Equity	$m	56,411	46,569	46,065	35,926	32,856	28,411	25,203	19,863	15,576	15,507
Market Capitalisation	$m	116,778	78,113	40,033	39,867	37,986	37,610	25,650	25,575	21,001	29,985
OPERATING RESULTS:											
Total Revenue	$m	59,701	54,998	45,630	42,356	35,507	33,108	29,436	31,418	29,860	19,022
Total Policyholder Benefits and Reserves [3,5]	$m	25,838	23,868	22,770	23,231	17,767	16,519	14,064	15,678	16,793	8,143
Total Commissions, Expenses, and Taxes [5]	$m	23,108	21,278	17,515	12,660	11,668	10,835	10,501	10,854	8,524	7,458
Net Profit, Attributable to Shareholders [5]	$m	11,258	9,793	8,513	6,298	5,865	5,523	4,671	4,390	3,928	2,957
FINANCIAL RATIOS:											
Return on Average Assets	%	4	3	4	3	4	4	3	3	4	4
Return on Average Shareholders' Equity	%	22	21	21	18	19	21	21	25	25	20
Share Price	$	29.90	20.00	10.25	10.60	10.10	10.00	6.82	6.80	5.60	8.00
Earnings Per Share	$	2.90	2.51	2.21	1.67	1.56	1.47	1.24	1.17	1.05	0.79
Price Earnings Ratio	$	10.31	7.97	4.64	6.35	6.47	6.80	5.49	5.81	5.33	10.13
Dividends Per Share	$	1.11	0.73	0.63	0.40	0.56	0.65	0.43	0.57	0.44	0.30
Administration Expenses and Depreciation to Revenue	%	29 [4]	29 [4]	29 [4]	22 [4]	19 [4]	20 [4]	22 [4]	21 [4]	21 [4]	20
"Commissions and Related Sales Expenses to net premium income"	%	14 [4]	14 [4]	14 [4]	15 [4]	14 [4]	15 [4]	15 [4]	14 [4]	14 [4]	16

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

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

NOTICE OF ANNUAL **GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT THE FOURTH ANNUAL GENERAL MEETING of the Company will be held on Friday, 26th day of May 2017 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 Reports of the Directors and Auditors for the year ended December 31, 2016.**

   Resolution:
   THAT the Audited Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2016 be and are hereby adopted.

2. **To elect Directors.**
   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 then the number nearest to one-third shall retire from office at each Annual General Meeting. The directors retiring under this Article are Peter Melhado, Jeffrey Cobham, Richard Downer and Richard Byles and being eligible offer themselves for re-election. Directors Jeffrey Cobham and Richard Downer however were invited by the Directors to continue in office for a further term of at least one (1) year under Article 97(f) and are subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.

   Director Richard Byles also attained the age of 65 during his term of office as President and CEO and a director of the Company and was appointed under Article 97(f) by the Directors to continue to hold office for a further term of three (3) years subject to retirement or re-election as provided in accordance with the Articles of Incorporation. The proposed resolutions are as follows:

   Resolution:
   i. THAT Director Peter Melhado who retires by rotation and being eligible offers himself for re-election be and is hereby re-elected a Director of the Company.

   Resolution:
   ii. THAT Director Jeffrey Cobham has been invited by the directors to continue in office for a further term of at least one (1) year and retires by rotation and being eligible offers himself for re-election be and is hereby re-elected a Director of the Company.

   Resolution:
   iii. THAT Director Richard Downer has been invited by the directors to continue in office for a further term of at least one (1) year and retires by rotation and being eligible offers himself for re-election be and is hereby re-elected a Director of the Company.

   Resolution:
   iv. THAT Director Richard Byles having been asked to continue to hold office as a director for a period of three (3) years in accordance with the Articles of Incorporation and now retires by rotation and being eligible offers himself for re-election and is hereby re-elected a Director of the Company.

   Resolution:
   v. THAT Mr. Christopher Zacca be and is hereby appointed a director of the Company.

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

   Resolution:
   THAT the amount of $26,754,000.00 included in the Audited Accounts of the Company for the year ended December 31, 2016 as remuneration for their services as Directors be and is hereby approved.

4. **To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.**

   Resolution:
   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.

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

   Resolution:
   THAT the interim dividends of Sixty-Six (66) cents paid on 31st March, 2016 and Forty-Five (45) cents paid on 14th November, 2016, respectively be and are hereby ratified and declared as final for the year ended December 31, 2016.

6. **Special Resolution – Amendment of Articles**

   Resolution:
   THAT the Articles of Incorporation for the Company be amended as follows:

   i. Article 78 of the Company's Articles of Incorporation be amended to read as follows:

   "The number of the Directors excluding alternate Directors and the names of the first Directors shall be determined by an instrument in writing under the hands of the subscribers to the Articles of Incorporation of the Company or a majority thereof and it shall not be necessary for any meeting of such subscribers to be convened or held. The number of Directors inclusive of any Director Emeritus appointed under these Articles may at all times thereafter be increased or reduced as the Company in general meeting shall determine."

   ii. Article 99 of the Company's Articles of Incorporation be replaced with the following:

   "The Company in General Meeting may, upon proposition of the Board of Directors, confer the title of Director Emeritus upon a director or former director who in its discretion, is deemed fit to be recommended to the Company as a Director Emeritus provided that there shall only be one (1) Director Emeritus, at any time. Any Director Emeritus so appointed shall not be subject to the provision of retirement by rotation as contained in these Articles. All Articles relating to directors as set out in these Articles shall apply to the Director Emeritus SAVE AND EXCEPT the Article relating to Rotation of Directors."

DATED THIS
16th day of March, 2017

BY ORDER OF THE BOARD

Janice A.M. Grant Taffe
Corporate Secretary
REGISTERED OFFICE
28-48 Barbados Avenue
Kingston 5, Jamaica

NOTE: 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.

DIRECTOR'S **REPORT**

The Directors are pleased to submit their Report and the Audited Financial Statements for the year ended December 31, 2016. The Financial Statements reflect the consolidated results of Sagicor Group Jamaica Limited (SGJ) and its subsidiaries.

	2016 J$000's	2015 J$000's
Operating Results:		
Group Profit before tax	14,212,019	11,611,923
Taxation	(2,953,980)	(1,818,478)
Net Profit after tax	11,258,039	9,793,445
Attributable to:		
Stockholders of the Company	11,258,039	9,793,445
Stockholders' Equity:		
Stockholders' equity brought forward	46,569,411	46,065,358
Share capital, opening	9,147,723	9,161,065
Treasury shares	(595,161)	(13,342)
Share capital, ending	8,552,562	9,147,723
Reserves, opening	(823,888)	6,413,536
Net gains/(losses) recognised in equity	4,677,982	(5,911,336)
Stock options and grants schemes value of services rendered	31,902	21,143
Stock options and grants exercised/expired	(44,015)	(92,773)
Transfers from/(to) reserves	362,003	(1,254,458)
Reserves, ending	4,203,984	(823,888)
Retained earnings, opening	38,245,576	30,490,757
Total comprehensive income	10,338,540	9,351,474
Transfers (to)/from reserves	(362,003)	1,254,458
Treasury shares	(232,422)	-
SGJ dividends paid	(4,335,255)	(2,851,113)
Retained earnings, ending	43,654,436	38,245,576
Stockholders' equity carried forward	56,410,982	46,569,411

DIVIDENDS

Interim dividends of 66 cents per share were paid on March 31, 2016 and 45 cents per share on November 14, 2016.

DIRECTORS

Article 98 provides that one third of the Directors shall retire from office at each Annual General Meeting. Directors Peter Melhado, Jeffrey Cobham, Richard Downer and Richard Byles retire under this Article and, being eligible, offer themselves for re-election. Additionally, Mr. Christopher Zacca was appointed a director of the company pursuant to Article 112, effective May 1, 2017.

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.

Dr. The Hon. R.D. Williams
Chairman
24th February, 2017

Sagicor is a great place to work because it creates the environment that facilitates greatness and provides me with the opportunity to be of service to my clients and the opportunity to fulfil my personal goals.

Working here is like belonging to a family that constantly motivates you to be your best.

Sean Edwards
Employee Benefits Division - 2016 Star Performer

BOARD OF**DIRECTORS**

THE HON. R.D. WILLIAMS, OJ, CD, JP, Hon. LL.D (UTech), Hon. LL.D (UWI) Chairman, Appointed 1969. 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. He 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.

RICHARD O. BYLES B.Sc., M.Sc. President & CEO, Appointed 2004. Citizen of Jamaica

Mr. Richard Byles is President and CEO of Sagicor Group Jamaica Limited. Mr. Byles holds a Bachelor's degree in Economics from the University of the West Indies and a Master's 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 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.

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

Mr. 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.

He is a Director of the Trinidad and Tobago Stock Exchange and a former Director of the Trinidad and Tobago Chamber of Industry and Commerce.

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 chairs the board of Diverze Assets Inc. (parent company of Tropical Battery Co. Ltd, Diverze Properties Ltd., and Chukka Cove Adventures Ltd.) and sits on the boards 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

Jacqueline Coke-Lloyd is currently the Principal Director of Make Your Mark Consultants with over 25 years of expertise in General Management, Human Resource Management and Industrial 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 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) and on International Boards such as the International Labour Organization (ILO) and the Caribbean Employers Confederation (CEC).

Mrs. Coke-Lloyd is the former CEO of Jamaica Employers' Federation (JEF). She is a member of the Women Business Owners of Jamaica (WBO), Women's Leadership Initiative (WLI), PSOJ, the Human Resource Management Association of Jamaica (HRMAJ). She also serves as a member of the International Council of Women Business Leaders (ICWBL) USA and as advisor to the MSc in Workforce Education and Training programme 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 tTech 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 privatisation 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 privatisation, 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 Facey is the Chairman and Chief Executive Officer of PanJam Investment Limited. He brings over 30 years' experience in business, particularly in the development and management of property and real estate. Under Mr Facey's leadership PanJam continues to be among the most profitable companies listed on the Jamaica Stock Exchange.

He currently serves as Chairman of a number of boards including Jamaica Property Company Ltd., New Castle Company Ltd., Kingston Restoration Company Ltd., New Kingston Civic Association, The C.B. Facey Foundation, and the Boys' Town Infant and Primary School. He is also a Director of Sagicor Group Jamaica Limited, Sagicor Life Jamaica Limited, Chukka Caribbean Adventures Limited, The Jamaica Developers Association and the National Gallery of Jamaica and a Trustee of The Institute of Jamaica.

He is an Architect by training and holds a BA in Architecture from Rice University and a M.Arch, from the University of Pennsylvania.

MARJORIE FYFFE CAMPBELL M.Sc., FCA, DBA, JP. Appointed 2003. Citizen of Jamaica

Dr. Marjorie Fyffe Campbell is a management consultant, with over 30 years' experience in Finance and Accounting at the Executive Management level. She is a graduate of the University of the West Indies with a B.Sc. (Hons), an M.Sc. in Accounting and a Doctorate in Business Administration (DBA) and is fellow of the Institute of Chartered Accountants of Jamaica.

She is a former President and Chief Executive Officer of the Urban Development Corporation, Jamaica. Mrs. Fyffe-Campbell is an adjunct lecturer in Financial and Management Accounting and Enterprise Risk Management Governance at the Mona School of Business at the University of the West Indies. Her doctoral theses focused on corporate governance in the CARICOM Region. 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. Hanworth is the Chief Operating Officer of PanJam Investment Limited, a multi-faceted investment holding company in Kingston, Jamaica. He is both 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.

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

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 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. 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.

Peter currently serves as Chairman of Sagicor Investments Jamaica Limited, and is also the Chairman of CGM Gallagher Group, West Indies Home Contractors, Amber Technologies (St Lucia), 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) 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 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.

Prior to his appointment as Group President and Chief Executive Officer, he held the positions of Treasurer and Vice President – Finance and Investments, Deputy Chief Executive Officer and Chief Operating Officer. Mr Miller joined the Group in 1989. He is a Director of Sagicor Life Inc, Sagicor USA, Sagicor Group Jamaica Limited, Sagicor Life Jamaica, Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services) and a number of other subsidiaries within the Group.

SAGICOR GROUP JAMAICA
ORGANISATIONAL STRUCTURE
AS AT DECEMBER 31, 2016

Sagicor Financial Corporation

- **LOJ Holdings Jamaica** Limited. 100% — **32.45%**
- **Sagicor Life** Inc. 100% — **16.66%**
  - **Sagicor Group Jamaica** Limited — SFC – 49.11% • Pan Jam 31.55%
    - **Sagicor International Administrators** Limited 100%
    - **Sagicor St. Lucia** Ltd. 100%
      - **Sagicor Life of the Cayman Islands** Ltd. 100%
        - **Sagicor Insurance Managers** Ltd. 100%
      - **Sagicor Re Insurance** Ltd. 100%
    - **Sagicor Costa Rica SCR SA** 50%
    - **Employee Benefits Administrators** Limited 100%
    - **Sagicor Investments Jamaica** Limited 100%
    - **SGJ International Holdings (St. Lucia)** Ltd. 100%
    - **Sagicor Bank Jamaica** Limited. 100%
    - **SGJ Real Estate X Fund** Limited 29.3%
    - **Sagicor Securities Jamaica** Limited 100%
    - **Sagicor Life Jamaica** Limited 100%
    - **Sagicor Property Services** Limited 100%
    - **Sagicor Pooled Investment Funds** Limited 100%
    - **Sagicor Insurance Brokers** Limited 100%
  - **Pan-Jamaican Investment Trust** Limited

- 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 Unit Trust

Domiciled in:

- Jamaica
- St. Lucia
- Costa Rica
- Cayman
- Barbados

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

“

Sagicor has given me the opportunity to nurture the “financial lives” of individuals at every stage of their life cycle. I am undoubtedly the light for my clients in some of their darkest moments as well as the facilitator, strategist and encourager at certain celebratory milestones in their lives; I owe a vast amount of this ability to be able to truly impact lives in a positive and meaningful way to my Sagicor family!

”

Loeri Robinson
Individual Life Production Club - Chairman

LEADERSHIP **TEAM**

RICHARD O. BYLES B.SC. M.SC.

President and Chief Executive Officer

Richard joined the company in 2004 as President & CEO. His experience and expertise span the financial industry to include Life, Health and General Insurance, Asset & Investment Management, Banking, Pension Administration and Re-Insurance Management. He is a member of the Executive Committee of Sagicor Financial Corporation, the parent company of SGJ. He is also a member of the Council of the University of the West Indies.
Richard is Chairman of Sagicor Life of the Cayman Islands Limited, Sagicor Bank Jamaica Limited, Desnoes & Geddes Limited and Sagicor X Fund Limited. He is also a Director of Sagicor Investments Jamaica Limited and Pan-Jamaican Investment Trust Limited.

IVAN B. O'B. CARTER MBA, M.SC., FLMI

Executive Vice President,
Finance & Information Technology and Group CFO

Ivan is the Executive Vice President, Finance and Information Technology & 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 use of Information Technology and 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.

MARK CHISHOLM MBA (HONS.), J.P.

Executive Vice President,
Individual Life Insurance Division

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 Customer Experience and Business Intelligence.

INGRID CARD B.SC. (HONS), MBA

Vice President,
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 maximise 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.

WILLARD BROWN FSA, B.SC. (HONS.)

Executive Vice President
Employee Benefits and Actuary

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.

LEADERSHIP **TEAM** cont'd

DONOVAN H. PERKINS B.A. (HONS.), MBA

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.

ROHAN D. MILLER B.SC. (HONS.), MBA

President and CEO
Sagicor Investments Jamaica Limited and Sagicor Real Estate X Fund
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. Rohan is also CEO of Sagicor Real Estate X Fund, a JSE-listed company.

PHILIP ARMSTRONG B.SC.

Deputy CEO & Director
Sagicor Bank Jamaica Limited

As the Deputy CEO, Philip has direct responsibility for Bank Operations, the Credit Card business, and Treasury. He was the lead Business Integration Executive following the RBC Jamaica acquisition. During the transition he led four business governance committees: Team Engagement, Risk & Compliance, Client Experience (including brand management), and Operations.
Philip is a graduate of the Harvard Business School's Advanced Management Programme. He is a member of Sagicor Group Jamaica's IT Governance Committee, and SBJ's Credit Committee.

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 Life Jamaica Limited. His leadership spans management disciplines of Marketing & Sales, Learning & Development and Human Resources. His current responsibility extends to Procurement, Facilities and Records Management and Security Operations across the Group. He is a highly creative individual who promotes a strong team ethos propelled by outstanding strategic focus and execution. Karl is the President of the Human Resource Management Association of Jamaica (HRMAJ) and a Director of the Jamaica Institute of Financial Services (JIFS).

MANAGEMENT'S DISCUSSION AND **ANALYSIS**

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 it operates and is the third-largest conglomerate on the Jamaica Stock Exchange, measured in terms of profitability.

The Jamaican economy performed well in 2016 with real GDP growth estimated at 1.45% up from 0.95% in 2015. The new Government, which was elected in February 2016, affirmed its commitment to economic growth and reform with a "5 in 4" vision – 5% growth in 4 years. The economies of the Cayman Islands and Costa Rica also showed good growth in 2016.

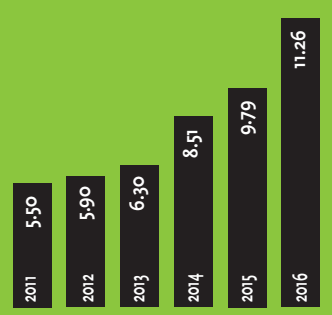
Within these more favourable macro environments we pushed our strategies of business growth, digitisation, superior client experience and team engagement. In the end we produced the historically best results. Group consolidated net profit attributable to stockholders was $11.26 billion for the year, a 15% improvement over 2015's $9.79 billion. Earnings per stock unit were $2.90 compared to $2.51 in 2015 and the return on average Stockholders' Equity (ROE) was 22% (2015: 21%). Total revenue of $59.70 billion was up on prior year by 9%. Stockholders' Equity at the year-end stood at $56.41 billion as against $46.57 billion as at December 2015, a 21% increase. Total assets of the Group grew by 14% to reach $340.95 billion (2015: $300.39 billion).

FINANCIAL PERFORMANCE HIGHLIGHTS FOR 2016

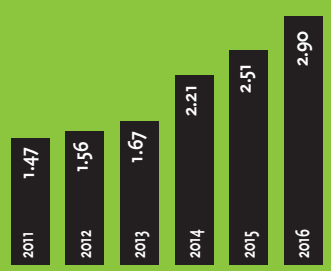
	Dec 2016	Dec 2015	%
	Audited	Audited	Change
Operating Results (Income Statement Data):			
Net Profit, attributable to Stockholders - J$ billions	11.26	9.79	15%
Total Revenue - J$ billions	59.70	55.00	9%
Financial Position & Strength (Balance Sheet Data):			
Total Assets of Sagicor Group Jamaica - J$ billions	340.95	300.39	14%
Total Assets under management - J$ billions	609.53	526.29	16%
Stockholders' Equity - J$ billions	56.41	46.57	21%
Stockholders' Equity to total assets	17%	16%	7%
Profitability:			
Return on average Stockholders' Equity (ROE)	22%	21%	5%
Return on average assets (ROA)	4%	3%	33%
Group efficiency ratio (Admin. expenses/Revenue)*	29%	29%	0%
Earnings per stock unit (EPS) - J$	2.90	2.51	16%
Dividends paid per stock unit - J$	1.12	0.73	53%
Other Market Information:			
SGJ Share Price - J$	29.90	20.00	50%
Market capitalization - J$ billions	116.05	78.09	49%

**Normalised and before segregated funds*

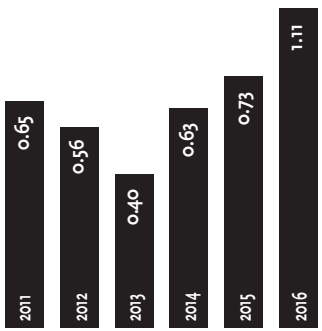
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
J$ BILLIONS



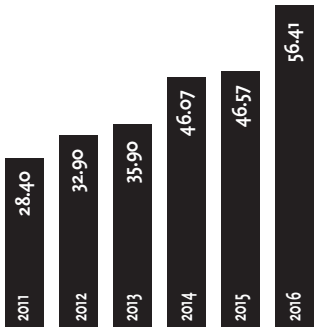
EARNINGS PER SHARE
J$



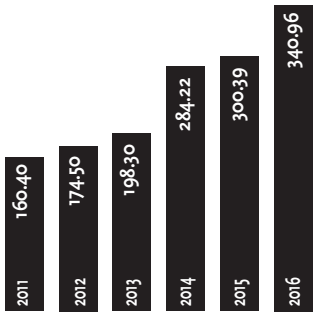
DIVIDENDS PER SHARE
J$



STOCKHOLDERS' EQUITY
J$ BILLIONS



TOTAL ASSETS
J$ BILLIONS



ECONOMIC REVIEW

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

JAMAICA

Global output growth was estimated at about 3% in 2016. This was the weakest rate since 2008/09, owing to a challenging first half marked initially by turmoil in world financial markets, BREXIT and uncertainties related to the election in the United States. Notwithstanding the challenges, general improvement was seen around mid-year. Among advanced economies, activity rebounded strongly in the United States after a weak first half in 2016, with the economy approaching full employment. Output remains below potential in a number of other advanced economies, notably in the euro zone.

Long-term nominal and real interest rates have risen substantially, particularly in the United Kingdom and in the United States. At the end of 2016 the nominal yields on 10-year US Treasury bonds of 2.45% represented an increase of approximately

100 basis points since June, and 60 basis points since the US election. This significant repricing of assets, primarily in the US, also included an appreciation in equity markets. These sharp movements in financial markets followed the US presidential election, as the market anticipates an expansionary fiscal stimulus. Markets have noted that the White House and Congress are in the hands of the same party for the first time in six years, with a greater probability to coordinate actions to lower tax rates and possibly increase infrastructure and defence spending.

With the US economic conditions improving, the US Federal Reserve raised short-term interest rates in December, as expected, but in most other advanced economies the monetary policy stance remained broadly unchanged.

The experience for emerging markets and developing economies remains much more diverse. However, in light of the US economy's momentum this is an important time — "a moment of opportunity" — for Jamaica. The ongoing economic transformation programme can transition the country from a leading frontier market economy to among the ranks of emerging market economies.

Notwithstanding the transition in the stewardship of the country, following the General Elections in February 2016, the Government of Jamaica's commitment to economic reform remained strong. The steadfast implementation of the programme allowed conditions in the local economy to evolve favourably. The Jamaican economy continued to expand in 2016, registering eight consecutive quarters of growth. For the calendar year 2016, real GDP is estimated to have grown by 1.4%. This represents a strengthening of the growth momentum relative to growth of 0.9% recorded in 2015.

GROUP CONSOLIDATED NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS WAS $11.26 BILLION FOR THE YEAR, A 15% IMPROVEMENT OVER 2015'S $9.79 BILLION.

The industries that contributed to the continued economic improvement during the year were Agriculture, Forestry & Fishing (up 12.8%); Electricity & Water (up 3.8%); Hotels & Restaurants (up 2.1%); and Transport, Storage & Communication (up 0.6%).

The growth path was impacted favourably by the expansion in new investments. Commercial bank credit to the private sector continues to grow strongly. The annual growth in private sector credit at the end of December 2016 was 14.8%, which was significantly stronger than the expansion, 9.5%, a year earlier.

Additionally, the increased total visitor arrivals and visitor expenditure supported the acceleration in economic activity. The expansion of existing properties and the construction of new hotels have facilitated the vibrancy in the Hotels & Restaurants sector. The consequent increased room stock supported the growth in tourist arrivals. For the CY 2016 stop-over arrivals were 2.18 million, an increase of 2.8% when compared to 2015.

There have been equally important achievements on the budget revenue side. By closing tax loopholes and using a more targeted approach to widen the tax base, revenue collection improved. These tax reforms are vital since mobilising higher revenues have freed up resources to raise public investment. Further, inflation continues to decline, Net International Reserves (NIR) remains strong, the budget is near balance, and the debt/GDP ratio is firmly on a downward trajectory.

The country narrowly escaped the impact of Hurricane Matthew in early October. The impact of a hurricane on the island would have materialised a significant downside risk to economic activity. In addition to the social impact, the effects on the economy would have been devastating, particularly on production and the government fiscal operation.

TOTAL REVENUE OF $59.70 BILLION WAS UP ON PRIOR YEAR BY 9%. STOCKHOLDERS' EQUITY AT THE YEAR-END STOOD AT $56.41 BILLION AS AGAINST $46.57 BILLION AS AT DECEMBER 2015, A 21% INCREASE.

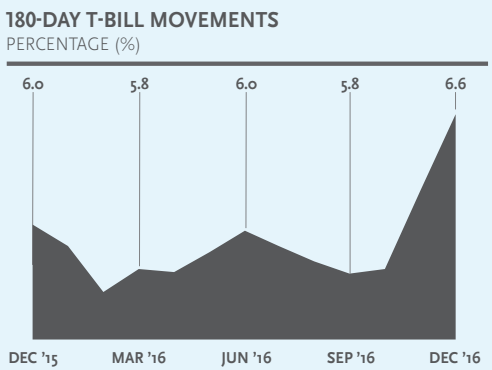
Now, with a more resilient economy and growth trending upwards, Jamaica has reached a moment of opportunity. It can now embark on the next generation of reforms to generate higher and more inclusive growth. Much remains to be done but the GOJ has stated its commitment to staying the course.

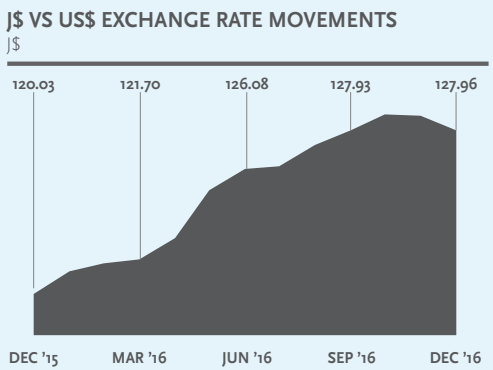
With the economic progress achieved so far, Jamaica no longer has a need for IMF financing support. This is largely due to the country's renewed access to domestic and international capital markets. However, the new three-year, US$1.64-billion Stand-By Arrangement (SBA) approved in November 2016, is a precautionary arrangement. The new facility replaced the Extended Fund Facility (EFF) which was scheduled to end in March 2017 and will be used only to combat unanticipated external shocks.

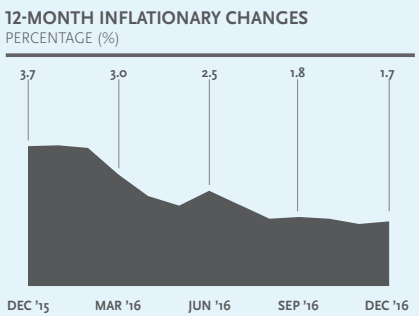
For 2017, growth in the real economy is anticipated within the range of 1.5% to 2.5%, based on increased investor confidence and increased investment activities. Jamaica's growth prospects should be bolstered by continued improvements in external competitiveness as a result of the structural and macroeconomic reforms. This is a moment of opportunity for Jamaica. The spark to continue transforming the economy into a dynamic and vibrant environment is well on its way. The key is sustained commitment to fiscal discipline.

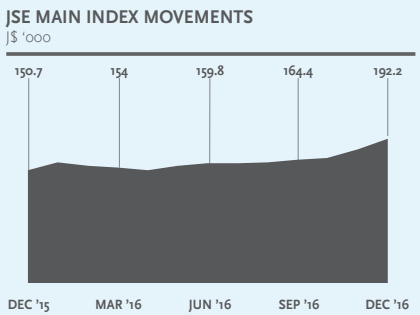
KEY ECONOMIC STATISTICS:

- Growth in Real Gross Domestic Product (GDP) was 1.4% for the 12-month period to December 2016 compared to 0.9% in 2015.
- The average savings rate (domestic currency) was 1.34% at end of December 2016. The rate at end 2015 was 1.62% for the year.
- The 6-month Treasury Bill rate increased by 52 bps to 6.56%. The rate at December 2015 was 6.04%.
- The average lending rate declined to 16.20% at end of December 2016 from 16.92% at the end of December 2015.
- Inflation ended the 12-month period to December 2016 at 1.7%, down from 3.7% last year.
- The Jamaica Stock Exchange main index grew (27.6%), advancing to 192,277. The market advanced 97.4% in 2015.
- The Jamaican dollar depreciated by 6.6% against the US$, during the 2016 calendar year, versus 5% in 2015 with the weighted average daily selling price of $128.44 as at December 31, 2016.
- The unemployment rate at October 2016 was 12.9%, which reflects a 0.6% decrease when compared to 13.5% in October 2015.









- For FY 2015/16, the primary surplus as a per cent of GDP (7.4%) initially exceeded a relaxed target of 7.25% of GDP by 0.15 percentage points. The primary balance target for FY 2016/17 and beyond is 7.0% of GDP.
- Debt/GDP declined to 121% as at December 2016 from 126% in December 2015.
- The NIR remains in a strong position, increasing to US$2.7B at end-December 2016 from US$2.4B at end-December 2015.

THE CAYMAN ISLANDS

The Cayman Islands' macroeconomic performance accelerated pace during 2016. Real GDP grew at an estimated annualised rate of 2.8%, compared to 1.7% the previous year. The expansion in economic activities was influenced by the growth in several sectors, including financing and insurance services (1.2%), real estate, renting and business activities (2.2%), construction (12%), transport, storage communication (4.7%), electricity & water supply (5.6%) and wholesale & retail trade, repairs & installation of machinery (8.1%).

This was supported by the increase in domestic credit by 1.9% as credit to the private sector increased by 2.7%, outweighing the 9.9% decline in credit to the Central Government.

Additionally, total visitor arrivals stood at 1,576,683 for the first three quarters of 2016, an increase of 4.7% over the comparative period in 2015. This increase was mainly associated with cruise arrivals as growth in stay-over arrivals remained relatively flat.

The fiscal surplus increased to $112.5 million relative to $105.1 million for January–September 2015. This 7.0% improvement was due to an increase in total revenue which outweighed an expansion in total expenditure. With the improvement in the fiscal operation, the central government's outstanding debt continued to decline after peaking at the end of the second quarter of 2011. The debt stood at $498.7 million as at September 2016, $130.4 million lower than the stock at the end of June 2011. In comparison to the end of September 2015, the debt decreased by 3.8% or $19.7 million.

However, the forecast for the unemployment rate is revised upwards to 4.5% from 4.1%, in the context of an expected rise in the labour force participation rate

outweighing any improvement in economic activities in the last quarter of 2016.

COSTA RICA

For calendar year 2016, the economy grew robustly. Real GDP was anticipated to expand in 2016 by 4.25%, up from 3.75% the previous year. Annual inflation turned moderately positive again, reaching 0.6% in November, and was anticipated to return to the 2%-4% Central Bank's target range in the first half of 2017, as the impact of the decline in oil prices continues to dissipate. This is also a reflection of the gradual pass-through of lower monetary policy rates. The external current account deficit is forecasted to narrow further to about 3.5% of GDP.

The growth performance is being supported by the dissipation of the one-off effects arising from a withdrawal of Intel's manufacturing operations, further terms-of-trade improvement, and current accommodative monetary policy stance.

The good performance of the Costa Rican economy in 2016 has been aided by very favourable global conditions, notably continuing low commodity prices and ample liquidity in financial markets. However, the persistence of large fiscal deficits, being financed by domestic capital, led to continued increases in the public-debt-to-GDP ratio. Central government debt to GDP was estimated at 45.9% at the end of 2016 compared to 42.4% the previous year.

The IMF noted that the central government overall deficit would decline moderately to 5.25% of GDP and the public debt ratio would reach almost 47.3% of GDP by 2017.

CONSOLIDATED REVENUE OF $59.70 BILLION WAS UP ON PRIOR YEAR BY 9%.

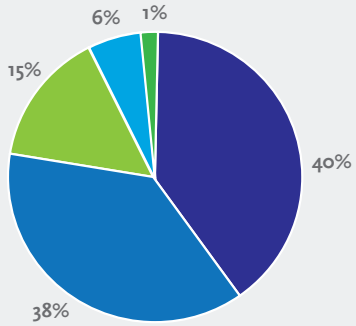
OUR OPERATING RESULTS

Sagicor Group Jamaica had a good year in 2016, generating consolidated net profit attributable to stockholders of $11.26 billion, 15% better than the prior year of $9.79 billion. Revenue was $59.70 billion or 9% more than in 2015. 2016 was the second full year since the RBC portfolio acquisition in 2014. The restructured Sagicor Group blossomed on the foundation laid with refreshed technology, new product offerings and trained team members. Our core Insurance and Banking businesses produced healthy results. Profitability of the main segments was generally better than last year, driven by strong business growth across all lines, significant capital gains on sale of securities, favourable benefits experience and containment of operating expenses.

Revenue and Expenses –

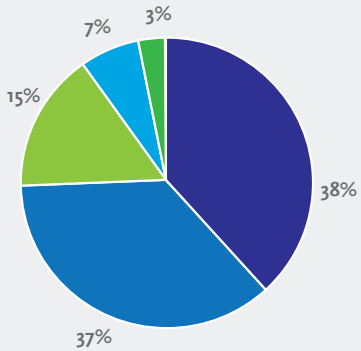
Consolidated Revenue of $59.70 billion was up on prior year by 9%. Net Premium Income of $33.49 billion, which accounts for 56% of revenue, was 3% up on 2015. With respect to the individual lines of business, earned premiums were higher by 8%, influenced by record new business and improved conservation of the inforce block; while Group Insurance and Annuity premiums were down 3%. Investment income of $19.77 billion was 5% higher than in 2015, before interest expense and capital gains. Realised capital gains from securities trading were substantially up on prior year, being $3.57 billion as against $708 million. Unrealised capital gains in revenue were $1.74 billion, down from $2.58 million in 2015. An unrealised impairment charge of $562.87 million was recorded, compared to $967.91 million in 2015. Fees and Other Revenues of $6.86 billion increased over the prior year by 10% primarily as a result of enlarged portfolios.

REVENUE BY BUSINESS SEGMENT
PERCENTAGE (%)



2015

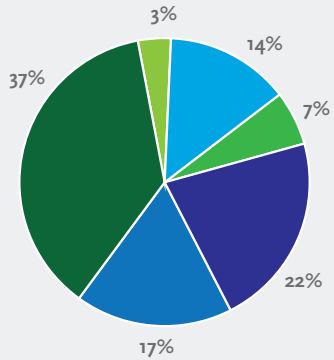
- Individual Lines
- Employee Benefits
- Commercial Banking
- Investment Banking
- Other



2016

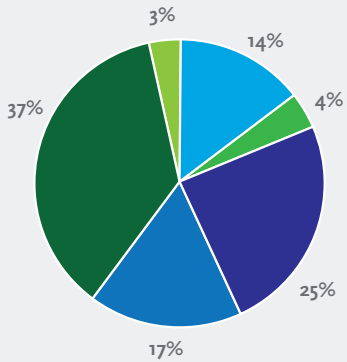
- Individual Lines
- Employee Benefits
- Commercial Banking
- Investment Banking
- Other

BENEFITS BY EXPENSE TYPE
PERCENTAGE (%)



2015

- Living Benefits
- Surrenders, Maturities & Withdrawals
- Segregated Funds Withdrawals
- Annuity Payments
- Heath Benefits
- Other



2016

- Living Benefits
- Surrenders, Maturities & Withdrawals
- Segregated Funds Withdrawals
- Annuity Payments
- Heath Benefits
- Other

Group administration expenses, including depreciation and amortisation of software, of $14.95 billion, were 6% more than in 2015. The normalised Group efficiency ratio of administration expenses to total revenue remained at 29% (2015: 29%).

While the rate of Asset Taxes on Life Insurance companies in Jamaica reduced from the 1% expensed in 2015 to 0.25% in 2016, there was a substantial increase in the taxable income for Corporation Taxes at 25%. These factors led to consolidated Other Taxes of $562.58 million being lower than the $966.86 million in 2015. At the same time consolidated Corporation Taxes increased from $1.82 billion in 2015 to $2.95 billion in 2016 and the effective tax rate of the Group also increased.

Comprehensive Income –

Total Comprehensive Income, including net profit for the year and movements in reserves held in Equity, moved from $3.44 billion for 2015 to $15.02 billion in 2016. Along with higher profits, there were substantial improvements in unrealised fair value gains on available-for-sale securities during 2016 as bond markets rallied. The Group also recognised its share of unrealised capital appreciation for properties in the Sagicor Real Estate X Fund Limited (X Fund Group) of $749.77 million. The J$ depreciated by 6.6% against the US$, during the 2016 calendar year, versus 4.9% in 2015 leading to unrealised foreign exchange gains from overseas operations of $678.91 million in 2016 compared to $533.92 million in 2015. Conversely re-measurement of retirement benefits obligations generated a charge of $919.50 million in 2016, whereas the amount for 2015 was $441.97 million.

Cash Flows –

Group consolidated cash generated from operating activities was $13.35 billion, compared to cash used in operations for 2015 of $9.54 billion. This reflects changes in the portfolio of repurchase agreements with shorter terms being carried and a shift to other investment vehicles. Financing activities reflect the dividends declared during the year of $4.34 billion, up from $2.85 billion in 2015. Liquidity of the Group remained strong with available Cash and Cash Equivalents at the year-end being $13.20 billion, up from $5.34 billion in 2015. The higher cash position reflects Sagicor Bank's increased cash reserves with The Bank of Jamaica and other financial institutions.

OUR FINANCIAL CONDITION AND MANAGED FUNDS

Total assets of the Group grew to $340.95 billion, up from $300.39 billion as at December 2015, a 14% increase.

Total assets under management, as at December 2016, including Group Assets, Pension Funds' assets managed on behalf of clients and unit trusts, were $609.53 billion, a 16% increase over the 2015 amount of $526.29 billion. The growth in assets manifests in portfolio expansion and stock market increases.

Stockholders' Equity of SGJ stood at $56.41 billion as against $46.57 billion as at December 2015 (a 21% increase). Apart from strong earnings and dividend distributions of $4.34 billion, there was significant improvement in unrealised fair values of securities being carried as available-for-sale in equity reserves as well as appreciation of properties in the X Fund.

Market capitalisation of SGJ as at December 2016 was $116.78 billion, up from the 2015 level of $78.11 billion.

Total dividends of $4.34 billion were distributed to stockholders during 2016 compared to $2.58 billion in 2015. Dividends per share were $1.11 as against $0.73 in 2015, representing a dividend pay-out ratio of 38.55% and 26.35% in 2016 and 2015 respectively.

The actuarial liabilities grew during the year mainly from new business and decrements on the in-force block. There were releases of reserves of about $1.75 billion due to premium persistency and expense efficiencies.

At December 2016, the Group carried Insurance and Annuity liabilities of $68.71 billion.

	2016 $'000	2015 $'000
Group annuities	39,225,538	35,765,413
Group insurance	4,919,710	4,736,672
Individual insurance	24,564,091	21,083,738
Total	**68,709,339**	**61,585,823**

TOTAL COMPREHENSIVE INCOME, INCLUDING NET PROFIT FOR THE YEAR AND MOVEMENTS IN RESERVES HELD IN EQUITY, MOVED FROM $3.44 BILLION FOR 2015 TO $15.02 BILLION IN 2016.

CAPITAL ADEQUACY

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 156.5% at December 31, 2016, compared to the ratio for last year, which was 201.5%. The decline was due to realignment of capital within the Group as part of the corporate restructuring exercise.

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$31,618,000 (2015: US$26,015,000) and available capital when expressed as a percentage of prescribed capital was 168.3% (2015: 162.2%). At the same time, the MCCSR ratio for Sagicor Life Cayman (SLC), based on Canadian Regulatory Standards, was 233.7% (2015: 282.4%).

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 12.9% (2015: 12.5%) and Sagicor Bank Jamaica Limited (SBJ) 13.7% (2015: 13.8%).

INDUSTRY RATINGS

In February 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.

In March 2017, A M Best placed the credit rating of Sagicor Financial Corporation (SFC) and all of its subsidiaries under review with negative implications. This rating adjustment was in response to the potential impact on the business profiles, operating performance and risk-based capital metrics of SFC and its subsidiaries following the recent downgrade of the long-term sovereign ratings of Barbados.

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 2017. 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, improving liquidity, strong brand equity and its market leadership position in the Jamaican life insurance industry.

The rating assessments of Sagicor Life Jamaica would have also benefited from improvements in the Jamaican macro economy and its own country ratings.

Life Insurance Companies MCCSR and MCR

	SLJ 2016	SLJ 2015	SLC 2016	SLC 2015
Regulated Ratio	150%	150%	168%	162%
Actual Ratio	156.1%	201.5%	233.7%	282.4%

Banking Companies Risk Capital

	COMMERCIAL BANKING		INVESTMENT BANKING	
	SBJ 2016	SBJ 2015	SIJL 2016	SIJL 2015
Actual capital base to risk weighted assets	13.7%	13.8%	12.9%	12.5%
Required capital base to risk weighted assets	10%	10%	10%	10%

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 2017.

SEGMENT PERFORMANCE

OUR CORE INSURANCE AND BANKING BUSINESSES PRODUCED GOOD RESULTS. PROFITABILITY OF THE MAIN SEGMENTS WAS GENERALLY BETTER THAN LAST YEAR, DRIVEN BY STRONG BUSINESS GROWTH ACROSS ALL LINES, SIGNIFICANT CAPITAL GAINS ON SALE OF SECURITIES, FAVOURABLE BENEFITS EXPERIENCE AND CONTAINMENT OF OPERATING EXPENSES.

Primary Business Segments

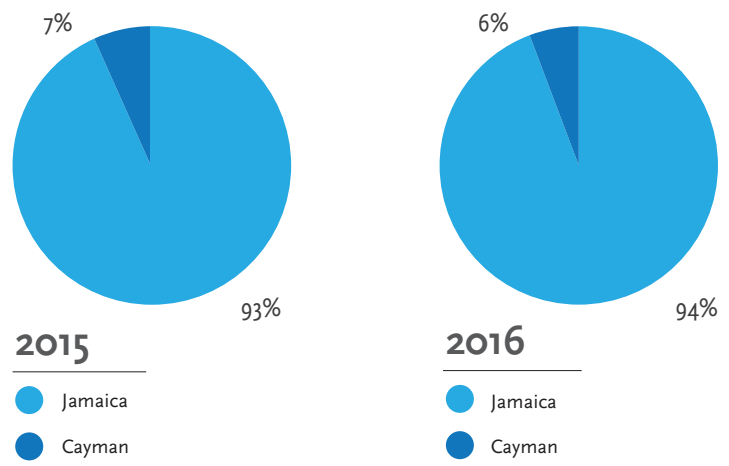
- INDIVIDUAL INSURANCE DIVISION
- EMPLOYEE BENEFITS
- SAGICOR BANK JAMAICA LIMITED
- SAGICOR INVESTMENTS JAMAICA LIMITED

OUR LARGEST MARKET IS JAMAICA AND WE ARE A MAJOR PLAYER IN THE CAYMAN LIFE INSURANCE SECTOR. STRATEGICALLY WE ARE MAKING INROADS INTO CENTRAL AMERICA.

Net Profit By Geographic Segment

	2016 J$M	2015 J$M	2014 J$M	2013 J$M	2012 J$M
Jamaica	10,115	8,781	7,468	5,338	4,968
Cayman	1,135	1,045	1,089	1,125	1,105
Costa Rica	8	(33)	6	(10)	(11)
Total	**11,258**	**9,793**	**8,563**	**6,453**	**6,062**

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. This is serviced by a large distribution network comprising 448 financial advisors in the Branch Distribution System and 21 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 its growth of the overall block of in-force policies. In 2016 the Division's block of in-force policies (combined SLJ & SLC) grew by 6% versus a target of 4%; this represents actual policy count of 492,355.

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.

High level P&L for 2016 and 2015

	2016 J$M	2015 J$M	% Variance
Revenue	23,116	22,469	2.9%
Benefits	(11,715)	(8,150)	-43.7%
Movement in Actuarial liabilities	(1,058)	(2,459)	57.0%
Commissions	(3,644)	(3,409)	-6.9%
Expenses	(2,664)	(2,916)	8.6%
Taxes (Corporation, Premium, Investment & Other)	(861)	(551)	-56.3%
Net Profit	**3,174**	**4,984**	**-36.3%**

The Division contributed $3.17 billion in profits; the 2016 results were generated from strong revenues of $23.12 billion, which were 3% higher than in the prior year. The results were driven by excellent new business sales, improved conservation, increased benefit payments, release of actuarial reserves (mainly from better premium persistency and expense efficiencies) and continued tight control of operating costs. There was an attractive return on the capital allocated to the Division. In 2015 there was a significant release of actuarial reserves stemming from changes to the tax regime.

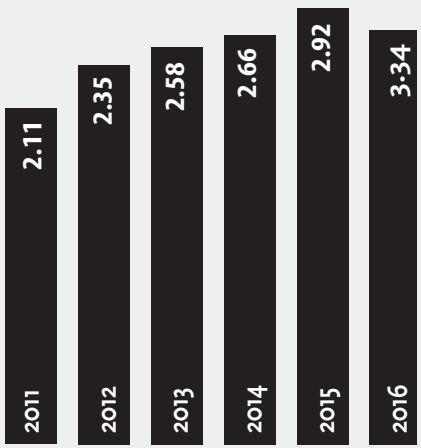
For the year 2016, earned premium income, including Segregated Funds contributions, was $19.19 billion as against $17.81 billion last year, an increase of 8%. In 2016 premium income represents about 83.1% (2015: 79.3%) of total revenue. Investment income net of interest expense was $1.54 billion, while realised capital gains were lower by 14% when compared to 2015. The Division recorded an unrealised impairment charge of $245.40 million on investment securities.

Net benefits expense, including Segregated Funds, was $11.72 billion, an increase of 44% over the 2015 amount. Net death claims of $1.79 billion were 15% more than in 2015. Surrenders expense was $797.16 million, down from $998.89 million in 2015. While Segregated Funds encashments were $5.22 billion, moving from $4.27 billion in 2015. Individual health claims were $509.71 million (2015: $393.63 million) with a claims ratio of almost 100%. Other benefits, inclusive of maturities and annuity payments totalled $842.46 million, reflecting a 26.14% increase when compared to 2015 due to a single large claim. Commission, expenses and taxes totalled $7.17 billion and were 7% more than 2015.

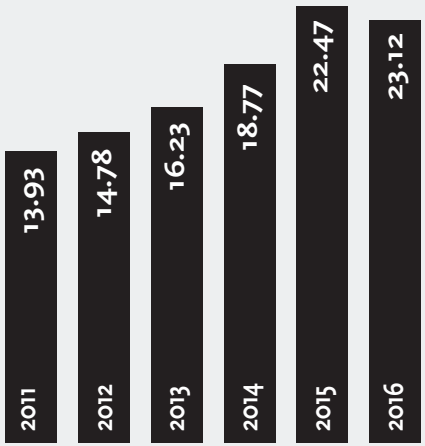
In Jamaica, the Division achieved yet another industry record for New Annualised Premium Income writing $3.02 billion, 14% more than in 2015 and holding a market share of 57%. This is inclusive of individual health sales activity. New Individual Life policies sold were 61,802, showing an 8% increase when compared to 2015; this was accompanied by a larger average case size compared to 2015. The amount of new cases sold represented 58% (2015: 54%) of total cases sold by the entire industry.

Sagicor Life of the Cayman Islands generated good New Individual Life and Annuities business during the year and also made an important contribution to profits. New Annualised Premium Income of US$2.55 million was produced in 2016, 12% more than that written in 2015. In Cayman 2,166 (2015: 2,147) new policies were sold during the year.

INDIVIDUAL LIFE CONSOLIDATED NEW API
J$ BILLIONS



INDIVIDUAL LIFE CONSOLIDATED REVENUE
J$ BILLIONS



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 also provides pension funds administration services and annuity products to corporate clients. 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 $22.22 billion, a profit contribution of $4.78 billion was generated during 2016.

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.

Premiums grew across all product lines resulting in an overall revenue increase of 6.1% over the prior year. Earned premiums for Group Life and Group Health each grew by 2%. Normal annuity contributions were also strong during the year but contributions from bulk annuities were lower. The Division wrote $3.7 billion of new business during the year compared to $4.6 billion in 2015. The Division earned investment income commensurate with the portfolio growth. There were realised capital gains from sale of securities of $1.91 billion compared to $564.54 million in 2015. An unrealised foreign exchange loss of $218 million was recorded on net assets denominated in US$ compared to a gain of $54.34 million in 2015.

NET BENEFITS EXPENSE INCREASED TO $11.83 BILLION, REFLECTING AN INCREASE OF 8% OVER THE 2015 AMOUNT.

Net death claims of $1.19 billion were 10% higher than in 2015 while health claims of $7.1 billion were higher than in 2015 by 8%. Annuity payments of $3.50 billion were 8% higher than prior year. The change in actuarial liabilities was lower in 2016 than in 2015 by 41%, mainly due to the reduction in annuity premiums written during the year. Commissions, expenses and taxes totalled $4.07 billion and showed a 2.5% increase over the 2015 amount. The division also continued to produce an attractive return on the allocated capital.

ON REVENUES OF $22.22 BILLION, A PROFIT CONTRIBUTION OF $4.78 BILLION WAS GENERATED DURING 2016.

High level P&L for 2016 and 2015

	2016 J$M	2015 J$M	% Variance
Revenue	22,220	20,948	6.1%
Benefits	(11,826)	(10,941)	-8.1%
Movement in Actuarial liabilities	(1,548)	(2,633)	41.2%
Commissions	(816)	(835)	2.3%
Expenses	(2,467)	(2,242)	-10.0%
Taxes (Corporation, Premium, Investment & Other)	(784)	(890)	11.9%
Share of (Loss)/Profit from Joint Venture	8	(33)	124%
Net Profit	**4,787**	**3,374**	**41.9%**

SAGICOR BANK JAMAICA LIMITED

2016 was another year of significant progress for Sagicor Bank. It represented the second full year of operations for our expanded Commercial Banking Division, since the June 2014 acquisition of RBC's Jamaican operations. During the year we saw expansion of the loans and cards portfolios and the POS network.

2016's performance reflects the Bank's progress and our persistence in seeking to meet the growing and diverse financial needs of our expanding clients. We continued on our path to building a better bank through a clear focus on improving our processes, expanding our products and strengthening our teams across the institution.

The results reported reflect the significant attention and efforts of our entire team to lift service delivery across the institution. We have seen marked improvements and are beginning to more consistently meet and exceed our clients' expectations in service delivery, product quality and pricing.

During 2016, we continued to execute five key initiatives:

1. Our lending activities have expanded across all credit market segments – Corporate, Commercial, SME, Retail and Cards through our 15-branch network. Lending reflected significant growth with net new loans up 6.5% over 2015. This outstanding performance delivered by the team saw a record loan growth with $24.0 billion in new loans disbursed.
2. Transforming the Tech eco-system of the bank. In 2015 we upgraded our core and online banking systems. In 2016 we launched a mobile banking application "Sagicor e-bank" and upgraded our cards processing system. There were many other system enhancements as we seek to improve efficiencies and client convenience.
3. Our credit card business experienced strong growth in customer usage, card acceptance and market share of wallets in 2016.
4. Sagicor Bank's credit quality ratios improved significantly, with non-performing loans falling 10%, from $2.3 billion in 2015 to $1.9 billion in 2016. Non-performing loans declined from 3.9% to 2.8% of our credit portfolio despite significant asset growth, as asset quality continues to strengthen.
5. The Bank's Operating Efficiency ratio before asset tax improved, falling from 69% to 68%.

Sagicor Bank's net profit after tax for the year was $1.86 billion, up 41% and a significant improvement over the $1.32 billion reported in 2015.

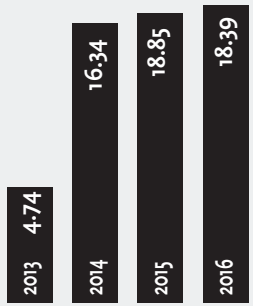
Operating income rose to $9.2 billion (2015: $8.1 billion), reflecting a 13% increase over the prior year. Improved performance was driven in part by expanding our range of credit products to borrowers and strong credit demand from clients in light of improved economic prospects. The Bank benefited from favourable market movements which generated positive trading gains from securities and foreign exchange. Non-interest income was favourable. The Bank also benefited from a decline in our non-performing loans. However, net interest margins declined from 8.26% in 2015 to 7.65% in 2016 as yields on investments fell and markets were more competitive.

Operating expenses were $6.6 billion (2015: $6.3 billion) as the Bank experienced improved efficiencies. Net credit recoveries also contributed to the improved results. The Efficiency Ratio improved to 68.2% from 69.4% in 2015. In 2016 restructuring costs were only $61 million versus $307 million spent in 2015.

Key Data

	2016 J$B	2015 J$B	% Variance
Loans & Corporate Bonds	$63.2	$49.8	26.9%
Deposits	$75.2	$62.9	19.6%
Equity	$18.4	$17.9	2.8%
Total Assets	$115.3	$96.9	19.0%
Net Profit	**$1.85**	**$1.32**	**40.2%**

SAGICOR BANK STOCKHOLDER EQUITY
J$ BILLIONS

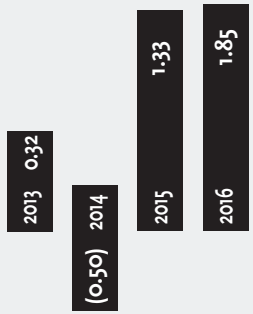


Commercial Banking Division

High level P&L for 2016 and 2015

	2016 J$M	2015 J$M	% Variance
Revenue	9,181	8,250	11.3%
Expenses	(6,389)	(6,121)	-4.4%
Taxes (Corporation & Other)	(939)	(804)	-16.8%
Net Profit	**1,853**	**1,325**	**-39.8%**

SAGICOR BANK NET PROFIT/(LOSS)
J$ BILLIONS



SAGICOR INVESTMENTS JAMAICA LIMITED

In 2016, Sagicor Investments Jamaica Ltd (SIJL) delivered after-tax profits of $1.79 billion as against $1.47 billion in 2015 (before amortisation of purchased intangibles).

Sagicor Investments Jamaica Market Performance

	2016	2015	2014	2013	2012
Market Share Stockbrokerage (value traded)	29.64%	43%	9%	12%	27%
Market Position Stockbrokerage	#1	#1	#3	#5	#1

Sagicor Investments Jamaica Limited (SIJL) continues to be a market leader in key business segments. Its stockbrokerage arm retained its #1 ranking, copping 29.64% of overall market value traded on the Jamaica Stock Exchange in 2016. Sagicor Investments also manages the Sagicor Sigma Global Funds, which had portfolios among the top performers for 2016. Through its continued efforts to partner with its clients and various stakeholders by creating opportunities and value, SIJL returned after-tax profits of J$1.79 billion for 2016. This was achieved in a context of improvements in its operating efficiency before asset tax (29.76% vs 36.70%) and strong revenue growth.

Investment Banking Division

High level P&L for 2016 and 2015

	2016 J$M	2015 J$M	% Variance
Revenue	4,054	3,091	31.2%
Expenses	(1,555)	(1,093)	-42.3%
Taxes (Corporation & Other)	(710)	(524)	-35.5%
Net Profit (before amortisation of purchased intangibles)	**1,789**	**1,474**	**21.4%**

Key areas driving revenue of J$4.06 billion were:

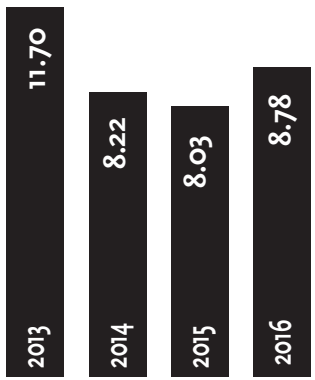
(i) Net Interest Income - Net interest margin of 2.91% was realised as the business seeks to diversify its portfolio as part of an overall strategy to balance risk and return. This resulted from an average interest earning portfolio of J$78.3 billion generating net interest revenues of J$2.3 billion. During the year the Government of Jamaica Weighted Average Treasury Bill rate, in contrast to 2015, increased by 52 basis points (6.56% vs 6.04%) which is symptomatic of the gradual rise in rates in the local markets.

(ii) Realised Fixed Income Trading Gains – During the year the company, through its diverse portfolio, took advantage of market movements to realise gains of J$0.94 billion from its trading portfolio.

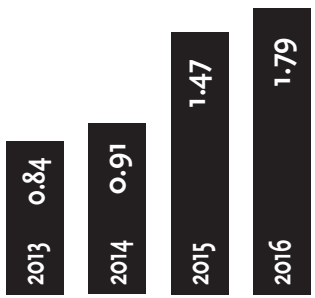
(iii) As SIJL continues to increase its capital markets activities, fees of J$67.7 million were earned from US$66.98 million (J$8.57 billion) raised on behalf of clients.

SIJL IN 2017 WILL CONTINUE TO IMPLEMENT STRATEGIES TO FURTHER DIVERSIFY ITS REVENUE BASE AND CREATE VALUE FOR ALL STAKEHOLDERS.

SAGICOR INVESTMENTS STOCKHOLDER EQUITY
J$ BILLIONS



SAGICOR INVESTMENTS Net Profit/(Loss)
J$ BILLIONS



PERFORMANCE OF THE SAGICOR LIFE INVESTMENT PORTFOLIOS

The Sagicor Life Jamaica Treasury & Asset Management Division manages the investment portfolios for all Group companies, with the exception of Sagicor Bank. At the end of 2016, the Division's assets under management totalled $493.81 billion. This amount represents investment on behalf of individual policyholders, group insurance clients, pension clients, annuitants, Sigma Funds, Sagicor Investments clients and stockholders. These portfolios are managed using disciplined Asset/Liability Management (ALM) principles, while applying prudent risk management through diversification across all asset classes.

Sagicor Life General Fund

The total invested assets of Sagicor Life Jamaica increased from $88.95 billion to $93.19 billion at the end of 2016, an increase of 5% over the year. The portfolio generated income before capital gains and interest expense of $7.1 billion, representing a yield of 7.8%. 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 and leases, equities and real estate.

The invested assets of Sagicor Life of the Cayman Islands' General Fund totalled $20.84 billion in 2016. This represents an 8.4% increase over the $19.23 billion in 2015. The assets of this portfolio are heavily invested in international corporate bonds, with significantly less exposure to the regional sovereign bonds, equities, real estate and mortgage loans. The portfolio produced income of $9.5 million, before capital gains and interest expense charges, with a yield of 6%.

Segregated Policy Investment Funds

Sagicor manages segregated investment funds on behalf of the policyholders of Sagicor Life Jamaica Limited (SLJ) as well as for Sagicor Life of the Cayman Islands (SLC). Policyholders share all rewards and risks of the performance of these funds.

SLJ's segregated investment funds under management totalled $20.9 billion, representing a 15% increase over $18.2 billion at the end of 2015. These funds are unitised and provide clients with the option to diversify across the main asset classes of stocks and bonds and real estate. Policyholders are able to participate in both local and global securities, which allows for currency protection against adverse movements in the value of the Jamaican dollar. The Equity and Real Estate funds were the top performing funds generating positive returns of 26% and 22% respectively. These performances were in keeping with overall market trend, as the local stock market reflected strong growth for the second consecutive year and valuations in the real estate market increased over the period. The segregated funds continue to provide solid, long-term returns for our policyholders for more than 30 years.

SLC's segregated funds under management totalled $2.7 billion in 2016, compared to $4.6 billion at the end of 2015. These funds are invested in global equities and global fixed income securities. The Cayman International Equity Fund had the strongest return at 5.7%.

THE TOTAL INVESTED ASSETS OF SAGICOR LIFE JAMAICA INCREASED FROM $88.95 BILLION TO $93.19 BILLION AT THE END OF 2016, AN INCREASE OF 5% OVER THE YEAR.

Pension Funds

Total pension funds under management increased by 11%, from $133.5 billion in 2015 to $147.6 billion at the end of December 2016.

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

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

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 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 matching of the liabilities of the pension plan with assets of a suitable tenure.

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 17%, with all nine Pooled Funds outperforming inflation 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 27%, followed by the Pooled Diversified Investment Fund and the Pooled Money Market Funds each generating a 17% 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.

Sagicor Sigma Global Funds

In 2016, the Sagicor Sigma Global Funds (Sigma) continued to be the largest and best performing collective investment scheme. Total funds under management at the end of 2016 stood at $90.89 billion,

representing a 22% increase over 2015 which ended at $73.88 billion.

The suite of Sigma funds offerings increased in 2016 to thirteen portfolios, making our product the most diverse and affordable in the market. In February 2016, we launched three new Sigma Portfolios: Sigma Income, Sigma Global Income (USD), and Sigma Global Markers (USD). Clients are now able to invest in USD hard currency, in addition to the existing offerings which covers the full range of asset classes, both local and global.

In June 2016, we launched the Sigma Educator Plan, which allows clients to invest for their future tertiary expenses while generating returns in our top performing portfolios. These initiatives have made our Sigma Global Funds more attractive to both our existing and prospective clients.

In 2016, the Sigma Equity Fund was the top performing fund in the unit trust market, generating outstanding returns of 30% which was in keeping with the vibrancy of our local stock market. The Sigma Global Venture and Sigma Global Bond Funds also generated strong returns for our clients, each at 17%. The Sigma Real Estate and Diversified Funds likewise generated double-digit returns at 15% each.

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 our investment 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 and 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 ownership of three Jewel Resorts-branded hotels; 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.

Stockholders' equity was 27% above 2015 ($19.9 billion when compared with $15.6 million) with foreign exchange losses on US dollar-denominated loans of $403 million. The net earnings in the portfolio, which forms the basis for appreciation of the portfolio unit values, was based on 2016 revenue of $9.87 billion, EBITDA of $3.51 billion and net profit of $3.03 billion. The portfolio had revaluation gains of $3.23 billion during the period.

The Sagicor Real Estate X Fund Limited Group (X Fund Group) earned revenue of $10.3 billion for the year, an improvement of 56% over 2015. With expenses for the year of $8.3 billion and taxation of $239 million, the X Fund Group generated net profit attributable to stockholders of $1.7 billion for the period. This was another strong performance by the Group. Earnings per stock unit were $0.75.

X Fund Group contributed earnings of $495.05 million (2015: $94.20 million) to Sagicor Group Jamaica.

Sagicor Property Services Limited

Sagicor Property Services Limited (SPS), our property management subsidiary, provides property management and real estate sales and leasing services to Sagicor Group-owned and managed properties, as well as to third party-managed properties. Its primary revenue sources are fee-based income from the sale, rent collection and management of real estate properties and project management.

For 2016, property management fees earned by SPS increased by 5% to $123.6 million, from $117.3 million earned in 2015. We also outperformed our targets for project management fees and rental commission.

At the end of 2016, SPS managed approximately 2.4 million square feet of prime commercial and residential real estate across the island, making us the largest private property manager in Jamaica.

SPS' medium- to long-term goal is to significantly increase our footprint in the local real estate sales market through several strategies being implemented over the next few years. 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.

FOR 2016, PROPERTY MANAGEMENT FEES EARNED BY SPS INCREASED BY 5% TO $123.6 MILLION, FROM $117.3 MILLION EARNED IN 2015. WE ALSO OUTPERFORMED OUR TARGETS FOR PROJECT MANAGEMENT FEES AND RENTAL COMMISSION.

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 new initiatives for CCRIF as it expands its service offerings to regional governments. One such initiative is the Excess Rainfall Product being offered for the second year by CCRIF SPC to participating countries as a complimentary product to the Earthquake and Tropical Cyclone policies. Parametric Insurance coverage has been taken up by Central American countries for the first time in 2015/16 underwritten by its segregated portfolio. CCRIF SPC is also expanding its Excess Rainfall Coverage to other territories including Central American countries. 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. In 2016 Sagicor Costa Rica produced profits. 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 sales.

OPERATIONAL CAPABILITIES AND TECHNOLOGY

Sagicor Group Jamaica's operational capabilities include the mix of team members, financial advisors, brokers, health-care providers, 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.

RISK MANAGEMENT

Sagicor Group Jamaica operates in a wide cross-section of financial services, which expose it to a variety of insurance, financial and operational risks. Taking various types of risk is core to the financial services business, and operational risk is an inevitable consequence of being in business. The Group's aim is to achieve an appropriate balance between risk and return, in order to maximise stakeholder value and to minimise potential adverse effects on the Group's financial performance.

The Group utilises an Enterprise Risk Management framework with clear terms of reference and which include 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 through its 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. Top risks are agreed upon during this process with responsibilities specifically assigned to the relevant executives for management and reporting. While the assessment activity is conducted annually, there is ongoing monitoring and management 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.

"TOP-DOWN" OVERSIGHT, IDENTIFICATION, ASSESSMENT AND MITIGATION OF RISK AT THE CORPORATE LEVEL

"BOTTOM UP" IDENTIFICATION, ASSESSMENT AND MITIGATION OF RISK AT BUSINESS UNIT LEVEL AND ACROSS FUNCTIONAL AREAS

BOARD (GROUP AND ENTITY LEVEL)

Has overall responsibility for our risk management and internal controls systems (including periodic reviews to ensure its effectiveness)	Provides direction on the importance of risk management and risk management culture	Approves strategic objectives and ensures alignment with risk appetite	Monitors the nature and extent of risk exposure for our principal risks

RISK MANAGEMENT COMMITEES	AUDIT & COMPLIANCE COMMITEES	MANAGEMENT	ENTERPRISE RISK MANAGEMENT	INTERNAL AUDIT
Supports the Board in monitoring risk exposure, risk culture and the design and operating effectiveness of the underlying risk management systems	Supports the Board in monitoring the design and operating effectiveness of the internal controls systems in place to support regulatory compliance and risk mitigation	Designs, implements, and monitors our internal controls system to mitigate key risks Continuously assesses our risks and mitigating measures at the entity and g roup level	Supports the Board and Management in: Designing, implementing and monitoring our risk management systems Conducting independent risk assessments and tolerance measurements group-wide Ensuring effective regulatory compliance strategies and systems	Supports the Audit Committee in reviewing the effectiveness of our risk management and internal control systems

OPERATIONAL LEVEL

Risk identification, assessment and mitigation performed across each business	Risk Management process and internal controls practised across business operations and functional areas

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 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. 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 policy;
- Reviews the effectiveness of the Group's risk policies and processes, legal and regulatory requirements within management authorities.

Asset/Liability Management Committee

The Group has in place an Asset/Liability Management (ALM) Committee of Executive 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.

Anti-Money Laundering (AML)

The Group has assigned responsibility for AML and anti-fraud policies to the Group Risk Management & 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 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, Group Risk Management & 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;
- 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, procedures and technologies required to protect against 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.

The Group operates under a detailed, rigorous information security policy and programme designed to protect the security and confidentiality 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)

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 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, 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 2016, the new technologies launched included:

1. Enhanced client electronic banking channels
   a. The Mobile Banking App "Sagicor e-bank"
   b. SMS Banking
   c. Enhancements to our Internet Banking platform.
   d. Expansion and upgrade of our ATM and Point of Sale (POS) fleet
   e. Upgrade of our Credit Card and Debit Card platforms
2. Enhancements to core technologies
   a. Network upgrades
   b. Updates to our reports generation technologies
   c. In-branch wireless internet access for the convenience of team members and clients
3. Enhanced safeguards for the information asset through new/improved technologies, procedures and policies, including:
   a. Stronger authentication mechanisms for our Internet Banking platform
   b. Enhanced customer notification for validation of transactions through SMS messaging

OUR CORPORATE STRATEGY

Strategic thinking, strategic planning, financial modelling, performance measurement and performance-driven compensation are central to how we manage our business.

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.

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

AMIDST THE LOCAL AND GLOBAL ECONOMIC CHALLENGES, WE AT SAGICOR WILL CONTINUE TO EXPLOIT OUR ADVANTAGES AND OPPORTUNITIES WHILE MANAGING RISKS AND EXPOSURES.

For 2017 our primary areas of strategic focus include:

- Growth of the Cards and POS portfolios
- Growth of loan volumes in Sagicor Bank
- Expanded data analytics and governance
- Transformation of the client-on-boarding processes
- Deepening client relationships across all lines of business
- Team member training and inculcation
- Superior client experience and convenience
- Continued build-out of our digitisation strategy

OUTLOOK

We are seeing the benefits of our business growth, digitisation, enhanced client experience and deliberate team engagement strategies in an improving economy. All key measures of our business performance registered growth and improvements. In addition, our brand recognition, clients' satisfaction and team members' satisfaction levels were all better than in 2015.

We maintain a confident and optimistic outlook as Jamaica pursues a path of fiscal responsibility coupled with efforts to spur strong growth.

CONCLUSION

We express deep appreciation to our Team Members, Financial Advisors and Brokers. When we combine your hard work, determination and perseverance with the Group's commitment to excellence in operations, we have a winning formula.

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

When our clients win, we win!

Richard O. Byles
President & Chief Executive Officer
24 February 2017

HOW WE **MANAGE RISK**

OUR RISK MANAGEMENT PHILOSOPHY

Maintaining our fiduciary responsibility to shareholders, depositors and clients through the creation and protection of value is the primary objective of our risk management framework. Accordingly, we actively manage risks encountered in the daily operations of our diverse business activities by maintaining an appropriate risk-reward balance. We achieve this by aligning risk appetite with business strategy, diversifying risk, pricing appropriately for risk and mitigating risk through preventive and detective controls.

WE ALSO PROMOTE THE SHARED RESPONSIBILITY FOR RISK MANAGEMENT AS BUSINESS SEGMENTS ARE RESPONSIBLE FOR ACTIVE MANAGEMENT OF THEIR RISKS, WITH DIRECTION AND OVERSIGHT PROVIDED BY THE RISK MANAGEMENT COMMITTEES OF THE BOARD.

Business decisions are also based on a clear understanding of the risks we face as we perform rigorous assessment of various types of risks inherent in our relationships, products, transactions and other business activities. A focus on our clients also reduces our risk by knowing our clients, understanding their activities and ensuring that the services we provide are suitable for and understood by them.

OUR RISK MANAGEMENT PRINCIPLES

Sagicor adopts good practice in the identification, evaluation, control, reporting and monitoring of risks to ensure that, as far as possible, risks are reduced to acceptable levels. We believe that risk management is the role of everyone so we ensure that all our team members are aware of the risks associated with the activities within their area of work. Risk is managed proactively by applying the following key principles:

All risk management activities are aligned to corporate strategies and aim to protect the interest of our stakeholders and the reputation of the Group;

Risk analysis forms part of Sagicor's strategic planning, budgeting and investment/project appraisal procedures;

Implementing effective internal controls to ensure that Sagicor can be reasonably assured of meeting its objectives and managing its risks;

Managers and staff at all levels have a responsibility to identify, evaluate, manage and report risks;

Risks are anticipated, and where possible, avoided, rather than dealing with their consequences;

In determining an appropriate risk response, the cost of control/risk management, and the impact of risks occurring are balanced with the benefits of reducing the risk. This means that Sagicor will not necessarily set up and monitor controls to counter risks where the cost and effort are disproportionate to the impact or expected benefits;

The Enterprise Risk Management and Group Compliance function must be included at the inception/development of new activities, new product lines, entry into unfamiliar markets, and implementation of new business processes, new technology or activities that are unfamiliar to the firm to facilitate appropriate risk assessments to guide Management and the business on appropriate risk mitigation strategies.

Our Risk Management Framework

The Sagicor Enterprise Risk Management & Group Compliance Department has the primary responsibility of ensuring the identification, assessment and measurement of risks related to our Insurance, financing and investing activities, operational risks, as well as compliance with our external regulatory and internal policy framework.

The Group utilises an integrated approach in managing the activities across our business lines to ensure that aggregate group risk exposures are controlled within established tolerance levels. In order to provide a rate of return to shareholders and protect our depositors and clients, the risks associated with our lines of business and activities are monitored and frequently assessed and reported on. This is achieved through a framework of simulations of market conditions, economic and market analyses, as well as other methods that require active and effective management oversight.

Our key risk exposures are summarised under the broad areas of operational risks, financial risks and business risks:

OPERATIONAL RISKS

RISKS	Fraud	Employee Practices/ Workplace Safety	Business Disruption	Cyber/IT Security	Execution, Delivery and Process Management Risks
DESCRIPTION	This is the risk of losses to the Company due to acts carried out by internal and/or third parties with the intent to defraud, misappropriate property, circumvent regulations, laws or company policies.	This is the risk of losses to Sagicor Group arising from acts inconsistent with employment, health or safety laws or agreements which may result in personal injury claims and diversity/discrimination events.	This is the risk of disruption of the normal business processes of the Company resulting in losses to the Group. This may be the result of natural disasters (such as hurricanes and earthquakes) and system failures (such as hardware and software failures as well as utility outages – telecommunications, electricity etc.).	This is the risk of data loss/ compromise resulting from inadequate/ineffective IT security infrastructure to facilitate data protection and access controls.	This is the risk of loss to the Company resulting from failed transaction processing or process management as well as a breakdown in relations with counterparties and vendors.
MITIGATION	Sagicor Group is committed to protecting its revenue, property, proprietary information, other assets and reputation. We have implemented the following control elements in order to ensure an effective fraud risk management framework for the prevention, detection and timely response to fraud incidents: ■ Group-wide Fraud Risk Policy; ■ Established Code of Conduct setting out the expectations and standards of ethical behavior; ■ Continuous training and awareness to support a well-informed team with the capacity to recognise and respond to risks fraud; ■ Internal controls mechanisms which include the utilization of a variety of hardware and software to deter, detect and minimise fraud incidents; ■ Dedicated team responsible for conducting investigations of allegation and providing timely reports to facilitate trend monitoring.	Sagicor Group is committed to providing an environment that is comfortable and safe for team members and clients. We manage risks relating to employee practices and workplace safety by ensuring: ■ The provision of physical facilities and safety supplies relevant to the nature of the work to be undertaken ■ Adequate safety training is provided for our team ■ Safety rules and regulations are effectively communicated to all team members and are prominently displayed where necessary.	Our Business Continuity Programme (BCP) identifies our exposure to threats and ensures that systems are in place so that our business activities can function in the event of any disruption. We focus on improving key processes that enhance our responses to this risk. Our Business Continuity Programme is supported by timely review and update of our Disaster Recovery and Business Continuity Plan as well as the provision of on-going training of our BCP process owners.	Our Information Security (IS) Programme establishes group-wide information security standards for: ■ Security governance ■ Information security control (including information classification, access and handling) ■ Network management and device configurations. Our IS Programme is fully aligned and compliant with various industry data security standards and best practice guidance. Our IS Programme is supported by timely review and update of our IS Policies as well as continuous training of our IS process owners.	We manage our execution, delivery and process risks by ensuring: ■ Clear lines of accountability ■ Separation of duties ■ Appropriate training for our team to reinforce adherence to implemented policies and procedures ■ Effective internal audits and timely corrective action of identified weaknesses ■ Timely review and update of our policies and procedures.

FINANCIAL RISKS

RISKS	Interest Rate	Foreign Currency	Credit
DESCRIPTION	Interest rate risk is the potential impact on Sagicor's earnings and net asset values due to unexpected changes in interest rates. It includes the risk that a future spot interest rates will deviate from an expected value, resulting in: ■ Lower-than-expected investment yields; or ■ Higher-than-expected borrowing or product costs. Interest rate risk can result in reduced earnings in absolute terms, or in a deterioration of Sagicor's competitive position in its industry.	The risk of a change in value caused by the fact that actual foreign currency exchange rates may differ from those expected by Sagicor. Sagicor faces foreign exchange risk due to fluctuations in exchange rates, and because of: ■ Its business activities or operations in foreign markets; ■ Its investment, lending and insurance activities which are denominated in a foreign currency. Exposure to currency risk means that the Sagicor may experience an economic or accounting benefit if exchange rates move in one direction or suffer an economic or accounting loss if exchange rates move in the other.	This is the risk of losses due to an obligor's failure to meet contractual debt obligations to Sagicor. Credit risk can arise on issuers of securities (in the Group's investment portfolios), debtors, or counterparties and intermediaries, to whom an entity within the Group has exposure.
MITIGATION	The management of Interest Rate Risk is critical to the viability of our business and maintaining shareholder value. *Some of the key strategies employed to manage this risk include:* ■ Managing the duration of our asset portfolios in relation to that of our liabilities; ■ Periodic stress-testing of our assets and liabilities given various interest rate scenarios; ■ Managing our portfolio structure of fixed and floating rate securities; ■ Managing the pricing structure of our insurance, lending and investment service activities to reflect, cost of funds, tenure interest rate expectations and other factors.	We manage our market-making and currency trading exposures by establishing and monitoring various Board approved limits, including: ■ Net Foreign Currency balance and trading exposure limits ■ Stop loss limits using Var methodologies ■ Maintaining foreign currency assets in the same currency as liabilities ■ Using appropriate hedging strategies to manage currency exposures.	We manage our credit risk exposure by: ■ Maintaining a robust credit review process; reviewing and monitoring the financial status of counterparties; and ensuring adequate and appropriate collateral is taken to secure exposures; ■ Obtaining adequate collateral and guarantees as required after a thorough customer screening and credit analysis process; ■ Assessing the market value of pledged assets and taking appropriate margins; ■ Conducting periodic reviews on existing counterparties to ensure no adverse changes in credit worthiness; ■ Risk rating counterparties and monitoring exposure against policy limits.

FINANCIAL RISKS (CONT'D)

RISKS	Liquidity	Capital Availability	Insurance
DESCRIPTION	Liquidity risk is the possibility that a firm will be unable to meet financial obligations without suffering material losses. Liquidity risk refers to both funding liquidity risk – where a firm is unable to meet its financial obligations as they become due at an economic price, and asset liquidity risk – where a given security cannot be sold at its market value due to insufficient market depth.	The risk that the Company does not have efficient access to the capital it needs to fuel its growth, execute its strategies, and generate future financial returns. This can result in a competitive disadvantage if the company is highly leveraged or its major competitors have larger cash reserves, a lower cost structure, greater market share, or access to capital through strategic alliances. As a financial services company, Sagicor is subjected to regulatory capital requirements, the lack of adequate capital may also subject the company to restrictions on its activities and/or to regulatory sanctions.	The risk of change in value due to a deviation of the actual claims payments from the expected amount of claims payments (including expenses).
MITIGATION	Liquidity is the life blood of our existence so we take its management seriously. We have an important relationship with our clients, who are our funds providers, and one of our strategies is to seek and maintain diversity in our funding sources. Our strategy also involves maintaining a prudent percentage of liquid assets in the form of: ■ Short-term Reverse Repurchase Agreements ■ Marketable Securities ■ Cash We actively seek to manage our funding liquidity risk by forecasting cash flows, stress testing, and ensuring that financial assets and liabilities are reasonably matched to manage significant cash outflows. Standby credit lines as well as highly liquid securities play a part in managing our funding liquidity risk. Our liabilities are also segmented and analyzed to monitor and reduce concentrations. Our Treasury Divisions monitor daily, weekly and monthly liquidity positions and adheres to established liquidity policy ratios.	Being a group of companies with business lines spanning various countries, Sagicor has reporting responsibilities to multiple regulatory authorities; some of which have stipulated capital requirements. Sagicor monitors its capital positions monthly and conducts frequent stress testing and scenario analyses on capital adequacy ratios.	Our Insurance Risk is managed through the establishment of underwriting guidelines, carefully selected to match our business objective and risk tolerance. Our strategy includes: ■ Regular review and update of underwriting guidelines; ■ Monitoring actual mortality / morbidity experience against that expected in the product pricing and actuarial reserves and adjusting assumptions where necessary; ■ Adjusting premiums for the existing business where possible; ■ Change product design; and ■ Discontinuing low performing products.

BUSINESS RISKS

RISKS	Legal/Regulatory Compliance	Corporate Governance	Litigation
DESCRIPTION	In our highly regulated sector, we are exposed to the risk of sanctions imposed by financial sector regulators for non-compliance to relevant guidelines/laws. Additionally, our asset values could be adversely impacted by changes in regulatory requirements and laws.	This is the risk of loss resulting from perceived and actual conflicts of interest in the management and control of the Institution's assets. This may be the result of a lack of separation of duties amongst group entities and within the Bank, co-mingling of Bank assets with trust assets, lack of independence of the Board Of Directors, inconsistent Management/Shareholder objectives, and / or the capacity/ability of management.	This is the risk of loss resulting from inadequate legal response or untimely follow up to pending litigation or claims or complaints. This includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from private settlements arising from credit portfolio or depositing taking activities, as well as supervisory action.
MITIGATION	Policies and guidelines are documented and implemented to provide guidance to our team members on various regulatory requirements. Appropriate training is also conducted and our Compliance team ensures adherence to policies and regulatory guidelines. Our Internal Audit team also provides compliance reviews to ensure adherence to policy and regulatory requirements.	Corporate Governance is taken seriously at Sagicor. The Board of Directors, ultimately responsible for the smooth running of our company, is carefully selected to ensure it has adequacy and diversity in experience and capability and comprises of independent members. The Group has also established a Corporate Governance committee to monitor and report on pertinent governance issues, including potential conflicts of interest.	■ Our Group Legal department acts as our first line of defence by carefully vetting all contractual arrangements prior to signage. ■ All new products, including terms and conditions are also reviewed by our Legal team to ensure congruency with all applicable laws and regulations.

THE GROUP UTILIZES AN INTEGRATED APPROACH IN MANAGING THE ACTIVITIES ACROSS OUR BUSINESS LINES TO ENSURE THAT AGGREGATE GROUP RISK EXPOSURES ARE CONTROLLED WITHIN ESTABLISHED TOLERANCE LEVELS.

Sagicor is my extended family, the friendships and bonds I have made here throughout the years has truly made me feel blessed and happy to be a part of such an amazing organization.

Geoffery Chong
2016 Sagicor Investments Highest Overall Achiever, Star of the Year

130 STUDENTS WERE SELECTED TO PARTICIPATE IN THE INSPIRE PROJECT RETREAT WHICH SERVED TO EMPOWER YOUTH LEADERS BY COMPLEMENTING THEIR EDUCATIONAL EXPERIENCE WITH DISCUSSIONS, TALKS AND OTHER ACTIVITIES PURPOSED TO STIMULATE AND MOTIVATE THEM TOWARD CONTINUED EXCELLENCE.

On October 21-23, 2016, Sagicor hosted our first motivational event for tertiary-level students. Our aim was to engage young leaders across Jamaica in a series of exhilarating activities purposed for their holistic development and empowerment at the Hilton Rose Hall in Montego Bay, Jamaica.

We invited the leaders of the various Student Guilds/ Unions and select club presidents of schools across Jamaica to be a part of this life-changing experience. 130 students were selected to participate in the retreat which served to empower youth leaders by complementing their educational experience with discussions, motivational talks and other activities purposed to stimulate and motivate them toward continued excellence.

These amazing young people were selected because they set themselves apart on their respective campuses through their exemplary leadership or through their academic achievement. All the students selected either achieved a high grade point average, were president of their student body or a club or were deemed future leaders by their respective campuses.

The weekend's activities kicked off with a 'power hour' rap session where members of the Sagicor Group Jamaica Leadership Team shared stories of success with pockets of students scattered across the Hilton property. Friday night ended with the "Exhale" welcome cocktail reception on the beach, which was outfitted with fire pits and a special surprise to intensify the night's proceedings. Saturday morning, themed "INVIGORATE", treated the Future Leaders to an exercise session on the beach with one of Jamaica's top fitness experts, Karelle Ashley.

Saturday's all-day motivational session saw speakers such as Loeri Robinson, Sagicor's top financial advisor, Michael Maragh, accountant and motivational speaker, Bruce James, president of the MVP Track Club, Novia McDonald-Whyte, Jamaica Observer lifestyle editor; and Dr. Randal Pinkett, Season 4 winner of NBC's Apprentice. All speakers gave attendees lessons which they will no doubt ponder for the rest of their lives. Later on, students would have a chance to have fun at the exclusive "ELEVATE" party.

On the final day of the three-day weekend, the students met Sagicor's President & CEO, Richard Byles, for a motivational breakfast session where he fielded questions and shared his life lessons as a successful businessman.

The Sagicor Group Leadership team as well as a powerful cadre of motivational speakers remained available to the student leaders throughout the three-day event.

Inspire Project Future Leaders are all smiles after receiving their welcome package following their arrival at the Inspire Project weekend held last October at the Hilton Rose Hall

It's a wrap! Sagicor Future Leaders, speakers and Sagicor Group Marketing team members come together for one last group shot after a spectacular Sagicor Inspire Project weekend.

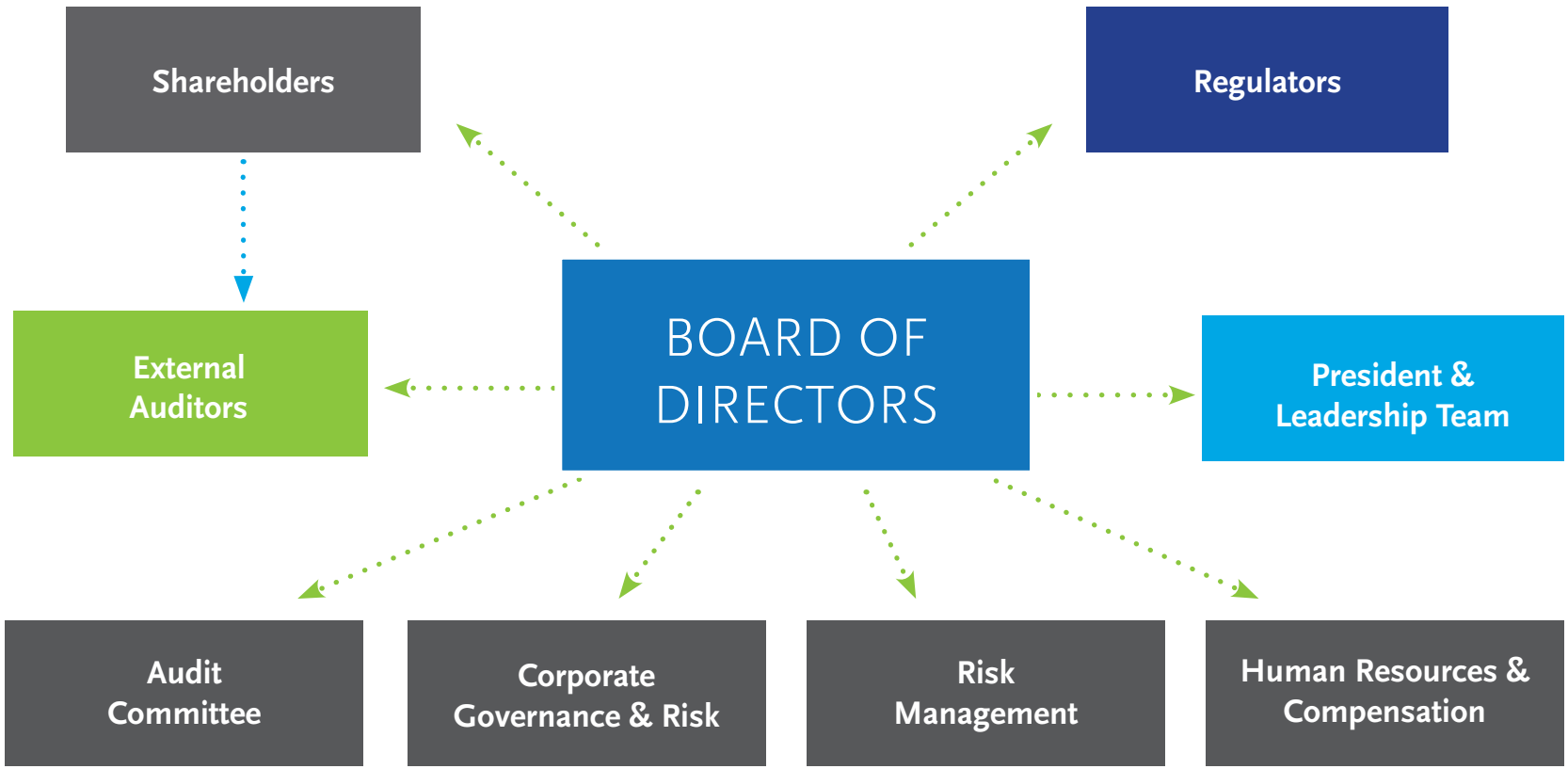
Loeri Robinson, Top Sagicor Financial Advisor, shares a special moment with a Sagicor Future Leader after her speech at the Sagicor Inspire Project held at the Hilton Rose Hall and Spa.

Mark Chisholm, Executive Vice President, gets the Sagicor Future Leaders all revved up at a breakout session at the Sagicor Inspire Project weekend.

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.

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



THE BOARD OF DIRECTORS

THE ROLE OF THE BOARD OF DIRECTORS IS TO PROVIDE EFFECTIVE LEADERSHIP AND DIRECTION TO ENHANCE THE LONG-TERM VALUE OF THE GROUP TO ITS SHAREHOLDERS AND OTHER STAKEHOLDERS.

The Board oversees the business affairs of the Group and has overall responsibility for:

i. Setting the Group's strategic plans, and approving the annual budget;
ii. Assessing the financial and human resources in place for the Group to meet its performance objectives;
iii. Overseeing the process for evaluating the enterprise risk management framework and the adequacy of internal controls, financial reporting and compliance;
iv. Corporate governance practices.

BOARD FUNCTIONS

The duties and responsibilities of the Board are outlined in the Board Charter which provides clear guidelines on how the business of the Board should be conducted.

Board meetings are held monthly, except in the month of August, with a structured agenda comprising matters reserved for the Board. The Directors also meet on an adhoc basis to consider matters which are deemed urgent and critical to the functioning of the Company and the Group.

The Board has delegated certain of its authorities to various Board Committees, namely the Audit Committee, the Corporate Governance and Ethics Committee, the Human Resources and Compensation Committee and the Risk Management Committee and the Investment Committee. Each Committee has its own terms of reference and reports are provided to the Board and monitored. The Board ultimately has responsibility for the decisions and recommendations of the committees, the decisions of which are later ratified by the Board and recorded in the minutes.

Certain 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.

BOARD COMPOSITION AND STRUCTURE

As at December 31, 2016, the Board has thirteen (13) directors and is chaired by Dr the Hon. R.D. Williams C.D., O.J., LL.D., J.P. Twelve (12) directors are non-executive directors and one (1) is an executive director. An executive director is one who holds office (or is employed to the Group or its associated or affiliated companies). Of the 12 non-executive directors, 5 are deemed to be independent as defined in its Corporate Governance Code. A director is not independent in the following instances (unless the Board can argue a case for independence):

1. The director or an immediate family member is or was in any of the last five years an employee or officer in the Sagicor Group.
2. The director participates in the Group's share option or a performance-related pay scheme, and is a member of the Company's pension scheme.
3. The director or the director's spouse has a significant interest in a class of the Group's shares.
4. External auditor in certain instances i.e.
   - The director or an immediate family member is a current partner of a firm that is engaged as an internal or external auditor within the Sagicor Group;
   - The director is a current employee of such a firm;
   - The director's immediate family member is a current employee of such a firm and participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or
   - The director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Group's audit within that time.
5. A director who is an executive officer or an employee, or whose immediate family member is an executive officer, 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, is not "independent" until three years after falling below such threshold.
6. The Company beneficially owns 5% or more of any class of equity securities of an entity:
   i. controlled by the director;

ii. in which the director has an investment equal to 15% or more of the director's net worth,
iii. for which the director is an officer or has a similar position, or;
iv. for which the director could reasonably be deemed to have a material influence on the management of such entity.

7. The director holds 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).

The office of Chairman and Chief Executive Officer is kept separate to ensure transparency and independence. The Chairman, who is the founder of the company, is a non-executive Chairman and is responsible for the efficient and effective functioning of the Board. He ensures 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. The President and Chief Executive Officer, Mr Richard O. Byles is the only Executive Director. He is the highest ranking officer of the Group and is responsible for running the day-to-day operations of the Group, 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.

BOARD EXPERTISE

The composition and size of the Board is determined having regard to the skills and core competence of its members to ensure an appropriate balance of skills, experience and gender. The Board considers that its members possess the necessary competencies and knowledge in wide and diverse areas relevant to the business. These include areas

BOARD EXPERTISE

DIRECTOR	Gen Mgt	Int'l Bus	Finance	Strat Mgmt	Corp Law	Banking	Corp Fin M&A	Asset Mgt	Insurance	HR Mgt	Property	Info Tech	Other
Paul Facey	•		•	•		•		•			•		
Stephen McNamara	•	•			•						•		Corp. Gov.
Stephen Facey	•		•	•			•				•		
Paul Hanworth	•	•	•	•			•		•		•		
Richard Downer	•	•	•	•		•	•						
Marjorie Fyffe Campbell	•		•	•						•	•		Corp. Gov.
Jeffrey Cobham	•		•	•		•				•			
Peter Melhado	•		•	•		•	•	•	•				
Jacqueline Coke-Lloyd	•	•		•						•	•		Marketing & PR
Hon R D Williams	•			•		•			•		•		
Dodridge Miller	•	•	•	•	•	•	•	•	•			•	
Richard Byles	•		•	•		•	•	•	•	•			
Peter Clarke	•				•		•	•					

of international business, banking, corporate finance, strategic management, human resources and corporate governance. This breadth of knowledge and expertise provide 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 appointment, tenure, retirement and re-election of directors are conducted in accordance with the Company's Articles of Incorporation. Directors hold office for three (3) years, or until they cease to be a director. Each year at least one third of the directors retire at the company's Annual General Meeting and are eligible for re-election by the shareholders. Directors serve for three (3) years and are eligible for re-election to hold office up to age 65. The Corporate Governance and Ethics Committee has as one of its mandate to review the Board size and composition and to recommend directors for appointment by the shareholders. The Articles of Incorporation also allow a director to sit after attaining the age of 65 where the Board in the exercise or its discretion invites a former Director or any other person who has attained 65 years to serve as a Director for a specified period, subject to retirement or re-election as otherwise provided for in the Articles of Incorporation.
Director Peter Melhado retires by rotation. 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 for a further period of one year given their institutional knowledge and areas of expertise which are all relevant to the Group's strategic direction. Mr. Byles who attained the age of 65 years in 2016, has been appointed to continue to serve for a further period of 3 years. The directors are being recommended for re-election by the shareholders having regard to the expertise, core competence and the performance of each nominee and their willingness to devote time required to effectively perform their role as directors. Mr. Zacca has also been appointed a director of the company effective May 1, 2017.

DIRECTOR ORIENTATION AND TRAINING

Directors are inducted in the business through a formal orientation process. In addition, our directors receive periodic training relating to the core business of the Company and its subsidiaries, including the drivers of the business lines, products and subsidiaries. No new directors were appointed during 2016.
Directors are also kept abreast of trends in the business and regulatory environment. During the year, Directors participated in the annual mandatory AML/CFT (Anti Money Laundering & Counter-finance Terrorist Activity) training.

As part of the continuing director education exercise, the Board is informed of trends in financial reporting. Special sessions were held on IFRS – Transfer pricing and Shadow Accounting; changes in accounting standards and regulatory changes which impact the Group.
Particulars of the training programmes attended by directors as arranged by the Group include:-

- Enterprise Risk Management across Sagicor Group
- Understanding the Balanced Scorecard (Performance incentives, scheme financials)
- Cyber Security Awareness
- An annual offsite Board/Management Retreat was held over two days in October 2016. This provided an opportunity for an indepth assessment of the strategic plan presented by the Leadership Team and issues impacting the lines of business and a look at the future direction of the Group.

BOARD OPERATIONS

In 2016, the Board held eight (8) formal meetings; in addition, adhoc meetings were held to deal with other urgent matters. Directors also participate in meetings by telephone or teleconference in accordance with the Articles of Incorporation. The critical agenda items which were covered at board meetings during the year included:

- The approval of the year-end Audited Financial Statements;
- The review and approval of the quarterly unaudited financial statements and reports to the stockholders;
- Annual General Meeting preparation;
- Approval of the Company's Budget and Strategic Plan for 2017-2019;
- 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;
- Consider and approve new Corporate Policies and approved amendments to existing policies.

BOARD COMMITTEES

Some Board functions are delegated to Committees of the Board, each with clearly defined mandates which are Board approved. The 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. The Committees are Audit & Compliance, Risk Management, Corporate Governance & Ethics, and Human Resource & Compensation.

The 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. The committees each comprise a majority of non-executive directors. Members of the Executive Management team attend meetings as invitees and participate in the meetings through presentation of discussion documents and development of strategies.

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. This Committee comprises non-executive directors: Mr. Richard Downer (Chairman), Mrs. Marjorie Fyffe Campbell, Mr. Paul Facey, Mr. Paul Hanworth, Mrs. Jacqueline Coke-Lloyd and Mr. Peter Melhado. Key members of the management team attend as invitees.

The Committee met six (6) times during the year to 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.

The Committee also reviewed and approved the Annual Audit Plan and the Audit Charter during the period. It also considered the management of fraud activities across the Group and recommended the Anti-Fraud framework for approval by the Board.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee oversees and assesses the Group's risk appetite in respect of financial and regulatory risks.

The Committee met three (3) times and considered and approved 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. Additionally, each subsidiary monitors financial, regulatory and operational risks through their respective Risk Committees.

The members of the committee are: Mr. Paul Hanworth (Chairman), Mr. Dodridge Miller, Mr. Jeffrey Cobham, Mr. Richard Downer, Mr. Stephen McNamara and Mr. Richard Byles. The Chief Risk Officer, attends the meetings as invitee.

HUMAN RESOURCE AND COMPENSATION COMMITTEE

The Human Resource and Compensation Committee has overall responsibility for the Human Resource policies and practices in line with the strategic goals of the Group, the compensation policies and recommends the Management Succession plans and the Pension Plan the team to the Board.

The Committee met five (5) times during the period to consider and approve the annual and long-term incentive plan for executives and the bonus payment to staff. The review of the Pension Fund Performance and amendments to benefits and issues affecting team members were also considered. The Committee gave oversight to the union negotiations and issues which are likely to affect the business arising from the exercise. The annual Team Member Satisfaction Survey is monitored through this committee.

Audit & Compliance Committee Monitors the effectiveness of the Company's risk management and internal control systems and compliance with applicable regulations and laws.	Human Resource and Compensation Committee Has overall responsibility for the Human Resource policies and practices in line with the strategic goals of the Group.
Risk Management Committee Oversees and assesses the Group's risk appetite in respect of financial and regulatory risks.	Corporate Governance and Ethics Committee Ensures compliance with best practice standards of Corporate Governance and Ethics.

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.

The members are Dr. The Hon R. Danny Williams (Chairman), Dr. Dodridge Miller, Mrs. Marjorie Fyffe Campbell, Mrs. Jacqueline Coke-Lloyd and Mr. Stephen Facey. The President, Vice President, Group Human Resource and the Chief Financial Officer also attend as invitees to the meetings.

CORPORATE GOVERNANCE AND ETHICS COMMITTEE

The Corporate Governance and Ethics Committee is charged with ensuring compliance with best practice standards of Corporate Governance and Ethics. The Committee's mandate also includes the management of the process for director succession, nomination and re-election, the performance evaluation of the Board as a whole and that of each director, directors' compensation, related party transactions and issues relating to any potential conflicts of interest.

The Committee met four (4) times in 2016. Among the matters considered and approved were the Related Party Transactions, the Procurement Policy and Framework (as revised), the process for dealing with potential conflicts of interest and the review of the list of Corporate Policies to ensure that these were being updated periodically. The level of directors' compensation was also reviewed to ensure that this is maintained in line with similar entities within the financial sector or companies listed on the Jamaica Stock Exchange. The effectiveness of the procurement process and contracts awarded to suppliers and vendors were monitored against the guidelines.

DIRECTOR INDEPENDENCE

The corporate governance structure is further strengthened by the commitment to director independence. Directors are required to submit to an annual self-assessment of their compliance with independence and conflict of interest requirements.

BOARD EVALUATION AND PEER REVIEW

The Board Evaluation and Director Peer Review are conducted by the Chairman of the Committee and the Chairman of the Board each year respectively. The purpose of the review is to determine the effectiveness of the Board as a whole, its committees and each individual director. There are three elements to the process:

i. Self-Assessment
ii. Board assessment
iii. Peer Assessment.

Arising from the exercise, the Chairman of the Board 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. The trend over the past two years showed an improvement in the scores of the directors. 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.

The Directors are insured under a Directors' and Officers' Liability Policy in respect of legal action which may be brought against them in certain instances. This policy also covers the Executive Management team.

The committee comprises only non-executive directors with diverse areas of expertise including Corporate Governance. The members are Mrs. Marjorie Fyffe Campbell (Chairman), Dr the Hon. R. D. Williams, Mr. Stephen Facey and Mrs. Jacqueline Coke-Lloyd. The President the Corporate Secretary and the Chief Financial Officer are invitees to the meetings.

The details of the number of meetings and Committee meetings held during the year and the attendance of directors are provided in the table below:

DIRECTORS' REMUNERATION

The Board determines the level and structure of fees paid to non-executive directors annually; executive directors are not paid fees in respect of their office as a director of the Company or any of its subsidiaries. The fees comprise a basic retainer and an additional fee for appointment to the various committees. Where the director sits as chairman of a committee, he/she is paid a separate fee for holding that office. Fees are paid quarterly.

Total fees paid to non-executive directors in 2016 amount to $26,754,000. Having regard to the prevailing market conditions and referencing directors' fees with that of the peer group, i.e other listed companies, there was no change in directors' fees during 2016.

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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 also have the opportunity to participate effectively through a question and answer session at the Company's Annual General Meeting and are given clear guidelines before voting at the Annual General Meeting of the shareholders. The Minutes of the Annual General Meetings are prepared and made available to shareholders for review at the meeting.

DIRECTORS' ATTENDANCE: **BOARD AND COMMITTE MEETINGS 2016**

DIRECTORS	Board	Audit Committee	Risk Management	Corporate Governance & Ethics	Human Resource & Compensation
	Total Meetings	Total Meetings		Total Meetings	Total Meetings
(Number of Meetings Attended)	held: 8	held: 6	held: 3	held: 4	held: 5
Hon. R. D. Williams	7 of 8	-	-	4of 4	5 of 5
Dr. Dodridge Miller	4 of 8	-	0 of 3	-	0 of 5
Richard Byles	8 of 8	-	1 of 3	-	-
Stephen Facey	7 of 8	-	-	4 of 4	3 of 5
Paul Hanworth	7of 8	5 of 6	3 of 3	-	-
Jeffrey Cobham	8 of 8	-	2 of 3	-	-
Marjorie Fyffe-Campbell	8 of 8	5 of 6	-	4 of 4	5 of 5
Richard Downer	8 of 8	6 of 6	3 of 3	-	-
Stephen McNamara	6 of 8	-	2 of 3	-	
Peter Melhado	7 of 8	4 of 6	-	-	
Jacqueline Coke-Lloyd	7 of 8	6 of 6	-	4 of 4	5 of 5
Paul Facey	8 of 8	5 of 6	-	-	-

OUR **SUBSIDIARIES**

Left to Right: Donovan Perkins, Latoya Mayhew-Kerr, Rohan Miller, Mark Chisholm, Fernando Viquez

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
Rohan Miller
President & CEO

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

SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.
1st Floor Harbour Place
103 South Church Street,
George Town
Grand Cayman KY1-1102
Cayman Islands
Tel: (345) 949-8211
Fax: (345) 949-8262
Mark Chisholm
President & CEO

SAGICOR COSTA RICA, SCR, S.A.
102 Avenida Escazu,
Torre, 2 Suite, 405
Escuzu, San Jose,
Costa Rica
Fernando Viquez
Deputy Manager

SAGICOR INSURANCE MANAGERS
1st Floor Harbour Place
103 South Church Street,
George Town
Grand Cayman KY1-1102
Cayman Islands
Tel: (345) 815-0841
Fax: (345) 949-6297

SAGICOR POOLED INVESTMENT FUNDS LIMITED
R. Danny Williams Building
28 – 48 Barbados Avenue,
Kingston 5, Jamaica W.I.
Tel: (876) 929-8920-9
Fax: (876) 929-4730

SAGICOR ST. LUCIA LIMITED
c/o McNamara Corporate
Services Inc.
20 Micoud Street
Castries, St. Lucia
Tel: (758) 452-2662
Fax: (758) 458-0007

SAGICOR RE-INSURANCE LIMITED
1st Floor Harbour Place
103 South Church Street,
George Town
Grand Cayman KY1-1102
Cayman Islands
Tel: (345) 815-0841
Fax: (345) 949-6297

SAGICOR PROPERTY SERVICES LIMITED
63-67 Knutsford Boulevard
Kingston 5, Jamaica W.I
Tel: (876) 929-9182-9

CORPORATE **DATA**

DIRECTORS:

Dr. the Hon. R.D. Williams
O.J., C.D., LL.D (Hon.)., J.P.
CHAIRMAN

Richard O. Byles
PRESIDENT & CEO

Peter Clarke
Jeffrey C. Cobham
Jacqueline Coke-Lloyd
Richard Downer
Paul A.B. Facey
Stephen B. Facey
Marjorie Fyffe Campbell
Paul Hanworth
Stephen McNamara
Peter Melhado
Dr. Dodridge D. Miller

LEADERSHIP TEAM:

Richard O. Byles
President & CEO

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

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

Rohan D. Miller
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
and Actuary

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

Donovan H. Perkins
President & CEO
Sagicor Bank Jamaica Limited

Philip Armstrong
Deputy CEO
Sagicor Bank Jamaica Limited

Ingrid Card
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.

Attorneys:

Myers, Fletcher & Gordon
21 East Street
Kingston

Patterson Mair Hamilton
Temple Court,
85 Hope Road
Kingston 6
St. Andrew

Nunes, Scholefield Deleon & Company
6A Holborn Road
Kingston 10
St. Andrew

DunnCox
48 Duke Street
Kingston

Hart Muirhead Fatta
Victoria Mutual Building, 2nd Floor
53 Knutsford Boulevard
Kingston 5
St. Andrew

Registered Office:

R. Danny Williams Building
28-48 Barbados Avenue,
Kingston 5,
Jamaica, W.I.
Telephone : (876) 929-8920-9
Toll Free : 1-888-SAGICOR
Fax No : (876) 929-4730
Email : infoja@sagicor.com
Cable Code : 'LOJAM'
Website : www.sagicorjamaica.com

FOREIGN OPERATIONS

THE CAYMAN ISLANDS
Sagicor Life of
The Cayman Islands Ltd.
103 South Church Street,
P.O. Box 1087,
Georgetown, Grand Cayman,
Cayman Islands KY1-1102.

TURKS & CAICOS ISLANDS
Turks & Caicos
First Insurance Limited
T & C First Building
Downtown
P. O. Box 80
Providenciales
Turks & Caicos Islands

COSTA RICA
Sagicor Costa Rica
102 Avenida Escazu,
Torre, 2 Suite, 405
Escuzu, San Jose,
Costa Rica

VICE PRESIDENTS

EMPLOYEE BENEFITS DIVISION

Carol Lawrence
Vice President
Group Insurance Services

Nicola Leo-Rhynie
Vice President
EBD Marketing

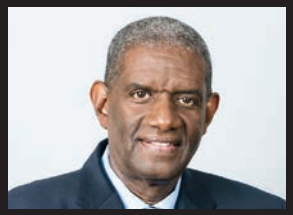
EMPLOYEE BENEFITS ADMINISTRATOR LTD.

Latoya Mayhew-Kerr
Vice President
Employee Benefits Administrator Ltd.

Individual Insurance Division

Audrey Flowers-Clarke
Vice President
Insurance Operations

SAGICOR BANK JAMAICA LTD.



Jeffrey Chevannes
Vice President
Credit Risk

Sabrina Cooper
Vice President
Retail Banking

Sean Parris
Vice President
Operations

Michael Willacy
Vice President
Corporate and Commercial Banking

SAGICOR LIFE JAMAICA LTD.

Brenda-Lee Martin
Vice President
Asset Management

SAGICOR INVESTMENTS JAMAICA LTD.

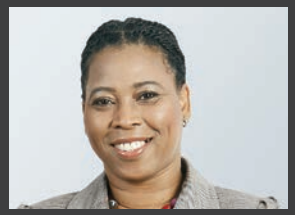
Tara Nunes
Vice President
Wealth Management & Client Services

Donnette Scarlett
Vice President
Treasury and Investment Services

Kevin Donaldson
Vice President
Capital Markets & Fund Management

GROUP SHARED SERVICES

Mark Clarke
Vice President
Group 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.

Corrinne Bellamy
Assistant Vice President
EBA Actuarial Services

EMPLOYEE BENEFITS DIVISION

Nadia Hamilton
Assistant Vice President
EBD Underwriting

Megan Irvine
Assistant Vice President
Pensions and Annuities

INDIVIDUAL INSURANCE DIVISION

Merrick Plummer
Assistant Vice President
Sales and Distribution

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

SAGICOR BANK JAMAICA LTD.

Tanya Allgrove
Assistant Vice President
Credit Risk

Natasha Dixon
Assistant Vice President
SME Business Banking

Annette Osborne
Assistant Vice President
Operations

Omar Brown
Assistant Vice President
Treasury

SAGICOR PROPERTY SERVICES LTD.

Wayne Robinson
Assistant Vice President
Sagicor Property Services Ltd.

GROUP SHARED SERVICES

Andrew Burke
Assistant Vice President
Group IT and Data Security

Andrea Chung
Assistant Vice President
Group Project Management Office

Kimberly Demetrius
Assistant Vice President
Finance Quality Assurance & Internal Controls Banking

Jacqueline Donaldson
Assistant Vice President
Group Corporate Services

SAGICOR INVESTMENTS LTD.

Faith Vincent
Assistant Vice President
Treasury & Investment Operations

GROUP SHARED SERVICES

Coretta Foster
Assistant Vice President.
Group Human Resources

Vinnate Hall
Assistant Vice President
Group Internal Audit

Lorna Jamieson-Bond
Assistant Vice President
Group Management Accounting

Jacinth Kelly
Assistant Vice President
Insurance Accounting

Patrick Kelly
Assistant Vice President
Group Application Support and Development

GROUP SHARED SERVICES

Christopher King
Assistant Vice President
Corporate Actuarial

Damion McIntosh
Assistant Vice President
Finance, Banking

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

Camisha Sinanon
Assistant Vice President
Group Corporate Accounting

Camille Witter
Assistant Vice President
Corporate Actuarial

REGIONAL AND BRANCH MANAGERS

SAGICOR LIFE **JAMAICA**

Olivine Barnes
Spanish Town Branch

Dale Greaves Smith
Mandeville Branch

Patrick Sinclair
Montego Bay Branch
Senior Branch Manage

Mavis Ferguson
Ocho Rios Branch
Senior Branch Manager

Christopher Lawe
Holborn Branch

Marvin Walters
Senators Branch

Randolph McLean
Knutsford Branch
Senior Branch Manager

Roaan Brown
Belmont Dukes Branch

Dave Hill
Sagicor Insurance Brokers

Marston Thomas
Half-Way-Tree Branch

Pete Forrest
Corporate Circle Branch
Senior Branch Manager

Donovan McCalla
New Kingston Branch

Norman Wilson
Sagicor Life of the
Cayman Islands

SAGICOR BANK **JAMAICA**

Oral Heaven
Regional Manager - North,
Branch Manager -
Montego Bay and Fairview

Clinton Hunter
Regional Manager -
Corporate

Loven McCook
Regional Manager - South,
Branch Manager - May Pen

Carla Drummond
Branch Manager
Sav-la-Mar(Region North)

Marvia Brown
Branch Manager
Dominica Drive
(Region Corporate)

Tamara Waul-Douglas
Branch Manager Hope
Road and Liguanea
(Region Corporate)

Vilma Barrett Gunter
Branch Manager
Black River(Region South)

Glenroy Morgan
Branch Manager
Portmore (Region South)

Tricia Moulton
Branch Manager
Up Park Camp
(Region Corporate)

Kavon Walker
Branch Manager
Mandeville (Region South)

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

Doreen Pindling-Williams
Branch Manager
Ocho Rios (Region North)

Ingrid Wood
Branch Manager
Half Way Tree & Tropical Plaza
(Region Corporate)

SAGICOR INVESTMENTS **JAMAICA**

Karen Richards
Regional Manager
Investment Client Services
(Kingston Metropolitan
Area)

Jacqueline Lambert
Manager
Wealth Management

Stephanie Vassell
Regional Manager
Investment Client
Services (West)

Chevaughne Miller
Regional Manager
Investment Client
Services(Central)

HOW WE SERVE **OUR CLIENTS**

2016 saw our clients winning in all the various ways that we serve them.

During the year we touched over 1,300,000 of our Banking, Insurance and Investments clients in our service halls and interacted with over 500,000 on the telephone and online chat facility.

We continued to maintain our quality interactions with our clients with our wait time in our service halls on average being kept below 30 minutes for approximately 65% of our clients. Answer rates in the Group Client Contact Centre averaged 80% with quality interaction being maintained at an industry best of 97%.

Our Health Claim Benefit payments continue to deliver weighted accuracy levels of over 99% and up to the end of November were able to show a slight improvement on our payment of claims within 5 working days, achieving 90.82% as at the end of November, ahead of the new system implementation on December 1. We processed over 3 million claims in 2016.

We maintained efficiency with the processing of Group Life and Health new member enrolments and dispatch of health cards, with 96% and 95%, respectively handled within 5 days. The Group Life & PA Claims team performed better in 2016, ending the year with over 94% of claims paid within 5 working days (following receipt of all required documentation).

Our weekly transactional surveys conducted across all business lines, ensure that we are alerted to any adverse experience that a client might have had at any of our points of contact in the previous week.

With our delivery of quality service to all our clients, the Sagicor Jamaica Group for the 2016, got an excellent approval rating from our clients with a NPS score of 37% , a 7% increase over 2015.

Our Self Help Online Portals continue to grow in their utilization, with "My Sagicor" showing a significant increase in the number of members utilising the pension online web interface. We are very pleased with this increased interaction by members, pointing to an encouraging growth in interest by members in the matter of pensions. We are optimistic that this will translate into greater focus on their need to save toward their retirement and preserving their pension benefits for the time when they will need it the most. The "ClientWeb" portal has seen a 55% increase in the utilisation by our Individual Insurance Clients who are now able to conduct transactions online, saving them coming into our locations. The "E-Banking" portal has seen similar growth, especially with the launch of the E-Bank App for mobile devices.

We continue to be responsive to the urgings of our clients and with that we rolled out our new Annual Report format for our Pension clients, which included brand new features such as:-

- photographs of each of the Trustees and their profiles, so that all their members can be acquainted with them
- more key indicators about the plan readily visible by the Trustees and members
- a simplified and more user-friendly format, facilitating an enhanced understanding of the report by members and Trustees

The feedback from our clients has been very encouraging and we commit to continue making improvements to benefit them and their members.

We continue to respond and resolve 90% our client's complaints within 7 days and continue to track all our Social Media platforms, ensuring that we respond to our clients whenever and wherever they speak.

WITH OUR DELIVERY OF QUALITY SERVICE TO ALL OUR CLIENTS, THE SAGICOR JAMAICA GROUP FOR THE 2016, GOT AN EXCELLENT APPROVAL RATING FROM OUR CLIENTS WITH A NPS SCORE OF 37%, A 7% INCREASE OVER 2015.

TEAM HIGHLIGHTS

IN 2016, WE CONTINUED TO STRENGTHEN THE TEAM AS WE EMBARKED ON NEW INITIATIVES FOR TEAM MEMBER ENGAGEMENT AND DEVELOPMENT, WHILE CONTINUING TO STREAMLINE BUSINESS LINES TO ENSURE EFFICIENCY AND CONTINUITY WITHIN THE GROUP.

TEAM MEMBER SATISFACTION

AT SAGICOR GROUP JAMAICA WE AIM TO CREATE A SAFE AND COMFORTABLE WORK ENVIRONMENT THAT BUILDS POSITIVE TEAM MORALE, ENSURING WE DEVELOP HIGHLY MOTIVATED, EMPOWERED AND GOAL-ORIENTED TEAM MEMBERS.

Our team members are regularly recognised for their performance through our team member recognition programmes. Sagicor provides market competitive benefits and compensation, ensuring that we are a great place to work. It is our belief that an engaged team will make 'over happy' clients.

In 2016, the annual LOMA Team Member Opinion Survey was distributed in October to all team members within Sagicor Group Jamaica Limited. Team member engagement was again measured and Sagicor Group Jamaica achieved an overall team member satisfaction rating of 77.4, a 1.5-point increase over 2015.

The approximate response rate for the 2016 survey was 77%, 1.5% higher than the 2015 response rate. There was an increase in all variables of the survey with the Growth & Development variable showing the largest increase. This can be attributed to the robust learning and development programmes, centralised recruiting and selection strategies and the increase in talent management activities. The survey also indicated that the Banking Division showed the largest increase by Business Unit which is a direct result of the initiatives put in place to integrate and strengthen the Banking Team.

ENGAGING THE TEAM... HEALTHY, WEALTHY AND WISE

In 2016 our focus was to develop and promote a culture of 'Winning Client Experiences', with that in mind, we implemented a three-day Induction Programme to aid in the continuation of building team synergies and in welcoming new team members into the Sagicor brand.

Our emphasis on our Wellness Programmes allowed us to ensure our team was engaging in a balanced lifestyle. This was evidenced by the reduction of our health claim utilisation rate at year-end, resulting in us being able to provide an improved group Health Benefit scheme. Our Wellness activities included:

- Our islandwide Fitness Challenges;
- Lunch & Learn Wellness Seminars
- The introduction of "Wata Wednesdayz" – to ensure a healthy lifestyle by drinking more water. Team members across the Group participated willingly and submitted their photos as proof of their participation.
- STARS Week Wellness Days;
  - Wellness Day 1 – included Farmers' Market, Blood Bank, Spas, Heart Foundation of Jamaica, etc,
  - Wellness Day 2 – Granola Bar Sale, Live Chef demonstrations by "Young Chefs", etc;
- The continued support of the Sagicor Sports Programmes;
- The expansion of the complementary Exercise Programme to our Non-Corporate Branches.

We reaffirmed that Sagicor offers a family environment, where every team member plays a key role in our success.

A HIGHLY ENGAGED TEAM LEADS TO A HIGH PERFORMING TEAM.

We kept the team engaged through numerous social and bonding activities held throughout the year, showcasing our team members' talents and ensuring that we continue to provide an environment of wellness and enjoyment. Events such as:

- The RIO 2016 games prompted Sagicor Group Jamaica to have our very own Olympic Games. Dubbed "Sagicor Olympics 2016", the games saw team members across the entire Sagicor Group competing and representing their houses in a schedule of exciting sports and games held at the home of champions, The National Stadium Complex, Kingston, Jamaica; Just like the Olympics, the anticipation of Sagicor Olympics 2016 had been building over the last 4 years through our Sagicor "Connect" Events - a series of preliminary qualifiers hosted at the Sagicor branches islandwide, where team members were able to earn preliminary points for their respective houses. In true Sagicor style, the Olympic Games presented yet another opportunity for team members to participate in activities that helped us to build a faster, stronger, happier and winning team through competition & sports;
- The annual Team Member Christmas Party was held at the Caymanas Estate, Jamaica;
- STARS Week Corporate Church Service and Gospel Concert;
- Our STARS Week "Performing with the STARS", "Lip Sync" and "To Di Beat" Dance Competitions, which afforded team members the opportunity to showcase their talents and creativity; and
- STARS Week including activities for our Non-Corporate team such as "Soup It Up", "Ole Time Sinting" – talent competitions and "Irie Blends" – mixology competitions.

SAGICOR CARES

Sagicor is a leader in corporate social responsibility and our team members continue to actively volunteer and give back to the community by supporting:

- The STARS Week Blood Drive;
- The STARS Week Charity Days for the New Hope Children's Home in Manchester, Jamaica Christian Boys' Home in Kingston and the Strathmore Gardens POS in St Catherine;
- The Christmas Visit and Gift-Giving to the Golden-Age Home;
- The Adopt-A-School programme, in which several departments within the Group adopted and gave back to a primary school throughout the year.

Team members enjoying themselves at the 2016 Live Your Passion event.

Frances Angus, Wealth Advisor, Sagicor Investments is all smiles at the 2016 Live Your Passion event.

Sagicor Investments' Kirk Brown receives an award from Guest Speaker Therese Turner-Jones at the 2016 Jamaica Stock Exchange Best Practices Awards.

AFTER-CARE PROGRAMME

SAGICOR IS COMMITTED TO ITS TEAM MEMBERS WHO ARE PARENTS AS WE UNDERSTAND THE DEMANDS OF MAINTAINING A WORK LIFE BALANCE.

The after-care programme fulfils Sagicor's commitment to being the ideal place to work. The programme runs directly after school, or during evenings, and we have expanded to have a programme during summer vacations and other holidays. The after-care programme is managed by its own team of teachers who are trained and equipped to accommodate the needs of every child.

The programme offers

- Secure and spacious location in the Sagicor Auditorium
- Hands-on supervision of children
- Recreational activities such as organised indoor and outdoor games, movie days, free-play for younger children
- Reading and Spelling assistance
- Assistance to ensure that children complete their homework correctly by trained, competent teachers
- Assistance with GSAT preparation from grades 4-6
- Special attention given to slow learners
- Complementary drink at break time

Summer Camp 2016

- In this age of advanced technology, there has to be much more to summer camp than hop scotch, board or tag games and so Sagicor Group offered its team members a summer programme for their children filled with fun, learning and astounding experiences during the months of July and August. The camp offered a balanced programme of academic support, arts and cultural enrichment, recreation, and nutrition. Exposed to both indoor and outdoor activities, the campers went on numerous excursions throughout the summer. The exciting, fun-filled summer camp ran from Mondays to Fridays, 8:30 a.m to 5:00 p.m., with activities to occupy children ages 3-16.

ONGOING LEARNING

In keeping with the theme for the year, the Learning & Development team embarked on a programme to transform the culture within the group, focusing on a client experience course titled "Winning through Sagicor's Client Experience" which directly aligns with our Cultural Transformation Programme and our Net Promoter Score.

For this programme we contracted Lisa Nichols, world-renowned motivational speaker who conducted numerous sessions with the team. Lisa Nichols was an influential part of the programme titled "Inspiring the Masses" which focused on three main areas:

- Introspection and motivation of self
- Communicating Across the Business Units
- Uniting Sagicor as One

Latoya Mayhew-Kerr, VP Employee Benefits Administrator Ltd. and General Manager, Janice Grant-Taffe, SVP General Counsel and Corporate Secretary and Audrey Flowers Clarke, VP Insurance Operations celebrate their wins at the Sagicor Olympics.

DEVELOPING OUR TALENT: BEST-FIT IN ACTION

As Group Human Resources our responsibilities to our team members includes ensuring they achieve their professional goals and reach their true potential. This year GHR met with team members from across the group to conduct and execute on:

- Career discussions
- Complete individual development plans
- Stay interviews
- Create retention strategies
- Cross training activities

These talent discussions for the year yielded completed individual development plans for team members across departments and branches. This is a continuous initiative for the upcoming year to ensure that all team members follow their plan and achieve their desired goals.

Cross Training

In March we officially launched a new and improved Cross Training programme. Team members were encouraged to be a part of the programme that allows them to learn other areas within and outside of their departments. We encourage an environment of on-the-job learning and seek to provide the best fit for each team

member. To date the programme has been a success as we have received applications from team members across the Group.

Change Management
Change Management activities continued throughout the year and took the form of intervention through the following methodologies:

- Critical path plans
- Communication plans
- Change management presentations

PLAYING OUR PART ...DEVELOPING LEADERS OF TOMORROW

In 2016, our expanded Sagicor Experience Internship Programme saw Sagicor's most recent cohort of 35 interns, graduating in style at the end of an invigorating 3-month programme that involved meaningful employment to departments aligned with their career goals, multiple training sessions, and a Showcase and Mingle Event that saw them presenting seven of their own ideas, to Sagicor's Management Team, on how to make Sagicor even stronger. The Sagicor Experience Internship Programme, conceived in 2013, gives recent university graduates an opportunity to not only gain valuable work experience and build confidence, but also to make a seamless transition into the workforce. The programme usually provides a strong pool of talent from which Sagicor can draw in its recruitment efforts and 2016 was no exception; over 70% of the recently graduated group have already rejoined the company on new contracts. The programme from October to December of each year has blossomed and has become one of our proudest initiatives.

2016 Summer Mentorship Programme

In total, two-hundred-and-fifty-one (251)individuals participated in this year's summer programme which included 6th form students (18%), university students (61%), and recent graduates (21%), including nine (9) persons who served as teachers for the Sagicor Summer Camp. Sixty-six (66) departments across all five (5) divisions hosted interns this year, in seven (7) different parishes.

More than 50% of the recent graduates who participated in this year's programme have since rejoined the Group on temporary contracts to fill various vacancies.

(Front) Lisa Nichols, Motivational Speaker and Life Coach does a mid-year check in with team members.

WE ENCOURAGE AN ENVIRONMENT OF ON-THE-JOB LEARNING AND SEEK TO PROVIDE THE BEST FIT FOR EACH TEAM MEMBER.

TEAM MEMBER OF THE YEAR 2016

TERRON DEWAR

Articulate, Driven, Energetic, Detail Oriented, Effective Communicator and Team Player are just some of the words that aptly describe Terron Dewar, a diligent and determined team member who copped the coveted award "Team Member of the Year 2016" for Sagicor Group Jamaica.

This young man, who, upon completion of his BSc in Political Science & Public Sector Management and his Masters of Science in Government: International Public Development Management at the University of the West Indies, started a relationship with Jamaica's premier market leader in the financial services in December 2014 as a Marketing Coordinator, has since created an invaluable legacy for many to emulate.

Terron's positive work attitude, adaptability, determination and knowledge of the job contributed to his development as an extremely competent and effective team member who earned the profound respect of his internal and external clients. His performance did not escape the notice of management, as within one (1) year of joining this organisation, he was promoted to the position of Assistant Manager, Group Marketing. His rapid advancement came as no surprise to the team, based on his work ethic, loyalty, dependability and commitment, they deemed it a well-deserved recognition of his unstinting and exemplary service over the past two (2) years.

Having won 'Employee of the Month' for April and June and 'Employee of the Quarter' for July – September and October – December are testimonials of his dedication and zeal. Terron is a Past President, Acting President, Vice President and Games Committee Chairman of the UWI Guild of Students and is a two-time recipient of the UWI Premiere Award (UWI's highest student award). Terron is consistently at the forefront of making it all happen. For him, every competitive challenge is an opportunity not just to survive, but to move ahead and thrive. Constantly brainstorming with his team members and always thinking "outside the box", Terron is known to formulate creative ideas to improve our products and services. His recommendation that the eAdvantage product be repriced from $5,000 to $1,000 for students, in order to make it more accessible to college students was not only approved by the Bank but was embraced as the price point for the product generally, creating a selling advantage for this unique product to be positioned in the market.

Additionally, to boost the Group Sales Loan Drive, Terron created an editable email embedded flyer with a backend calculator which allowed clients to input their loan repayment figures in order to pre-determine the total that they could afford to borrow. He then coordinated an email group for the Group Sales Team, from which all marketing communication could be sent and received. All communication was hyperlinked to the email grouping with a simple client-friendly input form which is completed and sent to the Group Sales Team, thereby improving the efficiency of the sales team in monitoring and responding to client queries. The systems allowed the team to process and disburse loans in two (2) days, without having the client visit the branch. Having launched this "Direct Offer Selling Tool" in September, the sales team went on to book over 135 loans valued at $170M.

Social involvement and volunteerism are additional hallmarks of Terron's passion. He's always volunteering to provide support to the other units within the Marketing Department, including assisting the PR team with speech writing for the company's annual "Blast Off" Event or Pension Investment Seminar or performing whatever tasks he is assigned for our annual Sigma Corporate 5K Run/Walk performing whatever tasks he is assigned.

His external community engagement includes serving as a Student Advisor on the University of the West Indies (UWI) campus, designing and deploying developmental programmes for students. These programmes include but are not limited to Event Planning for Development Seminars, Corporate Sponsorship and Entrepreneurship, Sexual Education and Health, Budgeting for Campus Life and Social Media Etiquette. He's also currently responsible for the "First Year Experience" Group and creates programmes for students that include Mentorship and Leadership Training. Additionally, he serves as co-chairman of the Baulk Basic School Board. Last year's occasion saw Terron spearheading major renovations of the school's facilities, including the installation of new bathrooms, providing adequate amenities for the children.

As a member of the Sagicor team, Terron exemplifies the values by which we operate "Service, Communication, Respect, Integrity and Teamwork" (S.C.R.I.P.T).

HIS RAPID ADVANCEMENT CAME AS NO SURPRISE TO THE TEAM, AS BASED ON HIS WORK ETHIC, LOYALTY, DEPENDABILITY AND COMMITMENT THEY DEEMED IT A WELL-DESERVED RECOGNITION OF HIS UNSTINTING AND EXEMPLARY SERVICE OVER THE PAST TWO (2) YEARS.

IN JANUARY 2016 THE COMPANY ROLLED OUT THE SAGICOR GROUP EMPLOYEE VOLUNTEER PROGRAMME THAT ALLOWED INTERESTED SAGICOR TEAM MEMBERS TO REGISTER TO PARTICIPATE IN THE COMPANY'S CSR INITIATIVES.

CARING. INSPIRING. **SERVING.**

Sagicor Group Jamaica, through Sagicor Foundation Jamaica, continued to serve the community through various initiatives in the areas of Health, Education, Community and Sports. In January 2016 the company rolled out the Sagicor Group Employee Volunteer Programme that allowed interested Sagicor Team members to register to participate in the company's CSR initiatives. Over 400 volunteers signed up and provided a strong support team for the delivery of each CSR activity across the island.

Sagicor's support to fight cancer continued through its annual partnerships with the Jamaica Cancer Society for the Relay for Life Cancer walks in Kingston and in St Ann. The company also donated $1 million towards the execution of the Keeping Abreast Luncheon.

The company continued to sponsor wellness events including the Reggae Marathon, Digital 5K Run for Special Needs and the Kingston City Run.

1

HEALTH

Sagicor Foundation hosted the 18th staging of the annual Sigma Corporate Run in February 2016. The event saw over 24,000 participants and raised over $43 million in cash and kind for its three beneficiaries: Children with Cancer Across Jamaica, The Black River Hospital Paediatric Unit and the Jamaica Cancer Society.

EDUCATION

In honour of Child Month, the Foundation launched the revamped Adopt-A-School programme that involved our branches from Sagicor Bank, Sagicor Life and Sagicor Investments coordinating efforts across the island to improve the learning facilities and conditions in nine early childhood institutions and impacted over 800 students. In its first initiative, Sagicor Team volunteers were dispatched across the island on Labour Day

to carry out well-needed renovations at each school. With a budget of $250,000 for each early childhood institution, our volunteers repainted the school facilities, fix play areas and make renovations to the kitchens and bathrooms.

During May, the Foundation also partnered with Lasco iCool to host the Reading is Cool event at Hope Zoo. The fete saw over 300 students being bused from across the island to enjoy a day of live storybook readings, games and other edutainment-related activities. A little over $500,000 was spent to host this magical day.

Sagicor continued to award and recognise outstanding GSAT and tertiary scholars through its annual Sagicor Scholarship Awards Ceremony. A total of $10,950,000 in tuition money was provided to twenty-seven tertiary students based on strong academic performance, leadership skills, community involvement and financial need. Renewals were made for previous Sagicor Scholars who were able to maintain a 3.0 Grade Point Average or higher. Fifteen top performing students in the Grade Six Achievement Test (GSAT) were awarded with academic scholarships to attend the secondary school of their choice. The programme now has over 53 students who benefit from scholarship assistance annually.
In time for the new school year we launched the Sagicor Back-to-School Health Tour which saw all schools under the Adopt-A-School banner being visited by the Sagicor Mobile Wellness Unit. The Foundation spent approximately $300,000 on health checks including vision, height and hearing tests for over 500 children. Sagicor Foundation Team Volunteers also presented the students with back-to-school supplies.

In keeping with the Foundation's mandate, 'Caring, Inspiring, Serving' we launched the Sagicor Inspire Project in October which saw 130 tertiary students from each university and college in Jamaica being treated to a weekend motivational retreat at the Hilton Rose Hall Resort and Spa. These students dubbed 'Future Leaders' were feted with various workshops and seminars where Sagicor's own executives and top performers gave encouraging talks and career guidance .Sagicor spent approximately $15 million to host the three day motivational weekend.

In November, Sagicor joined forces with The Jamaica Observer for their annual Applaud it! Luncheon, which was a unique opportunity for boys from Allman Town Primary to have lunch with a few of Sagicor Jamaica's senior executives. The industry leaders shared a few stories about their personal journey and exposed them to social and dining skills. A little under $250,000 was donated towards this life changing experience.

For the Christmas season, our Sagicor Foundation Team Volunteer Captains for each Adopt-A-School coordinated efforts with the Foundation to organise children's treats at each of the nine early childhood institutions. In addition to games and lunch for each child, the Foundation spent approximately $590,000 to present each student with their own Christmas present.

COMMUNITY

Sagicor Foundation launched the inaugural Sagicor Imagine Awards to encourage entrepreneurship and assist promising young Jamaicans who own an existing business or those who have developed a strong new or existing business idea. Three winners were hand-selected based on their solid business plan, strength of their entrepreneurial team and sound long-term financial goals. First, second and third place winners were rewarded $500,000, $300,000 and $150,000 respectively.

The company surprised mothers by handing out roses to females who were moving about on the streets of Jamaica and gave out complimentary neck massages at various Sagicor branches to female customers. The total cost for execution was approximately $500,000.

Throughout the year Sagicor coordinated various community-related activities through its dedicated team members. Following the devastation of Hurricane Matthew in Haiti, Sagicor team members raised money and hosted a food drive to send to our neighbouring island.

SPORTS

As with previous years Sagicor Foundation partnered with the Jamaica Teachers Association in May for the staging of the 33rd JTA/Sagicor National Athletic Championship. The Meet gives over 1,200 primary student athletes from across Jamaica the chance to showcase their athletic prowess on the National Stadium's track. Sagicor donated approximately $6 million to the event and offered two five-year scholarships to the Champion Boy and Girl to cover their secondary school expenses.

Sagicor also invested $1 million to stage the Sagicor/UWI Guild Champions League where teams formed by University of the West Indies students competed in weekly football matches.


Sagicor
FOUNDATION
In memory & honour
of those we love
RELAY
FOR LIFE

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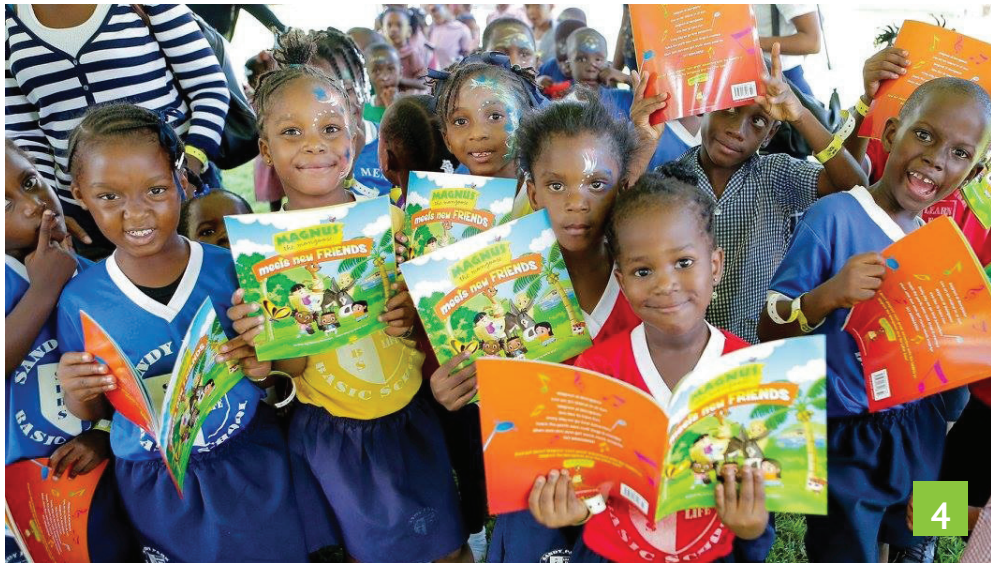
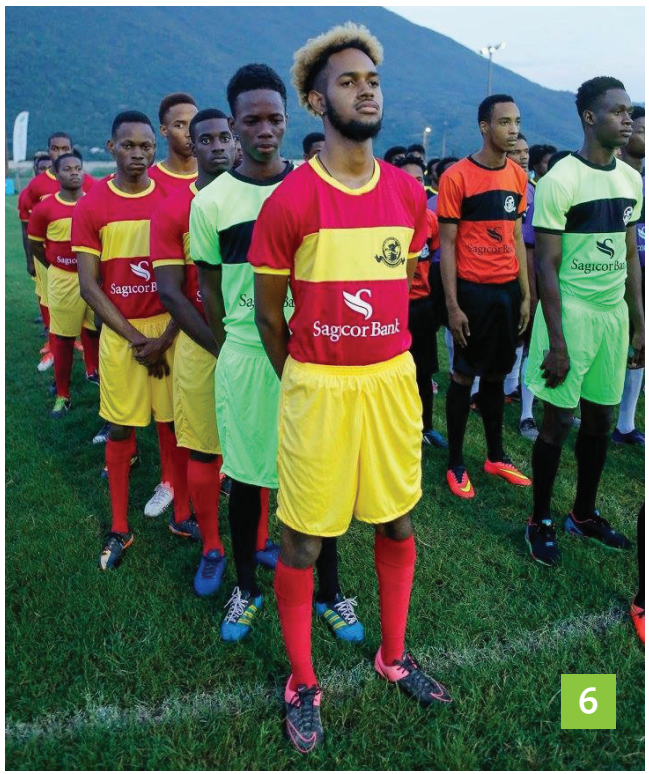

MAGNUS
meets new FRIENDS

4


FOUNDATION
FOUNDATION

5


Sagicor Bank

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1. These excited basic school students are all smiles as they line up to enter the Sagicor Reading Is Cool event at Hope Zoo. 2. Kevin Donaldson, Vice President - Capital Markets & Fund Management presents a token to one of the runners at the JTA/Sagicor National Athletics Championships. 3. Visitors to the Sagicor Foundation tent left handprints on our Recognition and Memory Wall at Relay for Life. 4. An excited group of students are eager to show the books they received at the Sagicor Foundation and LASCO iCool 'Reading is Cool' event at Hope Zoo held in May to culminate Child Month activities. 5. Sagicor Foundation's 2016 GSAT Scholarship recipients pose with R. Danny Williams (left, 2nd row) Richard O. Byles (centre, 3rd row), Stephen Facey (3rd from right, 3rd row) and Willard Brown (right, 2nd row). 6. Teams from the University of West Indies Halls of Residence line up before the kick-off at the Sagicor/UWI Guild Champions League. 7. Sagicor Scholars, the Morally twins, pose with Chantal Hylton- Tonnes , Sagicor Foundation Director at the Sagicor Scholarship Awards. 8. Willard Brown, Executive Vice President, Employee Benefits and Actuary reveals a newly renovated Black River Hospital Paediatric Lounge and refrigerator at their Sigma Run 2016 handover. 9. Top 3 winners in the inaugural Sagicor Foundation Imagine Awards competition pose after being presented with their handcrafted plaques. From left: Lamar Dell, managing director, Castor Fields Farms whose company placed third; Anna Smith, founder and creative director, Invitokens, first-place winner; and D'Andre Fraser, CEO, Billodex. 10. Two young track stars in the making pause for our lens at the JTA/Sagicor National Athletics Championships. 11. Young athletes sprint across the line at the JTA Sagicor National Athletics Championships. 12. Sagicor Team Volunteer Captain, Nicole Hanse, leads students in to the Reading is Cool fete.

FINANCIAL **STATEMENTS**

YEAR END **31 DECEMBER 2016**

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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 2016, 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 and stand-alone statements of financial position as at December 31, 2016;
- The consolidated and stand-alone income statements and statements of comprehensive income for the year then ended;
- The consolidated and stand-alone statements of changes in equity for the year then ended;
- The consolidated and stand-alone 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.

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.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell Wisdom D.D. Dodd G.K. Moore

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.

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 and St. Lucia). 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), Sagicor Costa Rica SCR, S.A (Costa Rica), Sagicor Investments Jamaica Limited (Jamaica) and Sagicor Real Estate X Funds Limited (St. Lucia). Additionally based on our professional judgement, two components, Sagicor Re Insurance Ltd (Cayman Islands) and Sagicor Securities Jamaica Limited (Jamaica) were selected to perform an audit on specified account balances due to the materiality of certain individual balances to the Group financial statements as a whole. 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 (Sagicor Costa Rica) 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.

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 performed a site visit to Sagicor Costa Rica SCR, S.A (Costa Rica) and held meetings with the component auditors and reviewed their working papers during the course of the audit. For all the components audited by PwC Jamaica, the Group Audit team held meetings with the component teams and reviewed the audit files. 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.

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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 December 31, 2016, total reserves for life insurance and annuity contracts account for $68.7 billion or 24% of total liability 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 December 31, 2016, financial investments classified as fair value through profit or loss, available-for-sale and loans and receivables, and pledged assets together account for $226 billion or 66% of total assets for the Group and $2 billion or 3% for 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.	• 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.

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.

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

- 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 and no material exceptions noted.

Goodwill impairment (Group)

See notes 2 (n) (i), 3 (b) and 18 of the financial statements for disclosures of related accounting policies, judgements and estimates.

Goodwill of $2.24 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 engaged our own specialist 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:
  - Our valuation expert 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.

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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 December 31, 2016, certain entities and unit trusts managed by the Group, with total assets of $162 billion and $90.8 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.

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 2016, loans and advances, net of provision of credit losses represented $56.1 billion or 16% of total assets for the Group. Impairment provision of $1.2 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 specialists 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 net retirement benefit obligations of $6.1 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 engaged our own actuarial specialists 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 do not and 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 with other identified applicable local law or other requirements, 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, 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.

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.

PricewaterhouseCoopers
Chartered Accountants
Kingston, Jamaica

February 28, 2017

CONSOLIDATED STATEMENT **OF FINANCIAL POSITION**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
ASSETS			
Cash resources	6	10,792,470	7,527,747
Cash reserve at Central Bank	8	8,249,533	6,458,895
Financial investments	9	216,568,243	200,268,041
Derivative financial instruments	10	174,575	192,303
Loans & leases, after allowance for credit losses	11	56,175,968	43,761,061
Pledged assets	12	10,197,793	6,184,591
Investment properties	13	488,000	472,000
Investment in joint venture	14	397,822	759,115
Investment in associated company	16	6,115,829	4,869,225
Intangible assets	18	5,315,631	5,663,052
Property, plant and equipment	19	4,651,198	4,195,227
Reinsurance contracts	20	300,520	432,968
Retirement benefit assets	21	-	8,695
Deferred income taxes	22	4,538,842	4,652,992
Taxation recoverable	23	2,862,287	2,887,330
Other assets	24	14,126,121	12,056,685
TOTAL ASSETS		**340,954,832**	**300,389,927**

The accompanying notes on pages 88 – 177 form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF FINANCIAL POSITION** (CONT'D)

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	8,552,562	9,147,723
Equity reserves	27	4,203,984	(823,888)
Retained earnings		43,654,436	38,245,576
Total Equity		**56,410,982**	**46,569,411**
Liabilities			
Deposit and security liabilities	34	177,342,699	159,607,054
Derivative financial instruments	10	174,575	192,303
Taxation payable		1,636,737	570,635
Retirement benefit obligations	21	6,168,523	4,467,473
Other liabilities	35	12,831,372	11,365,871
Policyholders' Funds			
Insurance contracts liabilities	36	68,709,339	61,585,823
Investment contracts liabilities	37	14,131,800	12,971,978
Other policy liabilities	38	3,548,805	3,059,379
		86,389,944	77,617,180
Total Liabilities		**284,543,850**	**253,820,516**
TOTAL EQUITY AND LIABILITIES		**340,954,832**	**300,389,927**

Approved for issue by the Board of Directors on February 24, 2017 and signed on its behalf by:

Hon. R.D. Williams, O.J. Chairman

Richard O. Byles Director

The accompanying notes on pages 88 -177 form an integral part of these financial statements.

CONSOLIDATED **INCOME STATEMENT**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Revenue:			
Gross premium revenue	40	34,369,662	33,442,171
Insurance premium ceded to reinsurers	40	(875,021)	(959,757)
Net premium revenue	40	33,494,641	32,482,414
Net investment income	41	19,348,572	16,301,549
Fee and other income	42	6,857,662	6,214,079
Total revenue		**59,700,875**	**54,998,042**
Benefits:			
Insurance benefits incurred		21,509,852	19,360,940
Insurance benefits reinsured		(456,579)	(269,811)
Net insurance benefits	43	21,053,273	19,091,129
Net movement in actuarial liabilities	36(d)	4,784,396	4,777,174
Expenses:			
Provision for credit losses	11	(159,024)	171,635
Administration expenses	45	14,325,459	13,350,447
Commissions and sales expenses	46	4,425,388	4,203,287
Depreciation	19	416,866	349,322
Amortisation and impairment of intangible assets	18	583,229	417,760
Other taxes and levies	47(b)	562,579	966,857
		20,154,497	19,578,936
		45,992,166	**43,327,611**
Share of profit/(loss) from joint venture	14	8,264	(33,082)
Negative goodwill	57	-	(119,628)
Share of profit from associate	16	495,046	94,202
Profit before Taxation		**14,212,019**	**11,611,923**
Taxation	47(a)	(2,953,980)	(1,818,478)
NET PROFIT, attributable to stockholders of the parent company		**11,258,039**	**9,793,445**
Earnings per stock unit for profit attributable to the stockholders of the company during the year:			
Basic and fully diluted	48	2.90	2.51

The accompanying notes on pages 88 -177 form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF COMPREHENSIVE INCOME**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	2016 $'000	2015 $'000
Net profit for the year	**11,258,039**	**9,793,445**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Fair value reserve - available-for-sale securities:		
Unrealised gains/(losses) on available-for-sale investments	4,020,308	(7,138,754)
Gains reclassified and reported in profit in the Income Statement	(658,058)	(241,800)
Impairment losses on available-for-sale investments recognised and reported in the Income Statement	562,873	967,907
Change in actuarial liabilities arising from fair value movements in available-for-sale securities	(704,538)	-
	3,220,585	(6,412,647)
Re-translation of foreign operations	678,910	533,919
Unrealised gains on owner-occupied properties in associates	749,771	-
Items that will not be subsequently reclassified to profit or loss		
Unrealised gains/(losses) on owner-occupied properties:		
Gains/(losses) recognised by subsidiaries	28,716	(32,609)
Re-measurements of retirement benefits obligations	(919,499)	(441,970)
Total other income recognised directly in stockholders' equity, net of taxes	3,758,483	(6,353,307)
Total Comprehensive Income, attributable to stockholders of the parent company	**15,016,522**	**3,440,138**

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(c).

The accompanying notes on pages 88 – 177 form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY**

31 December 2016

(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 88 – 177 form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF CHANGES IN EQUITY** (CONT'D)

31 December 2016

(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, 2015		9,161,065	6,413,536	30,490,757	46,065,358
Total comprehensive income for the year		-	(5,911,336)	9,351,474	3,440,138
Transactions with owners -					
Employee stock option plan					
- value of services provided		-	21,143	-	21,143
- options exercised/expired		-	(92,773)	-	(92,773)
Dividends paid to owners of the parent	32	-	-	(2,851,113)	(2,851,113)
Treasury shares	28	(13,342)	-	-	(13,342)
Total transactions with owners		(13,342)	(71,630)	(2,851,113)	(2,936,085)
Transfers between reserves -					
To special investment reserve	2(r)	-	16,338	(16,338)	-
To retained earnings	2(s)	-	(23,872)	23,872	-
Adjustment between regulatory loan provisioning and IFRS	31(b)	-	(1,246,924)	1,246,924	-
Total transfers between reserves		-	(1,254,458)	1,254,458	-
Balance at 31 December 2015		9,147,723	(823,888)	38,245,576	46,569,411
Balance as at January 1, 2015		9,161,065	6,413,536	30,490,757	46,065,358

The accompanying notes on pages 88 – 177 form an integral part of these financial statements.

CONSOLIDATED STATEMENT **OF CASH FLOWS**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Net profit		**11,258,039**	**9,793,445**
Adjustments for:			
Items not affecting cash and changes to policyholders' funds:			
Adjustments for non-cash items, interest and dividends	49(a)	(9,243,083)	(7,106,524)
Changes in other operating assets and liabilities	49(b)	8,851,177	201,908
Net investment purchases	49(c)	(9,760,037)	(23,143,653)
Interest received		19,970,060	18,479,964
Interest paid		(5,118,805)	(4,805,205)
Income taxes paid		(2,610,912)	(2,963,048)
Net cash generated from /(used in) operating activities		**13,346,439**	**(9,543,113)**
Cash Flows from Investing Activities			
Investment in joint venture	14	(23,364)	(17,688)
Dividend from associate		92,020	-
Investment in associate		-	(3,320,906)
Purchase of investment property	13	(881)	(12,888)
Purchase of property, plant and equipment, net	49(d)	(868,114)	(548,288)
Purchase of intangible assets, net	18	(193,875)	(1,460,387)
Net cash used in investing activities		**(994,214)**	**(5,360,157)**
Cash Flows from Financing Activities			
Purchase of treasury shares, net		(827,583)	(13,342)
Dividends paid to stockholders		(4,335,255)	(2,851,113)
Net cash used in financing activities		**(5,162,838)**	**(2,864,455)**
Effect of exchange rate on cash and cash equivalents		674,706	556,009
Increase/(decrease) in cash and cash equivalents		7,864,093	(17,211,716)
Cash and cash equivalents at beginning of year		5,339,862	22,551,578
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**13,203,955**	**5,339,862**

The accompanying notes on pages 88 –177 form an integral part of these financial statements

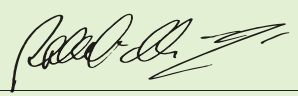
COMPANY STATEMENT **OF FINANCIAL POSITION**

31 December 2016

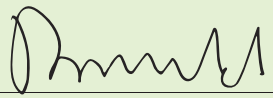
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
ASSETS:			
Cash resources	6	189,583	93,417
Financial investments	9	2,198,794	1,766,045
Investment in associated company	16	3,305,560	3,305,560
Investment in subsidiaries	17(b)	57,678,875	58,215,757
Investment in joint venture		376,083	-
Intangible assets		1,018,484	1,197,386
Property, plant and equipment		192,176	189,608
Deferred income taxes	22	22,673	88,261
Taxation recoverable	23	206,134	161,938
Other assets	24	216,851	114,131
TOTAL ASSETS		65,405,213	65,132,103
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity Attributable			
Stockholders' of the Company			
Share capital	26	8,552,563	9,147,723
Equity reserves		26,403,833	26,395,535
Retained earnings		20,971,990	15,501,756
		55,928,386	51,045,014
Liabilities			
Promissory notes	34	6,737,599	12,347,661
Taxation payable		113,775	85,868
Other liabilities	35	2,625,453	1,653,560
Total Liabilities		9,476,827	14,087,089
TOTAL EQUITY AND LIABILITIES		65,405,213	65,132,103

Approved for issue by the Board of Directors on February 24, 2017 and signed on its behalf by:



Hon. R.D. Williams, O.J. Chairman



Richard O. Byles Director

The accompanying notes on pages 88 – 177 form an integral part of these financial statements

COMPANY INCOME **STATEMENT**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

Revenue:			
Net investment income	41	10,018,452	2,695,172
Management fees	1(f)	307,803	123,591
Other income		151,155	679
Total revenue		**10,477,410**	**2,819,442**
Expenses:			
Administration expenses	45	254,800	187,575
Depreciation	19	48,969	17,298
Amortisation of intangible assets	18	274,457	109,039
Other taxes		-	3
Asset tax		200	400
		578,426	**314,315**
Profit before Taxation		9,898,984	2,505,127
Taxation	47	93,497	2,334
NET PROFIT		**9,805,487**	**2,507,461**

The accompanying notes on pages 88 – 177 form an integral part of these financial statements

COMPANY STATEMENT **OF CASH FLOWS**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016	2015
		$'000	**$'000**
Net profit		**9,805,487**	**2,507,461**
Adjustments for: **Items not affecting cash and changes to policyholders' funds:**			
Adjustments for non-cash items, interest and dividends	49(a)	(9,713,614)	(2,567,872)
Changes in other operating assets and liabilities	49(b)	(4,392,708)	(2,132,751)
Net investment sales	49(c)	16,853	3,525,106
Interest and dividend received		10,578,016	3,394,819
Interest paid		(1,006,365)	(280,045)
Income taxes paid		(200)	(460)
Net cash generated from operating activities		**5,287,469**	**4,446,258**
Cash Flows from Investing Activities			
Investment in joint venture	14	(23,364)	-
Investment in subsidiaries		(85,000)	-
Purchase of property, plant and equipment	19	(51,537)	(206,608)
Purchase of intangible assets	18	(95,555)	(1,300,550)
Net cash used in investing activities		**(255,456)**	**(1,507,158)**
Cash Flows from Financing Activities			
Purchase of treasury shares, net		(595,162)	(13,342)
Dividends paid to stockholders		(4,335,255)	(2,851,113)
Net cash used in financing activities		**(4,930,417)**	**(2,864,455)**
Effect of exchange rate on cash and cash equivalents		2,932	907
Increase in cash and cash equivalents		104,528	75,552
Cash and cash equivalents at beginning of year		107,736	32,184
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**212,264**	**107,736**

The accompanying notes on pages 88 – 177 form an integral part of these financial statements

COMPANY STATEMENT **OF CHANGES IN EQUITY**

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Equity Reserves	Retained Earnings	Grand Total
		$'000	$'000	$'000	$'000
Balance at 1 January 2015		9,161,064	26,541,998	15,845,408	51,548,470
Total comprehensive income		-	(74,833)	2,507,461	2,432,628
Dividends paid to owners of parent	1(b)	-	-	(2,851,113)	(2,851,113)
Transfer of treasury shares	28	36,402	-	-	36,402
Purchase of treasury shares	28	(49,744)	-	-	(49,744)
Employee stock options		-	(71,630)	-	(71,630)
Balance at 31 December 2015		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

The accompanying notes on pages 88 – 177 form an integral part of these financial statements

NOTES TO **THE FINANCIAL STATEMENTS**

31 December 2016

(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% (2015 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica and wholly owned by Sagicor Financial Corporation (SFC). The ultimate parent company is SFC, which is incorporated and domiciled in Bermuda. SFC has an overall interest of 49.11% (2015 – 49.11%) in the company. The other significant shareholder in SGJ is PanJam Investment Limited with a 31.55% (2015 – 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	Retail banking	Jamaica	100%
Sagicor Securities Jamaica Limited	Securities trading	Jamaica	100%
Sagicor Costa Rica SCR, S.A	Creditor Life	Costa Rica	50%
SGJ International Holdings (St. Lucia) Limited	Financial services (holding company)	Jamaica	100%
Sagicor St. Lucia Ltd. and its subsidiaries	Financial services (holding company)	St. Lucia	100%
• 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	Invest in real estate activities	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. The cost of these services is charged to each entity at cost based on volumes consumed.

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 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, 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 concluded that none is relevant to its operations.

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:

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 Group is considering the implications of the standard, the impact on the company and the timing of its adoption.

Amendments to IAS 12, 'Income Taxes, (effective for annual periods beginning on or after 1 January 2017). In January 2016, 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. 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 2016
(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)

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 don't expect that this amendment to have a significant impact on its operations.

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 issues 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 standard on its financial statements

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

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 the asset's cash flows, 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.

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.

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.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect. The Group expects the following impacts following adoption of the standard.

The Group expects that, in many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39.

Regarding credit loss provisioning, the Group expects that, as a result of the recognition and measurement of impairment under IFRS 9 being more forward-looking than under IAS 39, the resulting impairment charge may tend to be more volatile. It may 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 does not currently adopt hedge accounting but may consider doing so in future under the simplifications under the new standard.

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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 15, Revenue from contracts with customers, amendment (effective for annual periods beginning on or after 1 January 2018). The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences 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.

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.

Annual improvements 2014 – 2015, (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) IFRS 12, 'Disclosure of interest in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

(iii) IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

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.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Changes in accounting policies
During the year, the Group changed its accounting policies for insurance and annuities contracts.

The adopted policy, in accordance with IFRS, is to reflect in other comprehensive income the changes in the carrying amount of actuarial liabilities arising from fair value movements in available-for-sale securities supporting the actuarial liabilities. The policy change allows for both the fair value movement in the available-for-sale securities and the corresponding movement in actuarial liabilities to be accounted for on the balance sheet. In prior years, the Group recorded the changes to assets in other comprehensive income and the changes to actuarial liabilities in income. A fair value reserve for actuarial liabilities has also been established in the statement of equity for the accumulation of the amounts recorded in other comprehensive income. See Notes 27 and 36 for effect of this change. The change in accounting policy has been applied for the current year only as the effect on prior years was deemed not to be significant.

(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.

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2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)
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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

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').

(i) 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.

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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.

(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.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial assets (continued)

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.

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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.

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.

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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.

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.

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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.

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.

(k) 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.

2. Summary of Significant Accounting Policies (Continued)

(n) Intangible assets (continued)

(ii) 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.

(iii) 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.

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.

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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%.

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.

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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.

2. Summary of Significant Accounting Policies (Continued)

(r) Insurance and investment contracts (continued)

(ii) Recognition and measurement (continued)

Insurance contracts and investment contracts issued by the Group are summarised below:

(1.2) 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.

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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, anautomatic 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.

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.

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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.

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.

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.

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.

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2. Summary of Significant Accounting Policies (Continued)

(s) Actuarial liabilities (continued)

(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.

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.

2. Summary of Significant Accounting Policies (Continued)

(u) Revenue recognition (continued)

(ii) Fee income (continued)

- 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.

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.

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2. Summary of Significant Accounting Policies (Continued)

(w) Taxation (continued)

(i) Current and deferred taxes (continued)

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.

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.

2. Summary of Significant Accounting Policies (Continued)

(z) Derivative financial instruments and hedging activities (continued)

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.

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 $3,839,721,000 (2015 - $3,222,894,000).

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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 $15,921,014,000 (2015 - $16,346,312,000).

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 $6,096,415,000 (2015 - $4,817,340,000).

(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.

3. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty (continued)

(iv) 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.

(v) *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.

(vi) *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' fund 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 2016 or 2015.

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	9,142,145	4,114,396	1,752,521	-	59,700,875
Revenue from other segments	480,173	164,414	38,762	(60,171)	304,736	(927,914)	-
Total revenue	23,115,905	22,220,495	9,180,907	4,054,225	2,057,256	(927,914)	59,700,875
Benefits and expenses	(17,962,787)	(14,972,082)	(6,099,001)	(1,522,958)	(1,869,892)	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)	(205,303)	(185,064)	(57,054)	-	(552,684)
Total benefits and expenses	(19,151,778)	(16,698,787)	(6,592,997)	(1,790,247)	(2,362,064)	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	2,587,910	2,263,978	198,503	(324,207)	14,212,019
Taxation	(789,843)	(742,577)	(734,434)	(525,351)	(161,775)	-	(2,953,980)
Net profit	3,174,284	4,779,131	1,853,476	1,738,627	36,728	(324,207)	11,258,039
Segment assets -							
Intangible assets	1,503,558	849,237	1,171,239	695,416	1,096,180	-	5,315,632
Other assets	48,431,311	60,350,058	111,773,048	82,298,599	29,593,191	(7,859,498)	324,586,707
	49,934,869	61,199,295	112,944,287	82,994,015	30,689,371	(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	95,061,893	75,381,072	25,951,758	(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

5. Segmental Financial Information (Continued)

	The Group						
	2015						
	Individual Lines	Employee Benefits	Commercial Banking	Investment Banking	Other	Eliminations	Group
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenues	21,965,607	20,746,039	8,239,751	3,144,087	902,558	-	54,998,042
Revenue from other segments	503,259	201,420	10,166	(53,103)	508,488	(1,170,230)	-
Total revenue	22,468,866	20,947,459	8,249,917	3,090,984	1,411,046	(1,170,230)	54,998,042
Benefits and expenses	(14,383,073)	(13,862,817)	(5,871,808)	(1,050,795)	(2,073,623)	425,618	(36,816,498)
Change in actuarial liabilities	(2,459,221)	(2,633,010)	-	-	-	315,057	(4,777,174)
Depreciation	(74,384)	(35,463)	(155,100)	(25,434)	(58,946)	5	(349,322)
Amortisation of intangibles	(16,458)	(119,128)	(94,037)	(66,957)	(121,180)	-	(417,760)
Finance costs	-	-	-	-	(2,681)	2,681	-
Premium and other taxes	(36)	-	-	-	(3,036)	-	(3,072)
Asset tax	(234,223)	(111,741)	(198,263)	(203,823)	(215,735)	-	(963,785)
Total benefits and expenses	(17,167,395)	(16,762,159)	(6,319,208)	(1,347,009)	(2,475,201)	743,361	(43,327,611)
Share of loss from joint venture	-	(33,082)	-	-	-	-	(33,082)
Share of profit from associate	-	-	-	-	94,202	-	94,202
Negative Goodwill	-	-	-	-	(119,628)	-	(119,628)
Profit before taxation	5,301,471	4,152,218	1,930,709	1,743,975	(1,089,581)	(426,869)	11,611,923
Taxation	(317,332)	(778,351)	(605,811)	(319,927)	202,943	-	(1,818,478)
Net profit	4,984,139	3,373,867	1,324,898	1,424,048	(886,638)	(426,869)	9,793,445
Segment assets -							
Intangible assets	1,469,063	961,413	1,227,472	730,057	1,275,047	-	5,663,052
Other assets	43,778,285	55,561,311	94,867,382	81,158,590	25,359,081	(11,418,576)	289,306,073
	45,247,348	56,522,724	96,094,854	81,888,647	26,634,128	(11,418,576)	294,969,125
Unallocated assets -							
Investments in joint venture (Note 14)							759,115
Deferred income taxes (Note 22)							4,652,992
Retirement benefits asset (Note 21)							8,695
Total assets							300,389,927
Segment liabilities	36,754,238	45,482,882	77,483,339	73,939,167	27,140,948	(11,447,531)	249,353,043
Unallocated liabilities -							
Retirement benefit obligations (Note 21)							4,467,473
Total liabilities							253,820,516
Other segment items:							
Capital expenditure: Computer software (Note 18)							1,460,551
Property, plant and equipment (Note 19)							552,981

5. Segmental Financial Information (Continued)

The Group's geographic information:

	Jamaica	Cayman Islands	Other	Total
		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
		2015		
	$'000	$'000	$'000	$'000
Revenue	51,772,850	3,673,173	(447,981)	54,998,042
Total assets	272,840,294	26,762,752	786,881	300,389,927

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balances with banks payable on demand	7,882,834	4,937,679	189,583	93,417
Cash in hand	2,909,636	2,590,068	-	-
	10,792,470	7,527,747	189,583	93,417

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash resources	10,792,470	7,527,747	189,583	93,417
Short term deposits	6,207,041	2,851,158	22,681	-
USA Government Treasury Bills	5,405,300	-	-	-
Securities purchased under resale agreements	657,862	720,177	-	14,319
Items in course of payment (Note 35)	(656,185)	(578,344)	-	-
Repurchase agreements with other financial institutions	(7,579,071)	(3,802,907)	-	-
Short term loans	(1,450,000)	(1,200,000)	-	-
Bank overdrafts (Note 34)	(173,462)	(177,969)	-	-
	13,203,955	5,339,862	212,264	107,736

The amounts of $6,207,041 (2015: $2,851,158) represent deposits with original maturity of less than 90 days out of the total Group and short-term deposits of $6,837,226 (2015 - $2,895,130).

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:

	2016	2015
Cash Reserve:		
Foreign currency liabilities	12%	9%
Jamaican dollar liabilities	12%	12%
Liquid Assets:		
Foreign currency liabilities	26%	23%
Jamaican dollar liabilities	26%	26%

9. Financial Investments

	The Group		The Company	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**
Short term deposits	6,837,226	2,895,130	415,081	192
Financial assets at fair value through profit or loss -				
Government of Jamaica securities	3,339,499	3,069,866	-	-
Corporate bonds	1,110,821	2,673,183	-	
Quoted equity	510,899	1,451,682	-	-
Unquoted preference shares	-	505,100	-	-
Interest receivable	88,604	111,742	-	-
Foreign governments securities	4,109,012	177,089	-	-
Unit trust	15,297,969	13,229,310	-	-
	24,456,804	21,217,972	-	-
Available-for-sale -				-
Government of Jamaica securities	51,222,272	67,142,062	373,726	362,169
Foreign governments securities	23,055,447	11,891,752	-	-
Corporate bonds	55,673,459	45,615,878	467,803	430,749
Quoted equities	1,870,286	3,186,373	-	
Unquoted equities	106,459	106,469	-	-
Unit trust shares	3,332,692	714,497	-	-
Interest receivable	2,019,823	2,194,186	19,329	18,493
	137,280,438	130,851,217	860,858	811,411
Loans and receivables -				
Government of Jamaica securities	44,101,274	37,204,023	919,296	919,296
Foreign governments securities	525,067	523,765	-	-
Corporate bonds	5,449,970	5,960,562	-	-
Securities purchased under resale agreement	662,599	964,671	-	31,174
Mortgage loans	2,866,259	2,681,710	-	-
Promissory notes	48,000	48,000	-	-
Policy loans	937,410	904,955	-	-
Interest receivable	956,320	737,521	3,559	3,972
	55,546,899	49,025,207	922,855	954,442
Held to maturity investments -				
Credit Linked notes	2,644,669	2,463,106	-	-
Less Pledged assets (Note 12)	(10,197,793)	(6,184,591)	-	-
Total Financial Investments	216,568,243	200,268,041	2,198,794	1,766,045

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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 $2,027,808,000 (2015 - $3,964,625,000).

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.

Included in Government of Jamaica debt securities is a Euro dollar promissory note which has been designated as financial asset at fair value through profit or loss. The Group has also entered into a cross currency swap to mitigate the currency risk associated with this security (Note 10).

The Group holds certain Government of Jamaica debt securities which were issued in February 2014 and mature in February 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 $245,101,000 for the Group.

The Group recognised impairment charges totaling $562,873,000 (2015 - $967,906,000) 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 $9,000,000 (2015 - $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 (2015 - $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) Kingdom of Bahrain bond with a carrying value of US$1,040,450; a Government of Italy bond with a carrying value of US$1,172,350; a Common Wealth of Bahamas bond with a carrying value of US$2,362,954; a Government of Cayman Islands bond with a carrying value of US$1,747,008; Government of Jamaica Global bonds with a carrying value of US$20,156,707; Petroleum Company of Trinidad and Tobago bonds with a carrying value of US$3,050,042; International Corporate bonds with a carrying value of US$9,623,780; a Peru Corporate bond with a carrying value of US$539,855 and Cash totalling US$17,714,792 have been pledged as security for a loan facility of US$40,000,000 with Credit Suisse NY by Sagicor Life Jamaica Limited.

9. Financial Investments (Continued)

(iv) International bonds with a carrying value of US$62,204,388; a Government of Trinidad and Tobago bond with a carrying value of US$1,076,760; a Petroleum Company of Trinidad and Tobago bond with a carrying value of US$729,102 and Government of Bahamas bonds with carrying value of US$3,547,611 pledged as security with Goldman Sachs International to secure a US$45,626,833 loan facility by Sagicor Life of the Cayman Islands Ltd.

(v) International bonds with carrying value of US$21,699,420 and a Petroleum Company of Trinidad and Tobago bond with a carrying value of US$3,133,740 pledged as security for margin loans of US$13,814,898 with Morgan Stanley Smith Barney by Sagicor Life of the Cayman Islands Ltd.

(vi) International bonds with a carrying value of US$60,721,614; Brazil Corporate bonds with a carrying value of US$29,014,355; a Government of Barbados bond with a carrying value of $238,311; an equity instrument for US$19,567 and a Government of Jamaica bond with a carrying value of US$541,710 have been pledged as security for margin loans of US$50,831,034 with Morgan Stanley Smith Barney by Sagicor Life Jamaica Limited.

(vii) International bonds with a carrying value of US$32,236,838; an equity instrument for US$1,993,937 and a Government of Jamaica bonds with a carrying value of US$11,570,549 have been pledged as security for margin loans of US$20,705,500 with Morgan Stanley Smith Barney by Sagicor Investments Jamaica Limited.

(viii) International bonds with a carrying value of US$44,256,896 and Government of Jamaica bonds with a carrying value of US$49,817,326 have been pledged as security for margin loans of US$10,000,712 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 $187,923,532 (2015 – $282,606,959).

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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 2016 $'000	Fair Value 2016 $'000	Carrying Value 2015 $'000	Fair Value 2015 $'000
Government of Jamaica securities	3,517,862	4,579,685	5,275,817	6,175,199
Other securities	13,225	12,124	43,651	41,639
	3,531,087	4,591,809	5,319,468	6,216,838

	The Group	
	2016 $'000	2015 $'000
Cumulative net fair value gains/(losses) at beginning of year	487,256	273,309
Net fair value gains for the year	237,066	164,788
Disposals	(121,115)	34,010
Effect of exchange rate changes	24,197	15,149
Cumulative net fair value gains at end of year	627,404	487,256

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	
	2016 $'000	2015 $'000
Interest income	388,331	516,332
Foreign exchange gains	221,633	242,077
	609,964	758,409

Fair value gains of $237,066,000 (2015 – ($164,788,000)) for the Group would have been recognised in other comprehensive income during the year had these securities not been reclassified.

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	
	2016	2015
Derivatives – Assets	$'000	$'000
(i) Equity indexed options	174,575	192,303
Derivatives - Liabilities		
(i) Equity indexed options	174,575	192,303

(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	
	2016	2015
	$'000	$'000
Gross loans and advances	57,406,028	45,293,828
Less: Allowance for credit losses	(1,379,263)	(1,766,230)
	56,026,765	43,527,598
Loan interest receivable	61,236	134,494
	56,088,001	43,662,092
Lease receivables	87,967	98,969
	56,175,968	43,761,061

The Group's current portion of loans and leases was $13,864,640,000 (2015 - $7,377,109,000).

The movement in the allowance for credit losses determined under the requirements of IFRS is:

	The Group			
	Loans		Leases	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Total non-performing loans/leases	1,873,640	2,252,154	7,767	7,767
Balance at beginning of year	1,766,230	2,305,325	2,260	15,721
Movement during the year -				
Charged against profit during the year	(7,304)	303,547	-	-
Recoveries of bad debts	(156,046)	(131,912)	-	(13,461)
Charged in the income statement	(163,350)	171,635	-	(13,461)
Recoveries	(274,742)	(747,745)	-	-
Currency revaluation adjustment	51,125	37,015	-	-
Balance at end of year	1,379,263	1,766,230	2,260	2,260

Provision for credit losses:

	The Group	
	2016	2015
	$'000	$'000
Loans and leases	(163,350)	171,635
Other receivables	4,326	-
Total per income statement	(159,024)	171,635

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	
	2016	2015
	$'000	$'000
Specific provision	1,344,363	1,443,316
General provision	528,071	530,675
	1,872,434	1,973,991
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 31 (b))	525,802	1,421,097

Lease receivables:

	The Group	
	2016	2015
	$'000	$'000
Gross investment in finance leases -		
Not later than one year	67,993	77,343
Later than one year and not later than five years	44,999	53,088
	112,992	130,431
Less: Unearned income	(23,333)	(30,455)
Net investment in finance leases	89,659	99,976
Net investment in finance leases -		
Not later than one year	44,661	46,888
Later than one year and not later than five years	44,998	53,088
	89,659	99,976
Less: Provision for credit losses	(2,260)	(2,260)
Interest receivable	568	1,253
	87,967	98,969

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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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance with regulators	141,750	124,448	-	-
Investment securities and securities sold under repurchase agreements	48,660,815	28,108,610	23,179,463	21,953,330
	48,802,565	28,233,058	23,179,463	21,953,330

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	
	2016	2015
	$'000	$'000
Investment securities	10,197,793	6,184,591

13. Investment Properties

	The Group	
	2016	2015
	$'000	$'000
At beginning of year	472,000	871,888
Acquired during the year	881	12,888
Disposed during the year	-	(453,962)
Fair value gains/(losses)	15,119	20,144
Foreign exchange gains	-	21,042
At end of year	488,000	472,000

The investment properties as at 31 December 2016 were valued at current market value by Clinton Cunningham & Associates, qualified property appraisers and valuers.

13. Investment Properties (Continued)

Rental income and repairs and maintenance expenditure in relation to investment properties are as follows:

	The Group	
	2016	**2015**
	$'000	**$'000**
Rental income	35,874	34,965
Direct operating expenses	(42,773)	(44,507)

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	
	2016	**2015**
	$'000	**$'000**
Balance at 1 January	759,115	738,718
Capital injection	23,364	17,688
Capital redeployed as a Certificate of Deposit	(360,043)	-
Share of after tax earnings	8,264	(33,082)
Share of movement in equity reserves	(32,878)	35,791
Balance at 31 December	397,822	759,115

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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 Sagicor Costa Rica, S. A. which is accounted for using the equity method.

Summarised Balance Sheet

	The Group	
	2016	**2015**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	455,763	432,746
Other current assets	578,787	673,728
	1,034,550	1,106,474
Non-current assets		
Investments	1,249,754	463,462
Other non-current asset	54,724	27,366
	1,304,478	490,828
Total Assets	2,339,028	1,597,302
Current liabilities		
Provision for unearned premiums	481,282	219,378
Other liabilities	1,062,099	17,232
	1,543,381	236,610
Total Liabilities	1,543,381	236,610
Net Assets	795,647	1,360,692

14. Investment in Joint Venture (Continued)

Summarised Financial Information of Joint Venture (Continued)

Summarised statement of comprehensive income

	The Group	
	2016	**2015**
	$'000	**$'000**
Insurance revenue	721,647	687,798
Insurance expenses	(423,257)	(623,952)
Underwriting profit	298,390	63,846
Other income	83,268	44,766
Operating expenses	(327,596)	(170,760)
Net profit/(loss)	54,062	(62,148)
Taxation	(37,534)	(4,016)
Net profit/(loss) after tax for the period	16,528	(66,164)
Other comprehensive income	(83,607)	(2,224)
Total comprehensive income	(67,079)	(68,388)
Reconciliation of summarised financial information		
Opening net assets at 1 January	1,309,767	1,360,467
Capital injection	23,364	17,688
Capital redeployed as a Certificate of Deposit	(360,043)	-
Net profit/(loss) after tax for the period	16,529	(66,164)
Other comprehensive income	(83,607)	(2,224)
Other movement	(110,363)	-
Closing net assets	795,647	1,309,767
Reconciliation of the Group's share of 50% net assets –		
Opening net assets at 1 January	759,115	738,718
Capital redeployed as a Certificate of Deposit	(360,043)	-
Other movement	(1,250)	20,397
Carrying value	397,822	759,115

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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 (sixteen funds) 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 independent directors. The company is 52.16% owned by the Sagicor Pooled Investment Fund Limited, which is administered by the Group, through one of its subsidiaries, Sagicor Life Jamaica Limited. The company's investment is units in one of the sixteen 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 sixteen funds operated by Sagicor Sigma Global Unit Trust is one of the Group subsidiaries, Sagicor Investments Jamaica Limited. The company 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.

15. Interest in Structured Entities (Continued)

Unconsolidated Structured Entity (continued)

(ii) Sagicor Pooled Investment Fund
Sagicor Pooled Investment Fund Limited administers assets of the Pooled Pension Investment Funds which are held in trust on behalf of pension funds. The trust has independent trustees. The administration of the assets in trust is done by one of the Group's subsidiaries, Sagicor Life Jamaica Limited. The investment manager of these Funds is also one of the Group's subsidiaries, Sagicor Investment 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	
	2016 $'000	**2015 $'000**
Total assets of the company	118,011,335	97,985,796
Maximum exposure to loss	10,400,209	12,324,426
Total income from the Group's interests	1,502,730	1,861,129

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 ten 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	
	2016 $'000	**2015 $'000**
Total assets of the Unit Trust	90,890,454	73,886,487
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 9)	18,630,661	13,943,807
Maximum exposure to loss	(23,125,473)	(13,943,807)
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	10,177,671	5,887,548
Total income from the Group's interests	1,460,336	1,146,773

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.

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Opening net assets at 1 January/Investment, at cost	4,869,225	4,755,085	3,305,560	3,305,560
Share of:				
Income before taxes	565,097	88,072	-	-
Income taxes	(70,050)	6,130	-	-
	495,047	94,202	-	-
Other comprehensive income	843,577	19,938	-	-
Total Comprehensive income	1,338,624	114,140	-	-
Dividend paid	(92,020)	-	-	-
Investment, end of year	6,115,829	4,869,225	3,305,560	3,305,560

(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
	2016	2016	2015	2015
	$'000	$'000	$'000	$'000
The Group	6,115,829	8,511,817	4,869,225	7,000,065
The Company	3,305,560	6,130,711	3,305,560	5,041,859

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16. Investment in Associated Company (Continued)

(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	
		2016	2015
		$'000	$'000
Current assets:	Cash and cash equivalents	1,213,045	2,396,101
	Other current assets	1,200,410	1,235,416
		2,413,455	3,631,517
Non-current assets:	Investments	15,630,374	10,831,875
	Other non-current asset	26,258,527	19,395,729
		41,888,901	30,227,604
Total Assets		44,302,356	33,859,121
Current liabilities:	Loans payable	2,722,515	5,422,683
	Other liabilities	1,636,099	954,323
		4,358,614	6,377,006
Non-current liabilities:	Loan payable	18,925,035	11,648,564
	Other liabilities	1,118,644	186,586
Total Liabilities		24,402,293	18,212,156
Net Assets		19,900,063	15,646,965

16. Investment in Associated Company (Continued)

(c) Summarised Financial Information of Associated Company (Continued)

Summarised statement of comprehensive income

	The Group and The Company	
	2016	**2015**
	$'000	**$'000**
Revenue	8,440,642	5,570,529
Other operating income	1,897,208	1,041,611
Operating expenses	(8,409,855)	(5,146,991)
Net Profit	1,927,995	1,465,149
Taxation	(238,996)	(167,754)
Net Profit after tax	1,688,999	1,297,395
Other comprehensive income	2,878,122	82,684
Total comprehensive income	4,567,121	1,380,079

(d) Reconciliation of the Group's 29.3% interest:

Share of net assets	5,831,165	4,584,561
Intangible assets including goodwill	284,664	284,664
Carrying value	6,115,829	4,869,225

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17. Investment in Subsidiaries

(a) Investment in subsidiaries

	2016	**2015**
	$'000	**$'000**
Shares in:		
Sagicor Life Jamaica Limited	34,257,354	34,257,354
Sagicor St. Lucia Limited (i)	93	621,975
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	1
	57,678,875	58,215,757

(i) Sagicor St. Lucia Limited
During the year, 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.

(ii) Employee Benefits Administrator Limited
In 2016, Sagicor Group Jamaica Limited provided additional capital of $85,000,000 to Employee Benefits Administrator Limited (EBA).

18. Intangible Assets

	The Group				
	Goodwill	Contractual Customer Relationship	Trade Names	Computer Software	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
At 1 January 2015	2,175,998	4,553,499	473,433	1,010,372	8,213,302
Additions	-	-	-	1,460,387	1,460,387
On acquisition of subsidiary	-	-	-	(236,078)	(236,078)
Translation adjustment	29,800	-	-	243	30,043
At 31 December 2015	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
Amortisation -					
At 1 January 2015	-	2,366,631	473,433	756,237	3,596,301
Amortisation charge	-	214,415	-	203,345	417,760
Impairment charge	-	-	-	(209,534)	(209,534)
Translation adjustment	-	-	-	75	75
At 31 December 2015	-	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
Net Book Value -					
31 December 2015	2,205,798	1,972,453	-	1,484,801	5,663,052
31 December 2016	2,247,720	1,758,039	-	1,309,872	5,315,631

Amortisation charges of $583,228,000 (2015 - $417,760,000) have been included in expense for the Group.

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18. Intangible Assets (Continued)

	The Company
	Computer Software
	$'000
Cost -	
At 1 January 2015	6,080
Additions	1,300,548
At 31 December 2015	1,306,628
Additions	95,555
At 31 December 2016	1,402,183
Amortisation -	
At 1 January 2015	203
Amortisation charge	109,039
At 31 December 2015	109,242
Amortisation charge	274,457
At 31 December 2016	383,699
Net Book Value -	
31 December 2015	1,197,386
31 December 2016	1,018,484

Amortisation charges of $274,457,272 (2015 - 109,039,000) have been included in expense for the Company.

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	
	2016	2015
	$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	638,391	598,819
Sagicor Investments Jamaica Limited	186,066	186,066
Sagicor Insurance Managers Ltd.	37,946	35,596
	2,247,720	2,205,798

At 31 December 2016, 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	7.9	-	-
Sagicor Life Jamaica Employee Benefits Division	8.3	-	-
Sagicor Life of the Cayman Islands Individual Life Division	8.2	-	-
Sagicor Investments Jamaica Limited	-	5.75%	17.53%
Sagicor Bank Jamaica Limited	-	6.25%	19.09%
Sagicor Insurance Managers Ltd.	-	2.00%	13.42%

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	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 2015	831,092	2,474,727	2,237,896	165,070	-	5,708,785
Transferred from Investment properties	-	-	-	-	453,962	453,962
Additions	121,536	71,623	343,624	16,198	-	552,981
Revaluation adjustments	-	90,391	-	-	-	90,391
Disposals	(153,532)	-	(104)	(21,862)	-	(175,498)
Translation adjustment	2,171	-	2,699	(4,000)	-	870
At 31 December 2015	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
Accumulated Depreciation -						
At 1 January 2015	406,852	227,172	1,474,276	93,749	-	2,202,049
Charges for the year	70,115	33,388	221,087	24,732	-	349,322
Relieved on revalued assets	-	(11,662)	-	(556)	-	(12,218)
Relieved on disposals	(85,563)	-	(90)	(18,929)	-	(104,582)
Translation adjustment	1,295	-	2,430	(2,032)	-	1,693
At 31 December 2015	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
Net Book Value -						
31 December 2015	408,568	2,387,843	886,412	58,442	453,962	4,195,227
31 December 2016	442,028	2,444,673	1,131,685	74,904	557,908	4,651,198

19. Property, Plant and Equipment (Continued)

	The Company
	Furniture & Equipment
Cost or Valuation -	**$'000**
At 1 January 2015	325
Additions	206,608
At 31 December 2015	206,933
Additions	51,537
At 31 December 2016	258,470
Accumulated Depreciation -	
At 1 January 2015	27
Charges for the year	17,298
At 31 December 2015	17,325
Charges for the year	48,969
At 31 December 2016	66,294
Net Book Value -	
31 December 2015	189,608
31 December 2016	192,176

In accordance with the Group's policy, owner-occupied properties were independently revalued during the year by professional real estate valuators. The excess of the carrying value of these property, plant and equipment over the revaluation on such date, amounting to $117,243,430 (2015 - $102,053,720), 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	
	2016	2015
	$'000	$'000
Cost	571,112	565,102
Accumulated depreciation	(39,852)	(36,194)
Net book value	531,260	528,908
Carrying value of revalued assets	1,253,000	1,142,500

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20. Reinsurance Contracts

	The Group	
	2016	2015
	$'000	$'000
Claims recoverable from reinsurers	154,501	290,154
Unearned premiums ceded to reinsurers	129,374	121,845
Reinsurers share of insurance liabilities	16,645	20,969
	300,520	432,968

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	
	2016	2015
	$'000	$'000
Retirement benefit assets -		
Pension scheme	-	8,695
Retirement benefit obligations -		
Pension scheme	2,444,342	1,341,748
Other post-retirement benefits	3,724,181	3,125,725
	6,168,523	4,467,473

Pension schemes comprised the following –

	2016	2015
	$'000	$'000
Retirement benefit assets	-	(8,695)
Retirement benefit obligations	2,444,342	1,341,748
	2,444,342	1,333,053

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.

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 number of pension schemes covering all 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 (2013) was 99%.

(iv) Sagicor Bank Jamaica Limited, formerly RBC Bank Jamaica Limited, has a defined contribution plan covering all permanent employees. The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2013) was 107%.

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	
	2016	**2015**
	$'000	**$'000**
Present value of funded obligations	20,051,274	16,652,537
Fair value of plan assets	(17,606,932)	(15,319,484)
Deficit of funded plan	2,444,342	1,333,053
Liability in the balance sheet	2,444,342	1,333,053

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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	
	2016	**2015**
	$'000	**$'000**
Liability	16,652,537	13,006,849
Liability assumed on acquisition of subsidiary	-	-
Current service cost	480,720	428,275
Interest cost	1,388,821	1,236,826
Net expense recognised in income	1,869,541	1,665,101
Re-measurements:		
Gains from changes in demographic assumptions	(3,374)	-
Gains/(losses) from changes in financial assumptions	(618,150)	894,313
Losses from changes in experience	2,543,940	767,101
Net losses recognised in other comprehensive income	1,922,416	1,661,414
Contributions by the members	494,099	450,733
Value of purchased annuities	192,277	903,372
Benefits paid	(1,079,596)	(1,034,932)
Net Liability, end of year	20,051,274	16,652,537

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	
	2016	**2015**
	$'000	**$'000**
Balance	15,319,484	12,363,151
Contributions made by the employer	458,289	344,714
Contributions by the members	494,099	450,733
Value of purchased annuities	192,277	903,372
Benefits paid	(1,074,075)	(1,034,932)
Interest income on plan assets	1,315,163	1,211,221
Re-measurement:		
(Gains)/losses from changes in financial assumptions	(38,512)	171,026
Losses from changes in experience	940,207	910,199
Net gains recognised in other comprehensive income	901,695	1,081,225
Balance, end of year	17,606,932	15,319,484

The amounts recognised in the income statements as follows:

	The Group	
	2016	**2015**
	$'000	**$'000**
Current service cost	480,720	428,275
Interest cost on plan obligation	1,388,821	1,236,826
Interest income on plan assets	(1,315,163)	(1,211,221)
Total, included in staff cost (Note 45)	554,378	453,880

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21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2016	**2015**
	$'000	**$'000**
Change in demographic assumptions	(3,374)	-
Change in financial assumptions	(579,638)	723,287
Experience adjustments	1,603,733	(143,098)
	1,020,721	580,189
Deferred tax	(271,968)	(221,183)
	748,753	359,006

The principal actuarial assumptions used were as follows:

	The Group	
	2016	**2015**
Discount rate - J$ benefits	9.00%	8.50%
Discount rate - US$ Indexed benefits	5.00%	5.00%
Inflation	6:00%	5:00%
Expected return on plan assets	9.00%	8.50%
Future salary increases	6.50%	6.50%
Future pension increases	3.00%	2.00%
Minimum Funding Rate (MFR) as a % of payroll	0.25%	0.25%
Average expected remaining working lives (years)	13	17

21. Retirement Benefits (Continued)

(a) Pension schemes (continued)

Pension plan assets are comprised as follows:

	The Group			
	2016		2015	
	$'000	%	$'000	%
Equities	4,584,339	26	2,764,739	18
Mortgages and real estate	3,389,685	19	2,385,984	16
Money market fund	288,962	2	1,970,276	13
Fixed income fund	1,986,974	11	1,832,288	12
Foreign currency fund	2,327,377	13	1,998,381	13
Global market fund	528,441	3	794,391	5
Diversified investment fund	1,086,136	6	166,726	1
Inflation-linked	600,433	3	763,272	5
	14,792,347	83	12,676,057	83
Value of purchased annuities	2,814,585	17	2,643,427	17
	17,606,932	100	15,319,484	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.

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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	
	2016	2015
	$'000	$'000
Present value of unfunded obligations	3,888,605	3,277,268
Fair value of plan assets	(164,424)	(151,543)
Liability in the statement of financial position	3,724,181	3,125,725

Movement in the amounts recognised in the statement of financial position:

	The Group	
	2016	2015
	$'000	$'000
Liability at beginning of year	3,277,268	2,796,881
Current service cost	178,258	142,153
Interest cost	275,727	262,852
Net expense recognised in income	453,985	405,005
Re-measurement:		
Gains from changes in demographic assumptions	(7,143)	-
Gains/(losses) from changes in financial assumptions	(316,276)	720,347
Losses/(gains) from changes in experience	548,986	(584,695)
Net losses recognised in other comprehensive income	225,567	135,652
Benefits paid	(68,215)	(60,270)
Net Liability, end of year	3,888,605	3,277,268

The principal actuarial assumption used was as follows:

	The Group	
	2016	2015
Rate of medical inflation	8%	7%

21. Retirement Benefits (Continued)

(b) Other post-retirement benefits (continued)

The amounts recognised in the income statements are as follows:

	The Group	
	2016	**2015**
	$'000	**$'000**
Current service cost	178,258	142,153
Interest cost	275,727	262,852
Benefits paid	(12,881)	(13,148)
Total, included in staff cost (Note 45)	441,104	391,857

The amounts recognised in other comprehensive income is as follows:

	The Group	
	2016	**2015**
	$'000	**$'000**
Change in demographic assumptions	(7,143)	-
Change in financial assumptions	(316,276)	720,347
Experience adjustments	548,986	(584,695)
	225,567	135,652
Deferred tax	(54,759)	(52,688)
	170,808	82,964

Movement in the fair value of plan assets recognised in the statement of financial position:

	The Group	
	2016	**2015**
	$'000	**$'000**
Balance	151,543	138,395
Interest income on plan assets	12,881	13,148
Balance, end of year	164,424	151,543

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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.

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	(350,297)	455,409
Sagicor Property Services Limited	(7,818)	10,335
Sagicor Investments Jamaica Limited	(32,820)	45,561
Sagicor Bank Jamaica Limited	(271,167)	367,499
Total Group	(662,102)	878,804

(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	1,019,517	484,590	1,504,107
Sagicor Property Services Limited	39,019	10,867	49,886
Sagicor Investments Jamaica Limited	97,824	47,453	145,277
Sagicor Bank Jamaica Limited	183,249	378,679	561,928
Total Group	1,339,609	921,589	2,261,198

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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	(795,223)	(368,155)	(1,163,378)
Sagicor Property Services Limited	(30,064)	(8,114)	(38,178)
Sagicor Investments Jamaica Limited	(73,904)	(33,780)	(107,684)
Sagicor Bank Jamaica Limited	(151,265)	(275,806)	(427,071)
Total Group	(1,050,456)	(685,855)	(1,736,311)

(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	(338,043)	(14,373)	(352,416)
Sagicor Property Services Limited	(13,827)	(281)	(14,108)
Sagicor Investments Jamaica Limited	(37,610)	(1,071)	(38,681)
Sagicor Bank Jamaica Limited	(30,123)	(5,514)	(35,637)
Total Group	(419,603)	(21,239)	(440,842)

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	392,516	16,782	409,298
Sagicor Property Services Limited	15,867	329	16,196
Sagicor Investments Jamaica Limited	42,885	1,265	44,150
Sagicor Bank Jamaica Limited	33,906	6,419	40,325
Total Group	485,174	24,795	509,969

(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	(1,194,886)	1,393,047
Sagicor Property Services Limited	(19,618)	23,067
Sagicor Investments Jamaica Limited	(42,427)	49,908
Sagicor Bank Jamaica Limited	(438,584)	516,067
Total Group	(1,695,515)	1,982,089

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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	(136,854)	(75,281)	(212,135)
Sagicor Property Services Limited	(2,824)	(1,444)	(4,268)
Sagicor Investments Jamaica Limited	(6,129)	(4,163)	(10,292)
Sagicor Bank Jamaica Limited	(28,701)	(40,666)	(69,367)
Total Group	(174,508)	(121,554)	(296,062)

	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	135,006	75,641	210,647
Sagicor Property Services Limited	2,717	1,441	4,158
Sagicor Investments Jamaica Limited	5,837	4,145	9,982
Sagicor Bank Jamaica Limited	28,144	40,719	68,863
Total Group	171,704	121,946	293,650

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.

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 2016 consists of bonds and equities.

The weighted average duration of the defined benefit obligation range from 32 years (2015 – 32 years) to 44 years (2015 – 44 years).

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) 20% for the company;
(b) 25% for Sagicor Life Jamaica Limited and Sagicor Property Services Limited;
(c) 33⅓% for Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited
(d) 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred income tax assets, net	(4,538,842)	(4,652,992)	(22,673)	(88,261)

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance as at 1 January	(4,652,992)	(3,018,293)	(88,261)	-
Charged/(credited) to the income statement (Note 47(a))	(150,650)	(160,015)	65,588	(88,261)
Tax charged/(credited) to components in other comprehensive income (Note 47(c))	264,800	(1,474,684)	-	-
	(4,538,842)	(4,652,992)	(22,673)	(88,261)

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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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(4,764,533)	(5,437,708)	(30,524)	(88,261)
Deferred tax liabilities to be settled after more than 12 months	225,691	784,716	7,852	-

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Property, plant and equipment	(38,988)	(517)	(30,525)	-
Investment securities - available-for-sale	(817,912)	(1,488,481)	-	-
Trading securities	(18,570)	(7,544)	-	-
Derivatives	(41,058)	(28,048)	-	-
Tax losses unused	(1,857,495)	(2,332,782)	-	-
Unrealised foreign exchange losses	(212,981)	-	-	
Impairment losses on loans	(12,386)	-	-	-
Pensions and other post-retirement benefits	(1,714,041)	(1,253,567)	-	-
Interest payable	(65,991)	(205,506)	-	(165,009)
Other	(165,354)	(186,950)	-	-
	(4,944,776)	(5,503,395)	(30,525)	(165,009)
Deferred income tax liabilities -				
Property, plant and equipment	244,706	370,341	-	71,131
Trading securities	-	-	-	-
Investment securities - available-for-sale	-	29,267	-	-
Derivatives	10,985	12,999	-	-
Unrealised foreign exchange gains	-	95,703	-	-
Impairment losses on loans	-	65,505	-	-
Pensions and other post-retirement benefits	-	-	-	-
Interest receivable	150,243	276,588	7,852	5,617
Other	-	-	-	-
	405,934	850,403	7,852	76,748
Net deferred tax (asset)/liability	(4,538,842)	(4,652,992)	(22,673)	(88,261)

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 2015	113,612	(124,970)	(2,772,092)	130,793	586,236	(772,454)	(179,418)	(3,018,293)
(Credited)/charged to income statement	121,547	(21,361)	439,310	(35,090)	(520,731)	(207,240)	63,550	(160,015)
Credited to other comprehensive income	134,665	(1,335,476)	-	-	-	(273,873)	-	(1,474,684)
At 31 December 2015	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)

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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24. Other Assets

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Due from sales representatives	588,289	619,925	-	-
Real estate developed for resale -				
Opening balance	638,070	689,851	-	-
Cost of sales	-	(90,001)	-	-
Additions during the year	45,174	38,220	-	-
	683,244	638,070	-	-
Premiums due and unpaid	2,378,392	1,838,516	-	-
Due from related parties (Note 25)	466,823	189,527	3,941	17,027
Due from Government Employees Administrative Scheme Only Fund and Government Pensioners Administrative Scheme Only Fund	1,033,419	1,283,454	-	-
Prepayments	1,152,224	1,004,765	157,412	23,186
Customer settlements accounts/unsettled trades	300,950	925,292	-	-
Legal claim (Note 56)	6,747,230	5,147,243	-	-
Other receivables	1,020,036	646,429	55,498	73,918
	14,370,605	12,293,221	216,851	114,131
Provision against doubtful receivables	(244,484)	(236,536)	-	-
	14,126,121	12,056,685	216,851	114,131

Real estate developed for sale relates to the construction of residential and commercial complexes.

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% (2015 – 49.11%) of the ordinary stock units. PanJamaican Investment Trust Limited owns 31.55% (2015 – 31.55%) of the ordinary stock units. The remaining 19.34% (2015 – 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Due from related companies -				
Ultimate parent company	261,900	137,101	-	-
Subsidiaries	-	-	3,941	17,027
Parent company	45,316	45,056	-	-
Other related companies	13,584	238	-	-
Other managed funds	146,021	7,132	-	-
	466,821	189,527	3,941	17,027

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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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Due to related companies -				
Parent company	374,274	111,117	-	-
Subsidiaries - promissory notes	-	-	6,737,599	12,347,661
Subsidiaries – other liabilities	-	-	2,525,812	1,579,577
Other related companies	5,988	639	-	-
Pooled	90,666	18,721	-	-
Other managed funds	46,375	82,283	-	-
	517,303	212,760	9,263,411	13,927,238

(b) The above balances include the following transactions with related parties and companies

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Parent company -				
Shared services fees	174,203	102,718	-	-
Party with significant influence over the group -				
Securities sold under agreements to repurchase	(9,824,800)	(262,446)	-	-
Customer deposits	(3,356,476)	(770,336)	-	-
Customer accounts	(174,390)	-	-	-
Structured products	(39,820)	-	-	-
Loans	1,456,320	1,592,464	-	-

25. Related Party Balances and Transactions (Continued)

(c) The income statement includes the following transactions with related parties and companies:

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Sagicor Pooled Investment Funds -				
Lease rental expense	364,823	354,827	-	-
Management fee income	863,296	702,817	-	-
Administration fee income	328,073	287,580	-	-
Directors and key management personnel -				
Interest expense	5,602	1,377		-
Interest income	1,249	1,400		-
Other related parties -				
Management fees - subsidiaries	-	-	307,804	123,591
Interest recharged expense - subsidiaries	-	-	52,200	52,200
Interest expense - subsidiaries	-	-	(567,236)	(606,882)
Dividend in specie - subsidiaries	-	-	4,000,000	-
Dividend income - subsidiaries	-	-	6,354,291	2,832,526
Dividend income - associate	-	-	66,278	-
Interest and other income earned	772,996	603,189	-	-
Key management compensation -				
Salaries and other short term benefits	453,002	355,587	-	-
Share based payments	36,311	138,189	-	-
Contributions to pensions and insurance schemes	23,603	26,452	-	-
	512,916	520,228	-	-

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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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Directors' emoluments -				
Fees	90,641	87,898	26,754	26,783
Other expenses	5,256	3,567	1,348	1,309
Management remuneration (included above)	187,581	235,641	-	-
	283,478	327,106	28,102	28,092
Party with significant influence over the group -				
Fee income	3,070	-	-	-
Rent and net lease	23,445	-	-	-
Interest expense paid	(438,264)	(5,228)	-	-
Interest income earned	31,092	-	-	-

26. Share Capital

	The Group and The Company	
	2016 $'000	2015 $'000
Authorised:		
13,598,340,000 (2015 – 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)	(608,503)	(13,342)
	8,552,562	9,147,723

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 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	-	(658,058)	-	-	-	-	-	-	-	(658,058)
Net unrealized gains on available-for-sale securities	-	4,851,161	-	-	-	-	-	-	-	4,851,161
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	-	373,324	-	-	-	-	-	-	-	373,324
Shadow accounting	-	-	(704,538)	-	-	-	-	-	-	(704,538)
Currency translation	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**3,925,123**	**(704,538)**	**778,487**	**678,910**	**-**	**-**	**-**	**-**	**4,587,982**

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**	**-**	**-**	**-**	**-**	**4,587,982**
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	-	-	-	-				372,452	-	362,003
Balance at 31 December 2016	**49,804**	**3,901,933**	**(704,538)**	**1,400,877**	**5,025,749**	**1,086,018**	**398,488**	**(1,048,645)**	**1,595,131**	**4,203,984**

27. Equity Reserves (Continued)

	\----------Attributable to owners of the parent----------\								
		Investment and Fair Value Reserves			Other Reserves				
	Stock Options Reserve	Available-for-sale assets	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
Balance at 1 January 2015	**133,547**	**(1,064,314)**	**654,999**	**3,812,919**	**1,086,018**	**369,409**	**(174,173)**	**1,595,131**	**6,413,536**
Net gains recycled to revenue on disposal and maturity of available-for-sale securities	-	(241,800)	-	-	-	-	-	-	(241,800)
Net unrealised gains on available-for-sale securities	-	(8,474,232)	-	-	-	-	-	-	(8,474,232)
Net unrealised losses on revaluation of owner occupied properties	-	-	102,055	-	-	-	-	-	102,055
Deferred tax on unrealised capital gains	-	1,335,478	(134,664)	-	-	-	-	-	1,200,814
Impairment of equities	-	967,907	-	-	-	-	-	-	967,907
Currency translation	-	-	-	533,920	-	-	-	-	533,920
Total comprehensive income for the year	**-**	**(6,412,647)**	**(32,609)**	**533,920**	**-**	-	-	**-**	**(5,911,336)**

27. Equity Reserves (Continued)

		Attributable to owners of the parent								
			Investment and Fair Value Reserves			Other Reserves				
	Note	Stock Options Reserve	Available-for-sale fair assets	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
Total comprehensive income for the year		**-**	**(6,412,647)**	**(32,609)**	**533,920**	**-**	**-**	**-**	**-**	**(5,911,336)**
Transactions with owners -										
Employee share option scheme										
- value of services provided		21,143	-	-	-	-	-	-	-	21,143
- employee stock grants and options exercised/expired		(92,773)	-	-	-	-	-	-	-	(92,773)
Total transactions with owners		(71,630)	-	-	-	-	-	-	-	(71,630)
Transfers between reserves -										
To special investment reserve	2(r)	-	-	-	-	-	16,338	-	-	16,338
To retained earnings	2(s)	-	(23,872)	-	-	-	-	-	-	(23,872)
Adjustment between regulatory loan provisioning and IFRS	30(b)	-	-	-	-	-	-	(1,246,924)	-	(1,246,924)
Total transfers between reserves		-	(23,872)	-	-	-	16,338	(1,246,924)	-	(1,254,458)
Balance at 31 December 2015		**61,917**	**(7,500,833)**	**622,390**	**4,346,839**	**1,086,018**	**385,747**	**(1,421,097)**	**1,595,131**	**(823,888)**

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			
	2016		2015	
	Options (thousands)	Weighted Average exercise price in $ per share	Options (thousands)	Weighted Average exercise price in $ per share
At beginning of year	53,646	8.63	70,025	8.19
Granted - 2013	-	-	-	-
2014	-	-	10,849	9.50
2015	12,451	10.49	-	-
Prior year adjustment – 2012	29	10.75	-	-
Expired	(2,238)	9.09	(7,573)	9.40
Exercised	(18,924)	8.56	(19,657)	7.25
At end of year	44,964	8.83	53,646	8.63
Exercisable at the end of the period	26,509	9.47	36,529	8.64

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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:

	2016		2015	
Expiry Date	Exercise Price	No. of Outstanding Options 000's	Exercise Price	No. of Outstanding Options 000's
March 2016	-	-	7.66	2,524
March 2016	7.92	(47)	7.92	1,962
March 2017	10.45	1,556	10.45	3,009
March 2017	4.20	1,191	4.20	1,560
March 2018	10.96	1,441	10.96	2,812
March 2018	6.51	1,910	6.51	3,308
March 2019	14.10	1,085	14.10	1,621
March 2019	7.52	1,330	7.52	4,575
March 2020	10.75	4,045	10.75	6,933
March 2021	7.11	11,104	7.11	14,495
March 2022	9.50	9,093	9.50	10,849
March 2023	10.49	12,255	-	-
	9.16	44,964	8.63	53,646

For options outstanding at the end of the year, exercise prices range from $4.20 to $14.10 (2015 - $4.20 to $14.10). The remaining contractual terms range from 3 months to 7 years (2015 – 1 month to 7 years).

The weighted average share price for options exercised during the year was $22.72 (2015 - $11.00) and the Group's share of the cost of these options was $11,646,000 (2015 - $40,865,101).

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 $31,790,000. The significant inputs into the model were share price of $23.65, dividend yield of 4.23%, standard deviation of the expected share price returns of 26%, and annual risk free interest rate of 9.19%. The expected volatility is based on statistical analysis of month end share prices over the preceding seven years.

The Group recognised cumulative expenses of $49,800,000 in the Stock Option Reserves (2015 – $61,917,000) and share options expense of $36,522,000 (2015 - $41,411,000) in the income statement.

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 2016, the Staff Share Purchase Plan Trust purchased 6,383,309 shares over the Stock Exchange for a total cost of $144,465,281. The Group has recognised no expense in respect of these shares in 2016 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 24,212,081 (2015 – 1,118,578) at a cost of $608,503,000 (2015 - $13,342,000).

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	
	2016	2015	2016	2015
	$000	$000	$000	$000
Unrealised gains on owner-occupied properties of joint ventures and associates	749,771	-	-	-
Unrealised gains on owner-occupied properties of group entities	651,106	622,390	-	-
	1,400,877	622,390	-	-
Unrealised gains on available-for-sale securities	3,901,933	(7,500,833)	(48,377)	(68,794)
Actuarial liabilities	(704,538)	-	-	-
	4,598,272	(6,878,443)	(48,377)	(68,794)

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	
	2016	2015
	$'000	$'000
First interim dividend – 66 cents per share (2015 – 39 cents per share)	2,577,719	1,523,198
Second interim dividend – 45 cents per share (2015 – 34 cents per share)	1,757,536	1,327,915
	4,335,255	2,851,113

The dividends paid for 2016 and 2015 represented a dividend per stock unit of $1.12 and $0.73 respectively.

33. Net Profit and Retained Earnings

	2016 $'000	2015 $'000
(i) Net profit dealt with in the financial statements of:		
The company	9,805,487	2,507,461
Less dividends from subsidiaries	(10,354,291)	(2,832,526)
The subsidiaries	11,806,843	10,118,510
	11,258,039	9,793,445
(ii) Retained earnings reflected in the financial statements of:		
The company	20,971,990	15,501,756
The subsidiaries	22,682,446	22,743,820
	43,654,436	38,245,576

34. Deposit and Security Liabilities

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Securities sold under repurchase agreements	41,027,823	62,340,384	-	-
Due to banks and other financial institutions (i)	27,714,377	25,576,703	-	-
Customer deposits and other accounts	104,149,488	67,477,360	-	-
Structured products (ii)	4,451,011	4,212,607	-	-
Promissory notes (iii)	-	-	6,737,599	12,347,661
	177,342,699	159,607,054	6,737,599	12,347,661

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34. Deposit and Security Liabilities (Continued)

	Interest Rate (%)	Maturity Period	2016 $'000	2015 $'000
(I) Due to banks and other financial institutions:				
Long term loans:				
Development Bank of Jamaica Limited	various	2018	1,914,006	1,362,279
National Housing Trust NHT	various	various	996,978	883,331
Short term loans:				
CIBC First Caribbean International Bank Jamaica Limited	3.0	2017	250,069	219,693
National Commercial Bank Jamaica Limited	various	2017	200,060	-
Citibank N.A.	3.0	2017	1,000,301	980,081
Goldman Sachs International	1.95	2017	5,838,432	5,727,257
Credit Suisse NY	various	2017	5,139,762	4,824,211
Jefferies LLC	1.3	2017	1,279,696	-
Morgan Stanley Smith Barney	1.36-1.66	2017	10,921,611	11,401,882
Bank overdraft:				
National Commercial Bank Jamaica Limited	21.25	2017	173,462	177,969
			27,714,377	25,576,703

(I) Due to banks and other financial institutions

(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.

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 2.25% plus 6 months USD Libor-BBA. In addition, the loan facility matures on April 29, 2017 and is secured by a Kingdom of Bahrain bond totalling US$1,040,450;a Government of Italy bond totalling US$1,172,350; a Common Wealth of Bahamas bond totalling US$2,362,954; a Government of Cayman Islands bond totalling US$1,747,008; Government of Jamaica Global bonds totalling US$20,156,707; Petroleum Company of Trinidad and Tobago bonds totalling US$3,050,042; International Corporate bonds totalling US$9,623,780; a Peru Corporate bond totalling US$539,855 and Cash totalling US$17,714,792. This loan is repayable in one instalment on 29 April 2017.

e) *Goldman Sachs International*
The loan attached interest of 1.95% plus 3 months USD Libor-BBA and is secured by International Corporate bonds totalling US$62,204,388; a Government of Trinidad and Tobago bond totalling US$1,076,760; a Petroleum Company of Trinidad and Tobago bond totalling US$729,102 and Government of Bahamas bonds totalling US$3,547,611. This loan was repaid on January 17, 2017.

f) *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 1.30%. These loans are repayable on demand and secured by International Corporate bonds totaling US$44,256,896 and Government of Jamaica bonds totaling US$49,817,326.

g) *Morgan Stanley Smith Barney*
This represents amounts due to the broker for securities purchased by Sagicor Life Jamaica Limited (SLJ),Sagicor Life of the Cayman Islands Limited (SLC) and Sagicor Investments Jamaica Limited (SIJL) under margin loan facilities. The facilities are payable on demand and attract interest rates of 1.36% to 1. 66%.

The facilities with SJL are secured by International Corporate bonds totalling US$60,721,614; Brazil Corporate bonds totalling US$29,014,355; a Government of Barbados bond totalling $238,311; an Equity totalling US$19,567 and a Government of Jamaica bond totalling US$541,710.

The facilities with SLC are secured by International Corporate bonds totalling US$21,699,420 and a Petroleum Company of Trinidad and Tobago bond totalling US$3,133,740.

The facilities with SIJL are secured by International Corporate bonds totalling US$32,236,838; Government of Jamaica bonds totalling US$11,570,549 and an Equity totalling US$1,993,937.

The Group has not had any defaults of principal, interest or other breaches with respect to its liabilities during the year.

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34. Deposit and Security Liabilities (Continued)

(I) Due to banks and other financial institutions (continued)

(ii) Structured products

	2016 $'000	2015 $'000
Principal protected notes -		
With no interest guaranteed	378,227	329,983
With interest guaranteed	4,072,784	3,882,624
	4,451,011	4,212,607

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 9. 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 in the notes with no interest guarantee and principal plus interest for the notes with an interest guarantee. The maturity of these notes range from 2013 to 2017.

(iii) Promissory notes

	The Company	
	2016 $'000	2015 $'000
Sagicor Life Jamaica Limited	4,977,343	10,561,326
Sagicor Bank Jamaica Limited	613,254	583,975
Sagicor Investment Jamaica Limited	1,147,002	1,202,360
	6,737,599	12,347,661

The above represent promissory notes that have been issued by the company with respect to the corporate reorganization of the Group. The promissory notes have been issued to one of the Group's subsidiaries, Sagicor Life Jamaica Limited, for consideration for the value of the above subsidiaries whose ownership has been transferred from the previous parent company, Sagicor Life Jamaica Limited to the holding company, Sagicor Group Jamaica Limited. Also, a 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.

35. Other Liabilities

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Legal claim payable (Note 56)	6,747,230	5,147,243	-	-
Premiums not applied	1,358,246	1,042,632	-	-
Accounts payable and accruals	908,844	1,061,958	34,864	14,337
Accrued vacation	255,247	205,314	-	-
Dividends payable	136,931	118,196	61,211	36,627
Due to related parties (Note 25)	517,303	212,760	2,525,812	1,592,919
Due to brokers and agents	336,707	502,623	-	-
Bonus payable	395,232	426,889	-	-
Reinsurance payable	129,518	204,344	-	-
Mortgage principal and real estate payables	312,303	274,989	-	-
Customer settlement accounts	248,399	269,348	-	-
Regulatory fees and Statutory payables	298,482	763,044	-	-
Items in course of payment	656,185	578,344	-	-
Cheques issued but uncashed	162,545	160,411	-	-
Unearned reinsurance commissions	11,359	9,646	-	-
Miscellaneous	356,841	388,130	3,566	9,677
	12,831,372	11,365,871	2,625,453	1,653,560

36. Insurance Contract Liabilities

(a) Composition by line of business is as follows:

	The Group	
	2016 $'000	2015 $'000
Group annuities	39,225,538	35,765,413
Group insurance	4,919,710	4,736,672
Individual insurance	24,564,091	21,083,738
Total	68,709,339	61,585,823

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36. Insurance Contract Liabilities (Continued)

(b) Movements in insurance liabilities:

	The Group 2016			
	Group Annuities $'000	Individual Insurance $'000	Group Insurance $'000	Total $'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

	The Group 2015			
	Group Annuities $'000	Individual Insurance $'000	Group Insurance $'000	Total $'000
Balance at the beginning of the year	31,490,107	19,417,853	4,918,357	55,826,317
Normal changes in policyholders' liabilities (Note 36(d))	3,362,070	1,708,938	(293,834)	4,777,174
Eliminations	-	(321,052)		(321,052)
Changes as a result of revaluation	913,236	277,999	112,149	1,303,384
Balance at end of year	35,765,413	21,083,738	4,736,672	61,585,823

36. Insurance Contract Liabilities (Continued)

(c) Investment and other assets supporting policyholders' and other liabilities:

	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	-	30,009,740	23,886,266	57,350,252
	55,593,005	49,146,736	179,804,117	56,410,973	340,954,831

	The Group 2015				
	Insurance	Pensions and Annuities	Other Liabilities	Capital and Surplus	Total
	$'000	$'000	$'000	$'000	$'000
Quoted equities	19,047,070	-	-	6,370,544	25,417,614
Investment properties	-	-	-	472,000	472,000
Fixed income securities	29,894,907	45,043,454	136,475,387	11,661,998	223,075,746
Mortgages	-	90,209	-	1,822,425	1,912,634
Other assets	2,911,855	-	20,344,296	26,255,782	49,511,933
	51,853,832	45,133,663	156,819,683	46,582,749	300,389,927

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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 2016			
	Group Annuities	Individual Insurance	Group Insurance	Total
	$'000	$'000	$'000	$'000
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	(1,312,202)	183,213	(101,423)	(1,230,412)
	1,585,379	3,159,230	39,787	4,784,396

	The Group 2015			
Change in assumed investment yields and inflation rate	(45,503)	439,547	158,544	552,588
Change due to the issuance of new policies and the decrements on in-force policies	3,409,965	4,956,877	333,994	8,700,836
Change due to other actuarial assumptions	(2,392)	(3,687,486)	(786,372)	(4,476,250)
	3,362,070	1,708,938	(293,834)	4,777,174

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 1.8%.

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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 15% 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 1.8%.

(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.

37. Investment Contract Liabilities

	The Group	
	2016	2015
	$'000	$'000
Amortised cost -		
Amounts on deposit	10,624,380	9,442,116
Deposit administration fund	3,094,351	3,169,705
Other investment contracts	413,069	360,157
	14,131,800	12,971,978

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 $8,099,406 (2015 - $7,192,763) and other policyholders' savings plans of $2,524,974 (2015 - $2,249,353).

Movement of the Deposit Administration Funds:

	The Group	
	2016	2015
	$'000	$'000
Balance at the beginning of the year	3,169,705	3,126,468
Deposits received	278,081	262,477
Interest earned	186,139	173,003
Service charges	(23,339)	(26,389)
Withdrawals	(517,206)	(366,506)
Revaluation adjustment	971	652
Balance at the end of the year	3,094,351	3,169,705

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 173 (2015 - 168) clients in the company. The average interest rate paid by the company during the year was 5.85% (2015 – 5.85%).

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38. Other Policy Liabilities

	The Group	
	2016	2015
	$'000	$'000
Insurance benefits payable	2,563,325	2,110,833
Provision for unearned premiums	137,691	129,647
Policy dividends and other funds on deposit	847,789	818,899
	3,548,805	3,059,379

39. Investment Contracts Benefits

Benefits from unit linked investment contracts without fixed terms for the Group amounting to $5,355,943 (2015 - $4,578,852,000) 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	
	2016	2015
	$'000	$'000
Group insurance -		
Group creditor life	600,209	563,820
Group health	9,187,405	9,023,358
Group life	1,865,510	1,847,803
	11,653,124	11,434,981
Individual insurance -		
Individual life -		
Insurance premium	12,198,956	11,194,286
Segregated funds contributions	6,079,301	5,801,326
Individual health	508,289	429,991
Individual annuities	401,080	387,124
	19,187,626	17,812,727
Annuities - Bulk	1,146,610	1,904,306
Annuities - Regular	2,068,781	1,937,172
Property and casualty	313,521	352,985
	34,369,662	33,442,171

40. Premium Income (Continued)

(b) Reinsurance premiums by line of business:

	The Group	
	2016	**2015**
	$'000	**$'000**
Group insurance -		
Group health	249,947	249,855
Group life	50,410	61,232
	300,357	311,087
Individual life	218,400	271,197
Property and casualty	356,264	377,473
	875,021	959,757
Net premiums	33,494,641	32,482,414

(c) Net premiums by geography:

	The Group	
	2016	**2015**
	$'000	**$'000**
Jamaica	30,971,472	29,686,573
Cayman Islands	2,523,169	2,795,841
	33,494,641	32,482,414

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41. Net Investment Income

	The Group		The Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Interest income -				
Short term deposits	56,878	45,092	28,420	-
Financial assets at fair value through profit or loss	446,117	487,211	-	74,049
Available-for-sale	8,324,070	8,006,322	70,562	119,732
Loans and receivables	3,921,342	4,269,069	65,603	286,746
Held to maturity	283,752	266,025	-	-
Loans	6,482,249	5,398,843	-	-
Policy loans	68,710	98,784	-	-
Government securities purchased under resale agreements	61,943	55,766	534	2,308
Other	18,466	17,990	-	-
Dividends	97,914	97,674	10,420,569	2,832,526
Realized gains	3,574,355	707,903	-	-
Unrealized gains	1,744,953	2,576,465	-	-
Net gains on investment properties	15,119	-	-	-
Other investment income/(losses)	(10,111)	7,541	-	(13,307)
	25,085,757	22,034,685	10,585,688	3,302,054
Impairment losses on investments	(562,873)	(967,906)	-	-
Interest expense -				
Customer deposits and repurchase liabilities	(3,836,605)	(3,432,735)	-	-
Due to banks and other financial institutions	(400,115)	(618,399)	-	-
Investment contracts	(646,380)	(587,208)	-	-
Promissory notes	-	-	(567,236)	(606,882)
Other	(291,212)	(126,888)	-	-
	(5,174,312)	(4,765,230)	(567,236)	(606,882)
Net investment income	19,348,572	16,301,549	10,018,452	2,695,172

42. Fees and Other Income

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Administration fees	2,364,929	2,029,356	-	-
Bank service fees	1,921,466	1,923,217	-	-
Surrender charges	213,835	203,200	-	-
Credit related fees, net	336,892	421,636	-	-
Stockbrokerage fees	73,130	52,498	-	-
Treasury fees	14,121	6,064	-	-
Trust fees	45,668	37,152	-	-
Corporate finance fees	67,664	76,326	-	-
Foreign exchange gains	444,911	138,086	150,116	3
Administrative service fees	500,330	449,200	-	-
Property management and related fees	350,578	302,711	-	-
Insurance broker commission	127,148	121,242	-	-
Miscellaneous fees & other income	396,990	453,391	308,842	124,267
	6,857,662	6,214,079	458,958	124,270

43. Insurance Benefits and Claims

	The Group			
	2016			2015
	Gross incurred	Reinsured	Net	Net Claims
	$'000	$'000	$'000	$'000
Death and disability	3,014,491	(99,020)	2,915,471	2,597,682
Maturities	8,827	-	8,827	18,764
Surrenders and withdrawals	797,181	-	797,181	998,919
Segregated funds withdrawals	5,355,943	-	5,355,943	4,578,852
Annuities payments	3,642,226	-	3,642,226	3,346,558
Policy dividends and bonuses	66,050	-	66,050	69,834
Health insurance	7,948,150	(342,384)	7,605,766	6,987,567
Other benefits	676,984	(15,175)	661,809	492,953
	21,509,852	(456,579)	21,053,273	19,091,129

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Auditors' remuneration -				
Current year	91,518	81,804	9,000	7,700
Prior year	4,000	-	-	-
Office accommodation	978,681	1,140,835	667	286
Communication and technology	1,443,824	1,371,457	95,354	13,540
Advertising and branding	553,896	484,520	28,192	11,959
Sales convention and incentives	213,811	174,831	-	-
Postage, printing and office supplies	313,964	265,831	1,853	2
Policy stamp duties and reimbursements	89,712	61,231	-	-
Regulators fees	229,563	182,805	5,479	5,221
Directors costs	95,936	90,911	28,102	28,092
Legal and professional fees	153,768	276,081	16,372	52,016
Services outsourced	687,033	566,981	-	57,758
Electronic channels charges	482,059	194,712	-	-
Commission and fees	26,415	8,893	-	-
Insurance	174,067	143,827	718	57
Travel and entertainment	156,569	103,566	4,953	464
Bank charges and cash transport	250,328	201,174	720	237
Other expenses	712,558	350,849	63,390	10,243
Staff cost (a)	7,667,733	7,650,139	-	-
	14,325,459	13,350,447	254,800	187,575

(a) Staff costs

	The Group	
	2016	2015
	$'000	$'000
Salaries	5,277,729	4,885,315
Payroll taxes	569,693	555,708
Pension costs (Note 21)	554,378	453,880
Other post-retirement benefits (Note 21)	441,104	391,857
Share based compensation	70,061	190,615
Restructuring costs	55,424	436,719
Other	699,344	736,045
	7,667,733	7,650,139

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current year taxation -				
Dividend income tax @ 15%	1,730	490	-	-
Income tax at 33 ⅓%	936,439	831,929	-	-
Income tax at 25%	2,166,461	1,146,074	27,908	85,927
	3,104,630	1,978,493	27,908	85,927
Deferred income tax (Note 22) -				
Deferred tax charge/(credit) relating to the origination and reversal of temporary differences	(150,650)	(160,015)	65,589	(88,261)
Taxation	2,953,980	1,818,478	93,497	(2,334)
(b) Premium and other taxes:				
Asset tax @ 0.25%	552,684	963,785	200	400
Withholding tax	9,895	3,072	-	3
Premium and other taxes	562,579	966,857	200	403

(i) On September 29, 2015, the Provisional Collection of Tax (Income Tax) Order, 2015 was issued amending the income tax regime for life insurance companies effective for the year of assessment 2015. With effect from January 1, 2015, the Group's life insurance subsidiary, specifically Sagicor Life Jamaica Limited, is subject to income tax on its taxable profits at a rate of 25%. Prior to the amendment, Sagicor Life Jamaica Limited was subject to tax as follows:

- Investment tax applicable to the long term insurance business of the company at 15% on income, other than premium income, less certain expenses incurred in the generation of that income.
- Investment tax applicable to the health insurance business of the company at 15% of taxable profits of that line of business.

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47. Taxation (Continued)

(b) Premium and other taxes: (continued):

(ii) 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.

(iii) Income tax at 25% is payable on taxable profits of Sagicor Group Jamaica Limited, and Sagicor Property Services Limited.

(iv) Asset taxes

(a) Life Insurance Companies
Life Insurance Companies are subjected to asset tax at a rate of 0.25% (2015 - 1%) 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% (2015 – 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.

(v) 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 $143,700,000 (2015 – $702,085,000) and $Nil (2015 - $533,591,000) respectively. No deferred tax asset was recognised on these losses.

47. Taxation (Continued)

(c) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Investment income tax -				
Dividend income	11,530	3,067	-	-
Tax at 15%	1,730	460	-	-
Income tax -				
Profit before taxation	14,212,019	11,611,926	9,898,984	2,505,130
Tax at 25% and 33⅓%	3,961,903	3,209,512	2,474,746	626,282
Adjusted for:				
Income not subject to income tax	(2,814,951)	(3,391,561)	(2,633,822)	(681,895)
Asset tax not deductible for tax purposes	170,654	238,224	50	100
Expenses not deductible for tax purposes	1,774,059	1,896,256	143,168	162,246
Subsidiaries taxed at zero rate	(128,527)	(136,043)	-	-
Effect of change in tax structure	-	48,521	-	-
Prior year (over)/under provision	43,320	(25,434)	-	-
Net effect of other charges and allowances	(54,208)	(21,457)	109,355	(109,167)
	2,952,250	1,818,018	93,497	(2,334)
Taxation expense	2,953,980	1,818,478	93,497	(2,334)

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47. Taxation (Continued)

(d) The tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group					
	2016			2015		
	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	4,661,611	(641,303)	4,020,308	(8,474,232)	1,335,478	(7,138,754)
Shadow accounting reserve	(704,538)	-	(704,538)	-	-	-
Re-measurement of post-employment benefits	(1,246,287)	326,788	(919,499)	(715,841)	273,873	(441,968)
Unrealised gains/(losses) on owner-occupied properties:						
Sagicor Group excluding Associated Entity	(20,999)	49,715	28,716	102,055	(134,667)	(32,612)
Retranslation of foreign operations	678,910	-	678,910	533,920	-	533,920
Other comprehensive income	3,368,697	(264,800)	3,103,897	(8,554,098)	1,474,684	(7,079,410)
Deferred income taxes (Note 22)		(264,800)			(1,474,684)	
Unrealised gains/(losses) on owner-occupied properties:						
Associated Entity	952,543	(202,772)	749,771	-	-	-
	4,321,240	(467,572)	3,853,668	(8,554,098)	(1,474,684)	(7,079,410)

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	
	2016	2015
Net profit attributable to stockholders ($'000)	11,258,039	9,793,445
Weighted average number of ordinary stock units in issue ('000)	3,881,423	3,904,516
Basic earnings per stock unit ($)	2.90	2.51

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	
	2016	**2015**
Net profit attributable to stockholders ($'000)	11,258,039	9,793,445
Weighted average number of ordinary stock units in issue ('000)	3,881,423	3,904,516
Fully diluted earnings per stock unit ($)	2.90	2.51

(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	
	2016	**2015**
	'000	**'000**
Weighted average number of ordinary stock units for the purposes of the computation of basic earnings per stock unit	3,881,423	3,904,516
Effect of dilutive potential ordinary stock units – stock options	2,115	3,906
Weighted average number of ordinary stock units for the purposes of the computation of diluted earnings per stock unit	3,883,538	3,908,422

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49. Cash Flows

(a) Operating activities

	Note	The Group		The Company	
		2016	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
Adjustments for non-cash items, interest and dividends:					
Depreciation and amortisation		1,000,094	767,084	323,426	126,336
Interest and dividend income		(19,761,441)	(18,751,495)	(10,585,688)	(3,315,364)
Interest expense and finance costs	40	5,174,312	4,765,230	567,236	606,882
Income tax expense	46	2,953,980	1,818,478	93,497	(2,334)
Premium and other tax expense	46	562,579	966,704	200	403
Losses/(gains) on disposal of investment securities/investment properties		(3,574,352)	(852,103)	-	13,308
Fair value gains on trading securities		(1,744,955)	(2,446,807)	-	-
Impairment charge on investments, loans and other assets		562,873	967,907	-	-
Impairment charge on property, plant & equipment		66,292	-	-	
Share based compensation		31,902	-	31,902	-
Losses on revaluation of investment properties	13	(15,119)	(20,144)	-	-
(Losses)/gains on disposal of property, plant and equipment		(65,976)	92,603	-	-
Increase in policyholders' funds		1,267,095	447,673	-	-
Net movement in actuarial liabilities		4,784,396	4,777,174	-	-
Retirement benefit obligations		463,458	440,751	-	-
Effect of exchange gains on foreign currency balances		(444,911)	(138,086)	(144,187)	2,897
Negative goodwill on acquisition of RBC Jamaica		-	119,628	-	-
Share of income from joint venture/gain on disposal of associate		(503,310)	(61,121)	-	-
		(9,243,083)	(7,106,524)	(9,713,614)	(2,567,872)

49. Cash Flows (Continued)

(b) Changes in other operating assets and liabilities:

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Changes in other operating assets and liabilities:				
Statutory reserves at Bank of Jamaica	(1,790,638)	(966,404)	-	-
Structured products and derivatives	199,373	1,862,001	-	-
Stock options and grants	(44,015)	(71,630)	(44,015)	(71,631)
Reinsurance contracts	141,046	(38,693)	-	-
Due from related parties	137,698	9,474	959,321	815,929
Deposit and security liabilities	11,696,604	1,129,455	(5,170,933)	(3,379,106)
Other assets	(2,600,847)	(2,141,715)	(162,733)	460,870
Other liabilities	1,111,956	419,420	25,652	41,187
	8,851,177	201,908	(4,392,708)	(2,132,751)

(c) Net investment purchases:

	The Group		The Company	
	2016		2016	2015
	$'000		$'000	$'000
Proceeds on sale of investment securities	186,924,618	66,350,628	-	5,471,055
Purchase of investment securities	(184,001,397)	(84,621,847)	-	(1,929,096)
Loans	(12,694,260)	(4,851,956)	16,853	-
Lease receivables	11,002	(20,478)	-	(16,853)
	(9,760,037)	(23,143,653)	16,853	3,525,106

(d) Investing Activities

	The Group		The Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Purchase of property, plant and equipment (Note 19)	(894,973)	(552,981)	(51,537)	(206,608)
Proceeds from sale of property, plant and equipment	26,859	4,693	-	-
	(868,114)	(548,288)	(51,537)	(206,608)

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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.

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 2016 $000	Fair Value 2016 $000	Carrying Value 2015 $000	Fair Value 2015 $000
Financial Assets				
Financial investments - held to maturity	2,644,669	2,775,620	2,463,106	2,328,071
Financial investments – loans and receivables	55,546,899	59,585,260	49,025,207	47,212,880
Loans & leases, after allowance for credit losses	56,175,968	53,892,243	43,761,061	38,808,048
Financial Liabilities				
Securities sold under agreements to repurchase	41,027,823	41,027,823	62,340,383	76,002,302
Customer deposits and other accounts	104,149,488	103,775,901	67,477,360	53,589,012
Due to banks and other financial institutions	27,714,377	28,326,421	25,576,703	19,698,839

	The Company			
	Carrying Value 2016 $000	Fair Value 2016 $000	Carrying Value 2015 $000	Fair Value 2015 $000
Financial Assets				
Financial investments – loans and receivables	922,855	930,415	954,442	957,328

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 December 2016, 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 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	2,943,132	164,844,490
Financial Liabilities				
Derivative financial instruments	-	174,575	-	174,575

	The Group 2015			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial investments	39,848,582	102,575,684	3,460,332	145,884,598
Pledged assets	-	6,184,591	-	6,184,591
Derivative financial instruments	-	192,303	-	192,303
	39,848,582	108,952,578	3,460,332	152,261,492
Non Financial Assets				
Property, plant & equipment	-	-	2,387,843	2,387,843
Investment properties	-	-	472,000	472,000
	39,848,582	108,952,578	6,320,175	155,121,335
Financial Liabilities				
Derivative financial instruments	-	192,303	-	192,303

50. Fair Values of Financial Instruments (Continued)

Description	Fair value at 2016 $'000	Fair value at 2015 $'000	Unobservable inputs	Range of unobservable inputs 2016 $'000	Range of unobservable inputs 2015 $'000	Relationship of unobservable inputs to fair value
Unquoted preference shares	-	505,100	Valued at imputed price Earnings growth factor	-	2.5% - 3.5%	Increased earnings growth factor (+500 basis points (bps) and lower discount rate (-100 bps) would increase /decrease fair value by $nil
Corporate bonds	-	2,835,953	Valued at cost and comparable pricing	-	10%	A shift of the credit default rate by +/- 100bps results in a change in FV $nil (2015 - $283,595,000).
Investment properties	488,000	472,000	Comparable sale	5%	5%	Increased in comparable sale prices will have direct correlation to the fair value
Property, plant & equipment	2,444,673	2,387,843	Comparable sale	5%	5%	Increased in comparable sale prices will have a direct correlation to fair value
Unquoted ordinary equity	106,459	119,279	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 $10,646,000 (2015 - $11,927,000).
	2,943,132	6,320,175				

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50. Fair Values of Financial Instruments (Continued)

Reconciliation of level 3 items –

	The Group 2016 $'000	The Group 2015 $'000
Balance at beginning of year	6,320,175	4,761,769
Total (gains) / losses – income statement	(60,003)	214,760
Purchases	17,190	1,987,639
Settlements	(3,334,230)	(643,993)
Balance at end of year	2,943,132	6,320,175

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	The Group Fair Value $'000
At December 31, 2016	54,590,579	58,628,940
At December 31, 2015	48,287,687	47,998,469

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.

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.

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).

	The Group			
Individual Life Benefits Assured per Life ('000)	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	94,498,563	8
More than 1,000	750,194,175	62	722,501,640	64
Total	1,205,452,773	100	1,141,293,131	100

	The Group			
Individual Life Benefits Assured per Life ('000)	Total Benefits Insured			
2015	Before Reinsurance $'000	%	After Reinsurance $'000	%
0 – 200	117,730,469	11	107,862,730	11
200 - 400	102,456,194	9	93,048,556	9
400 - 800	107,153,961	10	96,512,435	9
800 - 1000	95,357,274	9	89,260,291	9
More than 1,000	660,690,517	61	634,193,204	62
Total	1,083,388,415	100	1,020,877,216	100

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			
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

Group Life Benefits Assured per Life ('000)	The Group			
	Total Benefits Insured			
2015	**Before Reinsurance $'000**	**%**	**After Reinsurance $'000**	**%**
0 - 200	29,958,394	5	21,517,509	4
200 - 400	3,591,631	1	1,509,387	-
400 - 800	663,817	-	419,606	-
800 - 1,000	183,806	-	183,806	-
More than 1,000	566,959,335	94	563,056,822	96
	601,356,983	100	586,687,130	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.

Annuity Payable per annum per annuitant ('000)	The Group	
	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	3,379,949	100

Annuity Payable per annum per annuitant ('000)	The Group	
	Total Benefits Insured	
2015	**$'000**	**%**
0 - 20	60,453	2
20 - 40	66,811	2
40 - 80	81,276	3
80 - 100	35,527	1
More than 100	2,777,718	92
Total	3,021,785	100

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.

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.

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.

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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 $254,698,000 (2015 - $219,196,000) 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 2016 and 2015.

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
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	-	5,505,320	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	35,364,815	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)	78,427,456	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	

51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group 2015						
	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
Assets							
Cash resources	4,937,758	-	-	-	-	2,589,989	7,527,747
Cash reserve at Bank of Jamaica	6,458,895	-	-	-	-	-	6,458,895
Financial investments and pledged assets	-	34,722,167	2,700,868	40,321,512	104,661,696	24,046,389	206,452,632
Derivative financial instruments	-	-	-	-	-	192,303	192,303
Loans & leases, after allowance for credit losses	-	43,521,360	3,098	100,857	-	135,746	43,761,061
Reinsurance contracts	-	-	-	-	-	432,968	432,968
Other assets	-	-	-	-	-	10,608,458	10,608,458
Non-financial assets							
Investment properties	-	-	-	-	-	472,000	472,000
Investment in joint venture	-	-	-	-	-	759,115	759,115
Investment in associated companies	-	-	-	-	-	4,869,225	4,869,225
Intangible assets	-	-	-	-	-	5,663,052	5,663,052
Property, plant and equipment	-	-	-	-	-	4,195,227	4,195,227
Deferred income taxes	-	-	-	-	-	4,652,992	4,652,992
Taxation recoverable	-	-	-	-	-	2,887,330	2,887,330
Retirement benefit Assets	-	-	-	-	-	8,695	8,695
Other assets	-	-	-	-	-	1,448,227	1,448,227
Total assets	11,396,653	78,243,527	2,703,966	40,422,369	104,661,696	62,961,716	300,389,927

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51. Insurance and Financial Risk Management (Continued)

(c) Cash flow and fair value interest rate risk (continued)

	The Group 2015						
	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	-	115,995,570	22,305,542	6,826,747	627,405	13,851,790	159,607,054
Derivative financial instruments	-	-	-	-	-	192,303	192,303
Other liabilities	-	-	-	-	-	11,365,871	11,365,871
Insurance contracts liabilities	-	817,489	2,409,968	12,265,445	43,572,353	2,520,568	61,585,823
Investment contracts liabilities	-	6,520,113	2,294,391	4,157,474	-	-	12,971,978
Other policy liabilities	-	763,196	-	-	-	2,296,183	3,059,379
Non-financial liabilities:							
Taxation payable	-	-	-	-	-	570,635	570,635
Retirement benefit obligations	-	-	-	-	-	4,467,473	4,467,473
Total liabilities	-	124,096,368	27,009,901	23,249,666	44,199,758	35,264,823	253,820,516
On statement of financial position interest sensitivity gap	11,396,653	(45,852,841)	(24,305,935)	17,172,703	60,461,938	27,696,893	46,569,411
Cumulative interest sensitivity gap	11,396,653	(34,456,188)	(58,762,123)	(41,589,420)	18,872,518	46,569,411	

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 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

	The Group 2015					
	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)	-	6.09	8.89	7.07	8.71	7.70
Loans	12.10	12.12	16.35	11.56	-	12.08
Mortgages (2)	-	9.70	9.70	9.70	9.70	9.70
Policy loans	-	-	-	-	10.91	10.91
Investment contracts	-	4.63	4.63	4.63	4.63	4.63
Bank overdraft	26.00	-	-	-	-	26.00
Deposits	-	3.47	3.80	6.53	-	3.58
Amounts due to banks and other financial institutions	-	3.36	6.48	6.65	6.60	4.50

(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

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.

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			
	2016		2015	
	Loans and leases	Impairment Provision	Loans and leases	Impairment provision
	$'000	$'000	$'000	$'000
Standard	46,490,321	2	39,975,442	13
Potential Problem Credit	5,919,674	91	1,777,495	1,351
Sub-Standard	2,758,473	28,518	1,071,934	421,066
Doubtful	511,408	9,216	397,757	136,078
Loss	1,877,614	1,343,695	2,306,923	1,209,982
	57,557,490	1,381,522	45,529,551	1,768,490

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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 2016 and 2015, 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	
	2016	2015
	$'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)	22,969,593	14,291,783
Investment securities	198,810,505	184,869,169
Loans & leases, net of allowance for credit losses	56,175,968	43,761,061
Reinsurance contracts	300,520	432,968
Other assets	12,251,549	10,608,458
	290,508,135	253,963,439
Credit risk exposures relating to items not on the statement of financial position are as follows:		
Loan commitments	7,402,927	7,180,277
Guarantees and letters of credit	2,881,299	3,257,737
	10,284,226	10,438,014

Loans and leases

(i) Credit quality of loans and leases are summarised as follows:

	The Group	
	2016	2015
	$'000	$'000
Neither past due nor impaired -		
Standard	46,490,321	37,571,299
Past due but not impaired	9,189,556	5,693,409
Impaired	1,877,614	2,264,843
Gross	57,557,491	45,529,551
Less: provision for credit losses	(1,381,523)	(1,768,490)
Net	56,175,968	43,761,061

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.

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	
	2016 $'000	2015 $'000
Agriculture	406,701	1,161,686
Construction and land development	10,405,194	6,531,362
Distribution	8,274,577	7,789,443
Manufacturing	3,883,783	1,319,152
Personal	21,078,303	16,659,612
Professional and other services	2,973,443	6,713,422
Tourism and entertainment	4,096,362	2,092,044
Transportation storage and communication	404,910	427,650
Overseas residents and other	5,972,414	2,699,435
Total	57,495,687	45,393,806
Total provision	(1,381,523)	(1,768,490)
Interest receivable	61,804	135,745
Net	56,175,968	43,761,061

(ii) Aging analysis of past due but not impaired loans and leases:

	The Group	
	2016 $'000	2015 $'000
Less than 30 days	5,827,090	4,030,509
31 to 60 days	2,849,290	1,259,811
61 to 90 days	511,408	401,322
More than 90 days	1,767	1,767
	9,189,555	5,693,409

Financial assets other than loans and leases that are past due but not impaired are mortgage loans up to three months of $19,024,000 (2015 - $18,751,000).

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	
	2016 $'000	2015 $'000
Loans and leases	1,877,614	2,264,842
Mortgage loans	347,927	293,125

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 $38,600,000 (2015 - $52,070,000).

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	
	2016	**2015**
	$'000	**$'000**
Government of Jamaica securities	101,201,808	109,778,408
Foreign government securities	27,689,526	13,390,532
Corporate bonds	62,234,249	53,956,798
Financial institutions	23,632,192	15,256,453
Mortgage loans	2,866,259	2,681,710
Policy loans	937,410	904,955
Promissory notes	48,000	48,000
	218,609,444	196,016,856
Interest receivable	3,170,654	3,144,096
	221,780,098	199,160,952

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	
	2016	**2015**
	$'000	**$'000**
Debt securities:		
Government of Jamaica debt securities	102,904,355	111,813,599
Deposits and cash:		
Bank of America	5,824,128	1,826,432
Citibank N.A.	363,352	1,584,873
Bank of Jamaica	8,291,838	6,458,895
National Commercial Bank Jamaica Limited	110,206	210,452
The Bank of Nova Scotia Jamaica Limited	59,067	219,529
Reinsurance contracts:		
Swiss Re - rated A+ (superior) by A.M Best	139,658	256,504
Munich Re - rated A+ (superior) by A.M Best	14,843	33,650

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.

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 2016 and 2015.

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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 financial assets and 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 2016	$000	$000	$000	$000	$000	$000
Deposit and security liability	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

	Within 3 months	3-12 months	1-5 years	Over 5 years	No specific maturity	Total
Undiscounted Financial Liabilities - 31 December 2015	$000	$000	$000	$000	$000	$000
Deposit and security liabilities	131,211,296	25,230,412	3,783,061	1,351,968	-	161,576,737
Derivative financial instruments	104,839	21,329	66,135	-	-	192,303
Other liabilities	4,190,425	1,961,487	-	-	5,213,959	11,365,871
Insurance contracts liabilities	817,489	2,409,968	12,265,445	46,092,921	-	61,585,823
Investment contracts liabilities	6,520,113	2,294,391	4,223,935	-	-	13,038,439
Other policy liabilities	763,196	2,296,183	-	-	-	3,059,379
Total undiscounted liabilities	143,607,358	34,213,770	20,338,576	47,444,889	5,213,959	250,818,552

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, 2016				
Credit commitments	7,402,927	-	-	7,402,927
Guarantees, acceptances and other financial facilities	1,980,566	313,988	586,746	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
At December 31, 2015				
Credit commitments	7,298,657	-	-	7,298,657
Guarantees, acceptances and other financial facilities	2,847,409	360,328	50,000	3,257,737
Operating lease commitments	132,111	451,660	-	583,771
Capital commitments	1,580,536	-	-	1,580,536
	11,858,713	811,988	50,000	12,720,701

Lease payments, including maintenance, for Group during the year were $490,190,000 (2015 – $581,204,000).

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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					
	2016					
	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	10,792,470	-	-	-	-	10,792,470
Cash reserve at Bank of Jamaica	8,249,533	-	-	-	-	8,249,533
Financial investments & pledged assets	16,671,681	12,693,338	30,093,426	146,089,770	21,217,821	226,766,036
Derivative financial instruments	-	45,370	129,205	-	-	174,575
Loans and leases, after allowance for credit losses	9,030,261	4,834,379	16,406,917	25,904,411	-	56,175,968
Reinsurance contracts	-	300,520	-	-	-	300,520
Other assets	2,307,782	557,773	36,462	2,997	9,346,536	12,251,550
Non-financial assets:						
Investment properties	-	-	-	-	488,000	488,000
Investment in joint venture	-	-	-	-	6,115,829	6,115,829
Investment in associated companies	-	-	-	-	397,822	397,822
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	739,278	641,156	240,717	253,420	-	1,874,571
Total assets	50,653,292	23,611,378	46,906,727	177,566,229	42,217,206	340,954,832

51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The Group

	2016					
	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	143,062,921	21,612,515	9,779,392	2,887,871		177,342,699
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	6,700,836	-	-	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	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)	21,168,207	56,410,982	

	2015					
Total assets	37,962,391	12,105,763	55,427,565	160,198,587	34,695,621	300,389,927
Total liabilities	142,580,721	30,623,252	23,950,983	51,451,601	5,213,959	253,820,516
On statement of financial position interest sensitivity gap	(104,618,330)	(18,517,489)	31,476,582	108,746,986	29,481,662	46,569,411
Cumulative interest sensitivity gap	(104,618,330)	(123,135,819)	(91,659,237)	17,087,749	46,569,411	

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51. Insurance and Financial Risk Management (Continued)

(e) Liquidity risk (continued)

The Company

	2016					
	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	189,583	-	-	-	-	189,583
Financial investments & pledged assets	44,769	393,200	-	1,760,825	-	2,198,794
Other assets	59,442	-	-	-	-	59,442
Non-financial assets:						
Investment in subsidiaries	-	-	-	-	57,678,874	57,678,874
Investment in associated companies	-	-	-	-	3,305,560	3,305,560
Investment in joint venture	-	-	-	-	376,083	376,083
Intangible assets	-	-	-	1,018,483	-	1,018,483
Property, plant and equipment	-	-	-	-	192,176	192,176
Deferred income taxes	-	22,672	-	-	-	22,672
Taxation recoverable	206,134	-	-	-	-	206,134
Other assets	65,280	92,132				157,412
Total assets	565,208	508,004	-	2,779,308	61,552,693	65,405,213
Liabilities						
Taxation payable	-	113,775	-	-	-	113,775
Other liabilities	2,625,449	-	-	-	-	2,625,449
Promissory notes	-	6,737,599	-	-	-	6,737,599
Total liabilities	2,625,449	6,851,374	-	-	-	9,476,823
On statement of financial position interest sensitivity gap	(2,060,241)	(6,343,370)	-	2,779,308	61,552,693	55,928,390
Cumulative interest sensitivity gap	(2,060,241)	(8,403,611)	(8,403,611)	(5,624,303)	55,928,390	

	2015					
Total assets	300,022	137,639	73,919	2,909,599	61,126,949	64,548,128
Total liabilities	1,640,219	8,424,731	3,338,955	-	85,868	13,489,773
On statement of financial position interest sensitivity gap	(1,340,197)	(8,287,092)	(3,265,036)	2,909,599	61,041,081	51,058,355
Cumulative interest sensitivity gap	(1,340,197)	(9,627,289)	(12,892,325)	(9,982,726)	51,058,355	

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 and the company's assets and liabilities at carrying amounts categorised by currency.

	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	26,068,044	(2,913,157)	56,410,982

51. Insurance and Financial Risk Management (Continued)

(f) Market risk (continued)

(ii) *Currency risk (continued)*

Concentrations of currency risk (continued)

	The Group			
	2015			
	Jamaican $	US$	Other	Total
	$'000	$'000	$'000	$'000
Financial assets				
Cash resources	1,684,977	4,008,151	1,834,618	7,527,747
Cash reserve at Bank of Jamaica	3,800,391	2,514,296	144,208	6,458,895
Financial investments and pledged assets	75,960,911	129,891,044	600,677	206,452,632
Derivative financial instruments	-	192,303	-	192,303
Loans & leases, after allowance for credit losses	33,461,480	10,299,581	-	43,761,061
Reinsurance contracts	142,750	290,218	-	432,968
Other assets	9,480,903	1,051,418	76,137	10,608,458
Non-financial assets:				
Investment properties	472,000	-	-	472,000
Investment in joint venture	-	759,115	-	759,115
Investment in associated companies	4,869,225	-	-	4,869,225
Intangible assets	5,028,499	634,553	-	5,663,052
Property, plant and equipment	3,718,795	476,432	-	4,195,227
Retirement benefit assets	8,695	-	-	8,695
Deferred income taxes	4,652,992	-	-	4,652,992
Taxation recoverable	2,887,330	-	-	2,887,330
Other assets	1,431,197	17,030	-	1,448,227
Total assets	147,600,145	150,134,141	2,655,640	300,389,927
Financial liabilities				
Deposit and security liabilities	57,010,112	100,117,013	2,479,929	159,607,054
Derivative financial instruments	-	192,303	-	192,303
Other liabilities	10,392,713	941,601	31,557	11,365,871
Insurance contracts liabilities	32,560,277	26,796,596	2,228,950	61,585,823
Investment contracts liabilities	7,992,767	4,914,562	64,650	12,971,978
Other policy liabilities	2,248,626	288,159	522,594	3,059,379
Non-financial liabilities:				
Taxation payable	570,635	-	-	570,635
Retirement benefit obligations	4,467,473	-	-	4,467,473
Total liabilities	115,242,603	133,250,234	5,327,679	253,820,516
Net on statement of financial position	32,357,542	16,883,907	(2,672,039)	46,569,411

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52. Sensitivity Analysis

Actuarial liabilities for the Group comprise 72.56% (2015 – 72.54%) 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:

- Mortality and morbidity
- Lapse rates
- 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.

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 2016 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 2016 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 2016 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 2016 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 2016 and for the next five years.

(vi) Level new business. New business planned for 2016 was maintained for the 5 year period. Overall, this scenario has no effect on the liabilities in 2016 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 2016 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 $68,709,339 for the Group at the year-end date.

		The Group	
Variable	**Change in Variable**	**2016 Change in Liability $'000**	**2015 Change in Liability $'000**
Worsening of mortality/morbidity	+3% for 5 yrs.	3,839,721	3,222,894
Improvement in annuitant mortality	-3% for 5 yrs.	922,294	843,159
Lowering of investment return	-0.5% for 10 yrs.	15,921,014	16,346,312
Worsening of base renewal expense and inflation rate	+5% for 5 yrs.	1,911,929	1,916,240
Worsening of lapse rate	x2 or x0.5	6,096,415	4,817,340
Higher interest rates	+0.5% for 10 yrs.	(12,636,248)	(12,142,133)

(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 2016 $'000**
Financial assets at fair value through profit or loss and available for sale equity securities:		
Listed on Jamaica Stock Exchange	278,679	27,868
Listed on US stock exchanges	2,021,558	202,156
Other	18,818,067	1,881,807
	21,118,304	2,111,831

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% (2015 – 15%) depreciation and a 1% (2015 – 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					
	2016			2015		
	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	Balances denominated in other than JMD $'000	Effect of a 15% depreciation at 31 December 2015 $'000	Effect of a 1% appreciation at 31 December 2015 $'000
Statement of financial position:						
Assets	176,270,550	202,711,133	174,507,845	152,879,907	175,811,893	151,351,108
Liabilities	153,115,664	176,083,014	151,584,507	138,744,326	159,555,974	137,356,882
Net position	23,154,886	26,628,119	22,923,337	14,135,582	16,255,919	13,994,226
Income statement:						
Net income	-	4,126,372	(188,006)	-	2,773,477	(97,813)
Equity	-	520,985	34,732	-	(653,139)	43,543

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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			
	2014	2015	2016	Total
Gross	$'000	$'000	$'000	$'000
Estimate of ultimate claims incurred:				
At the end of the reporting year	54,058	5,008	8,326	67,392
One year later	45,665	2,607	-	48,272
Two years later	33,823	-	-	33,823
Current estimate of cumulative claims	33,823	2,607	8,326	44,756
Cumulative payments to date	(32,783)	(707)	(1)	(33,491)
Liability recognised in the statement of financial position	1,040	1,900	8,325	11,265
Liability in respect of prior years and ULAE				5,580
Total liability				16,845

The reinsurers' share of the amounts in the following table is set out below.

Reinsurers' share	2014 $'000	2015 $'000	2016 $'000	Total $'000
Estimate of ultimate claims incurred:				
At the end of the reporting year	54,058	5,008	8,125	67,191
One year later	45,665	2,607	-	48,272
Two years later	33,823	-	-	33,823
Current estimate of cumulative claims	33,823	2,607	8,125	44,555
Cumulative payments to date	(32,783)	(707)	(1)	(33,491)
Recoverable recognised in the statement of financial position	1,040	1,900	8,124	11,064
Recoverable in respect of prior years				5,580
Total recoverable from reinsurers				16,644

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 2016 $'000	Effect on Equity 2016 $'000	Effect on Net Profit 2015 $'000	Effect on Equity 2015 $'000
Change in percentage				
J$: -1%, US$: -0.5% (2015 – J$: -1%, US$: -0.5%)	135,183	1,681,811	497,329	1,226,019
J$: +2.5%, US$: +2% (2015 – J$: +2.5%, US$: +2%)	(472,212)	(5,953,198)	(820,315)	(4,304,597)

	Sagicor Bank Jamaica Limited			
	Effect on Net Profit 2016 $'000	Effect on Equity 2016 $'000	Effect on Net Profit 2015 $'000	Effect on Equity 2015 $'000
Change in percentage				
J$: -1%, US$: -0.5% (2015 – J$: -1%, US$: -0.5%)	292,286	338,923	239,689	398,041
J$: +2.5%, US$: +2% (2015 – J$: +2.5%, US$: +2%)	(905,595)	(1,055,115)	(745,179)	(1,293,583)

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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:

	2016 $'000	2015 $'000
Stockholders' equity	56,410,982	46,569,411
Total statement of financial position capital resources	56,410,982	46,569,411

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.

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 2016 and 2015 is set out below.

	2016	2015
Sagicor Life Jamaica Limited	156.5%	201.5%

(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$31,618,000 (2015 - $26,015,000) and available capital when expressed as a percentage of prescribed capital, was 168.3% (2015 – 162.2%).

The MCR, based on the Cayman Island Regulations, is as follows.

2016	2015
168.3%	162.2%

The MCCSR, based on the Canadian Regulatory Standards, is as follows.

2016	2015
233.70%	282.35%

(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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Total regulatory capital	8,642,433	9,519,827	12,017,320	12,067,069
Total required capital	6,693,858	6,957,065	8,769,697	8,597,798
Actual capital base to risk	12.91%	12.54%	13.70%	13.84%
Required capital base to risk	10%	10%	10%	10%

53. Capital Management (Continued)

(i) During 2016 and 2015, 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 2016, these subsidiaries had financial assets under administration of approximately $268,563,287 (2015 - $225,927,428,000) as follows:

	The Group	
	2016	**2015**
	$'000	**$'000**
Sagicor Sigma Global Funds	90,890,453	73,886,487
Custody portfolio	22,527,056	21,312,852
Real Estate Investment Trust	424,340	386,919
Pooled Investment Funds	118,011,706	97,985,976
Self-directed pension funds	36,721,891	32,324,842
Pension property investment trusts	-	30,352
	268,575,446	225,927,428

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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 (now SGJ International Holdings (St. Lucia) Limited) against any loss the bank may suffer in this matter.

The decision of the Supreme Court was appealed and is pending at December 31, 2016. The amount previously awarded to the Claimant has been recorded as payable to the claimant with accrued interest and correspondingly receivable from Finsac.

57. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2016						
				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	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
	2015						
Assets							
Cash resources	11,396,574	-	11,396,574	-	(6,458,895)	-	4,937,679
Financial investments	250,405,996	-	250,405,996	(75,756,001)	-	(14,400,782)	160,249,213
Other assets	10,608,458	-	10,608,458	-	-	-	10,608,458
	272,411,028	-	272,411,028	(75,756,001)	(6,458,895)	(14,400,782)	175,795,350

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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						
	2016						
				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	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
	2015						
Assets							
Cash resources	93,417	-	93,417	-	-	-	93,417
Financial investments	1,766,045	-	1,766,045	-	-	-	1,766,045
Other assets	90,946	-	90,946	-	-	-	90,946
	1,950,408	-	1,950,408	-	-	-	1,950,408

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						
	2016						
				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	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
	2015						
Liabilities							
Due banks and other financial institutions	159,799,357	-	159,799,357	(73,934,569)	-	(10,551,468)	75,313,320
Other liabilities	11,365,871	-	11,365,871	-	-	-	11,365,871
	171,165,288	-	171,165,288	(73,934,569)	-	(10,551,468)	86,679,191

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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						
	2016						
				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	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
	2015						
Liabilities							
Due banks and other financial institutions	12,347,661	-	12,347,661	-	-	-	12,347,661
Other liabilities	1,640,219	-	1,640,219	-	-	-	1,640,219
	13,987,880	-	13,987,880	-	-	-	13,987,880

58. Breach of Insurance Regulations – Related Party Balances

As at December 31, 2016, 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.

59. Subsequent Event

(a) The Bank of Jamaica (BOJ) adjustment to Cash Reserves and Liquid Assets ratios.

Subsequent to the year end the BOJ, Regulators for Sagicor Bank Jamaica Limited (SBJ), advised that effective 1 March 2017:

(i) The cash reserves requirement of commercial banks with respect to foreign currency prescribed liabilities will be increased by two percentage points to fourteen percent (14%). The cash reserves requirement with respect to local currency prescribed liabilities will remain unchanged at twelve per cent (12%).

(ii) The liquid assets ratio applicable to foreign currency prescribed liabilities will be increased by two percentage points to twenty-eight per cent (28%), while the liquid assets ratio applicable to local currency prescribed liabilities will remain unchanged at twenty-six per cent (26%).

These changes will have the effect of increasing cost of funds for SBJ.

DISCLOSURE OF **SHAREHOLDINGS**

SHAREHOLDINGS OF THE TEN LARGEST SHAREHOLDERS

at 31 December 2016

	SHAREHOLDERS		NO OF SHARES	PERCENTAGE
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		
	(Trustee Sagicor Long-Term Incentive Plan - conn company)	23,218,841		
	(Sagicor Life Jamaica Share Purchase Plan 2003)	222,339		
	(Trustee of the SLJ of Employee Share Purchase Plan)	2,855,551		
	(Trustee SIJL of Employee Share Inv Trust)	2,318,141	39,618,971	1.01%
2	Pan-Jamaican Investment Trust Ltd		1,232,749,252	31.56%
3	SJIML 3119		49,654,821	1.27%
4	National Insurance Fund		47,611,210	1.22%
5	Ideal Portfolio Services Ltd	39,013,045	43,826,806	1.00%
	(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	Donwis Ltd	19,567,360	22,882,560	0.59%
	(Donovan Lewis/Kathryn Lewis/Luke Lewis - connected person)	3,315,200		
9	Jps Superannuation Fund (PAM)		21,347,940	0.55%
10	Richard Byles	Nil	20,975,503	0.54%
	(Bracknell Holdings - connected Company)	20,911,137		
	(Pavel Byles - connected person)	64,366		
	Total		**3,455,487,294**	**88.47%**
	Others		**450,147,622**	**11.53%**
	Total Issued Shares		**3,905,634,916**	**100.00%**

SHAREHOLDINGS OF DIRECTORS

at 31 December 2016

	SHAREHOLDERS		NO OF SHARES	PERCENTAGE
1	Dodridge Miller		25,389	0.00%
2	Richard Byles	*Nil*	20,975,503	0.54%
	(Bracknell Holdings - connected company)	*20,911,137*		
	(Pavel Byles - connected person)	*64,366*		
3	R. Danny Williams	Nil	12,332,825	0.32%
	(Ravers Limited - connected company)	12,332,825		
4	Jeffrey Cobham		25,000	0.00%
5	Marjorie Fyffe-Campbell		25,000	0.00%
6	Paul Facey	948,999	2,787,890	0.07%
	(Heather Facey)			
	(Robert A Facey - connected person)	*1,838,891*		
7	Stephen Facey	*1,027,791*	1,135,254	0.03%
	(Wendy Facey - connected person)			
	(Alexander & Matthew Facey - connected person)	*107,463*		
8	Paul Hanworth		279,799	0.01%
9	Richard Downer		25,000	0.00%
10	Jacqueline D Coke-Lloyd		25,000	0.00%
11	Peter Clarke		Nil	0.00%
12	Peter Melhado		Nil	0.00%
13	Stephen McNamara		Nil	0.00%

SHAREHOLDINGS OF EXECUTIVE MANAGEMENT

at 31 December 2016

	SHAREHOLDERS		NO OF SHARES	PERCENTAGE
1	Richard Byles	*Nil*	20,975,503	0.54%
	(Bracknell Holdings - connected company)	*20,911,137*		
	(Pavel Byles connected person)	*64,366*		
2	Ivan Carter		10,500,000	0.27%
3	Janice A M Grant Taffe		2,300,054	0.06%
	(Joseph Taffe - connected person)			
4	Rohan Miller		1,508,444	0.04%
	(Debra Miller - connected person)			
	(Aaron Miller - connected person			
5	Mark Chisholm		3,207,228	0.08%
	(Te-Anne Chisholm - connected person)			
	(Sharo Anne Chisholm - connected person)			
	(Jonel Chisholm - connected person)			
6	Donovan Perkins		10,339,274	0.26%
	(Michele Perkins- connected person)			
7	Philip Armstrong	2,502,511	2,547,511	0.07%
	(Trevor Armstrong - connected person)	45,000		
	(Nicola Armstrong - connected person)			
8	Willard Brown		1,713,809	0.04%
9	Ingrid Card		Nil	0.00%
10	Karl Williams		514,773	0.01%

CORPORATE DIRECTORY

EMPLOYEE BENEFITS ADMINISTRATOR LIMITED

Latoya Mayhew-Kerr
General Manager

Corrinne Bellamy
Assistant Vice President
EBA Actuarial Services

EMPLOYEE BENEFITS DIVISION

Willard Brown
Executive Vice President
Employee Benefits and Actuary

Carol Lawrence
Vice President
Group Insurance Services

Nicola Leo-Rhynie
Vice President
EBD Marketing

Megan Irvine
Assistant Vice President
Pensions & Annuities

Nadia Hamilton
Assistant Vice President
EBD Underwriting

INDIVIDUAL INSURANCE DIVISION

Mark Chisholm
Executive Vice President
Individual Insurance Division

Audrey Flowers-Clarke
Vice President
Insurance Operations

Merrick Plummer
Assistant Vice President
Sales & Distribution

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

SAGICOR BANK JAMAICA LTD.

Donovan H. Perkins
President & CEO

Philip Armstrong
Deputy CEO

Jeffrey Chevannes
Vice President
Credit Risk

Sabrina Cooper
Vice President
Retail Banking

Sean Parris
Vice President
Operations

Michael Willacy
Vice President
Commercial Banking

Tanya Allgrove
Assistant Vice President
Credit Risk

Natasha Dixon
Assistant Vice President
SME Business Banking

Annette Osborne
Assistant Vice President
Operations

Omar Brown
Assistant Vice President
Treasury

SAGICOR LIFE JAMAICA LIMITED

Brenda-Lee Martin
Vice President
Asset Management

SAGICOR INVESTMENTS JAMAICA LIMITED

Rohan D. Miller
President and CEO

Tara Nunes
Vice President
Wealth Management & Client Services

Donnette Scarlett
Vice President
Treasury & Investment Services

Faith Vincent
Assistant Vice President
Treasury & Investment Operations

SAGICOR PROPERTY SERVICES

Wayne Robinson
Assistant Vice President,
Sagicor Property Services

GROUP SHARED SERVICES

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

Ingrid Card
Vice President
Group Marketing & Executive Director, Sagicor Foundation

Janice Grant Taffe
Senior Vice President
General Counsel & Corporate Secretary

Karl Williams
Senior Vice President
Group Human Resources & Corporate Services

Mark Clarke
Vice President
Group Infrastructure & Technical Services

Jacqueline Somers-King
Vice President
Finance

Hope Wint
Vice President
Enterprise Risk Management & Group Compliance

Andrew Burke
Assistant Vice President
Group IT & Data Security

Andrea Chung
Assistant Vice President
Group Project Management Office

Jacqueline Donaldson
Assistant Vice President
Group Human Resources

Coretta Foster
Assistant Vice President
Group Human Resources

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 & Development

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

Camisha Sinanon
Assistant Vice President
Group Corporate Accounting

Camille Witter
Assistant Vice President
Corporate Actuarial

Christopher King
Assistant Vice President
Corporate Actuarial

Kimberly Demetrius
Assistant Vice President
Finance Quality Assurance & Internal Controls-Banking

Damion McIntosh
Assistant Vice President
Finance, Banking

BRANCH MANAGERS SAGICOR LIFE

Olivine Barnes
Branch Manager
SPANISH TOWN
16 Burke Road,
Spanish Town Business Centre
1-888-SAGICOR
Fax: 984-8474

Roaan Brown
Branch Manager
BELMONT DUKES
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

Mavis Ferguson
Senior Branch Manager
OCHO RIOS
2 Newlin Street,
Ocho Rios Business Centre
1-888-SAGICOR
Fax: 974-1818

Pete Forrest
Senior Branch Manager
CORPORATE CIRCLE
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

LIGUANEA
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 978-7404

Dale Greaves-Smith
Branch Manager
MANDEVILLE
59 Main Street,
Mandeville Business Centre
1-888-SAGICOR
Fax: 962-3788

Dave Hill
Branch Manager
SAGICOR INSURANCE BROKERS LIMITED
R. Danny Williams Building
28 – 48 Barbados Avenue
Kingston 5
1-888-SAGICOR
Fax: (876) 929-4730

Christopher Lawe
Branch Manager
HOLBORN
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

Donovan McCalla
Branch Manager
NEW KINGSTON
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

Randolph McLean
Senior Branch Manager
KNUTSFORD
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

Patrick Sinclair
Senior Branch Manager
MONTEGO BAY and SAVANNA-LA-MAR

MONTEGO BAY
Shop #10, 17 East Harbour Circle
Montego Bay
St. James
1-888-SAGICOR
Fax: 982-7578

SAVANNA-LA-MAR
Shop 3b Hendon Mall,
Hendon Circle,
Beckford Street.
1-888-SAGICOR
Fax: 955-2559

Marston Thomas
Branch Manager
HALF WAY TREE
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

Marvin Walters
Branch Manager
SENATORS
35 Trafalgar Road,
Kingston 5
1-888-SAGICOR
Fax: 968-0762

Norman Wilson
Branch Manager
SAGICOR LIFE OF THE CAYMAN ISLANDS LTD.
1st Floor Harbour Place
103 South Church Street,
George Town
Grand Cayman KY1-1102
Cayman Islands
1-888-SAGICOR
Fax: (345) 949-8262

Other Sagicor Life Locations:

May Pen
44 Main Street
May Pen, Clarendon
1-888-SAGICOR
Fax: 754 - 1804

Trench Town
85 West Road
Kingston 12
1-888-SAGICOR
Fax: 754 - 1804

SAGICOR BANK BRANCH AND REGIONAL MANAGERS

Clinton Hunter
Regional Manager - Corporate

Marvia Brown
Branch Manager
DOMINICA DRIVE
17 Dominica Drive,
Kingston 5
1-888-SAGICOR
Fax: 929-7234

Clement Ellington
Branch Manager
DUKE & TOWER STREET
17a Duke Street,
Kingston
1-888-SAGICOR
Fax: 922-2937

Tamara Waul-Douglas
Branch Manager

LIGUANEA
106 Hope Road,
Kingston 6
1-888-SAGICOR
Fax: 978-7404

HOPE ROAD
Block C, 85 Hope Road,
Kingston 6
1-888-SAGICOR
Fax: 978-1870

Ingrid Wood
Branch Manager

HALF WAY TREE
6C Constant Spring Road,
Kingston 10
1-888-SAGICOR
Fax: 968-5875

TROPICAL PLAZA
Shop #25, 12 1/2 & 14
Constant Spring Road,
Kingston 10
1-888-SAGICOR
Fax: 968-0870

Tricia Moulton
Branch Manager
UP PARK CAMP
South Camp Road
1-888-SAGICOR
Fax: 968-0670

Oral Heaven
Regional Manager - North
Branch Manager - Montego Bay and Fairview

MONTEGO BAY
Commercial Shopping Centre,
Howard Cooke Boulevard,
Montego Bay, St. James
1-888-SAGICOR
Fax: 979-5274

FAIRVIEW
Shop B8,
21B Fairview Shopping Centre,
Bogue Estates, Montego Bay
1-888-SAGICOR
Fax: 953-6373

Doreen Pindling-Williams
Branch Manger
OCHO RIOS
Unit 5 & 6 Eight Rivers
Towne Center Buckfield
Ocho Rios, St. Ann
Tele: 974-8833

Carla Drummond
Branch Manager
SAVANNA-LA-MAR
56 Great George Street,
Savanna-la-Mar, Westmoreland
1-888-SAGICOR
Fax: 955-2972

Loven McCook
Regional Manager - South
Branch Manager
MAY PEN
6b Manchester Avenue,
May Pen, Clarendon
1-888-SAGICOR
Fax: 986-9409

Vilma Barrett Gunter
Branch Manager
BLACK RIVER
Corner High and School Streets,
Black River, St. Elizabeth
1-888-SAGICOR
Fax: 965-2385

Kavon Walker
Branch Manager
MANDEVILLE
5-7 Ward Avenue, Mandeville,
Manchester
1-888-SAGICOR
Fax: 962-7361

Glenroy Morgan
Branch Manager
PORTMORE
Shop #34 Portmore Pines Plaza
Portmore, St. Catherine
1-888-SAGICOR
Fax: 989-0214

SAGICOR INVESTMENTS REGIONAL MANAGERS

Jacqueline Lambert
Manager - Wealth Management
Wealth Management
85 Hope Rd, Kingston 6
1-888-SAGICOR
Fax: 978-1870

Chevaughne Miller
Regional Manager
Investment Client Services
(Central)
3A Caledonia Road,
Mandeville, Manchester
1-888-SAGICOR
Fax: 961-2334

Karen Richards
Regional Manager
Investment Client Services
(Kingston Metropolitan Area)
17 Dominica Drive,
Kingston 5
1-888-SAGICOR
Fax: 968-8194

Stephanie Vassell
Regional Manager
Investment Client Services
(West)
Shop B8,
21B Fairview Shopping Centre,
Bogue Estates, Montego Bay
1-888-SAGICOR
Fax: 979-8693

Sagicor Group Jamaica Limited

FORM OF PROXY

Sagicor Group

I/WE _____ of _____ being a member/members

of Sagicor Group Jamaica Limited hereby appoint _____ .

of _____ or failing him

of _____ as my/our proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Friday, 26th day of May, 2017 at 3:00 p.m. and at any adjournment thereof.

The Proxy will vote on the under mentioned resolutions as indicated:

	For	Against
Resolution No. 1 To receive the Directors' Report and Accounts for the year ended December 31, 2016		
Resolution No.2 i That Director Peter Melhado who retires by rotation and is eligible for re-election be and is hereby re-elected as Director of the Company		
Resolution No. 2 ii That Director Jeffrey Cobham has been invited by the directors to continue in office for a further term of at least one (1) year and shall retire in accordance with the Articles of Incorporation.		
Resolution No. 2 iii That Director Richard Downer has been invited by the directors to continue in office for a further term of at least one (1) year and shall retire in accordance with the Articles of Incorporation.		
Resolution No. 2 iv That Director Richard Byles be and is hereby appointed as a director for a period of three (3) years and shall retire in accordance with the Articles of Incorporation		
Resolution No. 2 v That Mr. Christopher Zacca be appointed a director of the Company.		
Resolution No. 3 To fix the remuneration of Directors		
Resolution No. 4 To authorize the Directors to fix the remuneration of the Auditors		
Resolution No. 5 To ratify interim dividends and declare them final		
Resolution No. 6 To amend the Articles of Incorporation for the Company.		

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

..... 2017

Signature

.....

.....

As witness my hand this _____ day of _____ 2017

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.

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 groupmarketing@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:

Like us on Facebook www.facebook.com/SagicorJamaica

Follow us on Twitter http://twitter.com/SagicorJa

Follow us on Instagram http://instagram.com/SagicorJa

Sagicor Group

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