

SAGICOR FINANCIAL CORPORATION LIMITED

Interim Financial Statements

Nine-months ended September 30, 2017

CHAIRMAN'S REVIEW

The Sagicor Group net income for the nine months ended September 30, 2017 was US \$78.1 million, compared to the prior year result of US \$89.9 million. The result for the period was impacted by a net provision of US \$7.5 million related to claims exposure from hurricane activity during the year, while the prior year included exchange gains amounting to US \$7.9 million relating to the depreciation of the Trinidad dollar, when compared to the United States dollar on financial investments.

Net income attributable to shareholders was US \$47.2 million, compared to the prior year result of US \$52.0 million.

Total revenue amounted to US \$910.9 million, compared to US \$850.5 million for the corresponding period in 2016, an increase of US \$60.4 million. Net premium revenue stood at US \$558.8 million, and exceeded the prior year amount of US \$492.7 million, and represents an increase of US \$66.1 million, due in part to the issuance of a significant single premium annuity relating to our Jamaica segment. Net investment income and other income closed at US \$352.1 million, compared to the prior year amount of US \$357.8 million.

Benefits amounted to US \$474.4 million for the period, compared to US \$422.2 million for the previous year, an increase of US \$52.2 million. This change is a result of actuarial provisions for new business including the single premium annuity in the Jamaica segment.

Expenses amounted to US \$329.1 million, inclusive of US \$5.0 million in non-recurring costs, compared to US \$312.7 million for the same period in the prior year. Higher administration costs were also incurred as a result of the expansion of credit card and payments businesses in our banking segment.

Total comprehensive income closed the period at US \$108.3 million, compared to US \$112.2 million for the same period in the prior year. Included in comprehensive income were net gains on financial assets of US \$36.7 million. Retranslation losses amounted to US \$5.1 million, compared to losses of US \$26.3 million reported in the prior year, and resulted from a decline in the Jamaica dollar when compared to the United States dollar during the period.

In the statement of financial position as at September 30, 2017, assets amounted to US \$6.8 billion, and liabilities totalled US \$5.9 billion. Sagicor's Group equity totalled US \$884.4 million. Shareholder equity amounted to US \$1.96 per share. The Group's debt, which is included in other liabilities, was US \$405.6 million. The debt to capital ratio was 31.4%.

Sagicor has embarked on a programme to provide relief from the recent hurricanes. To date, Sagicor has made a financial contribution of US \$300,000, as well as the provision of goods and services. Consistent with our vision to improve the lives of the people in the communities in which we operate, key initiatives include a school feeding programme to students, a mobile medical clinic and assistance to the regional airline, LIAT. We have also partnered with The University of the West Indies to host a Celebrity T20 Cricket Hurricane Relief Benefit to raise additional funds for the islands which have suffered significant damage during the passage of hurricanes Irma and Maria earlier this year.

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



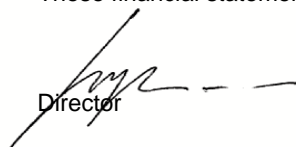
Stephen McNamara
 Chairman
 November 9, 2017

FINANCIAL HIGHLIGHTS	Nine months ended	
	SEPTEMBER 30	
<i>(in US currency except percentages)</i>	2017	2016
Total revenue	\$910.9m	\$850.5m
Overall Group net income	\$78.1m	\$89.9m
Overall Shareholders' net income	\$47.2m	\$52.0m
Net income allocated to non-controlling interests	\$32.5m	\$39.9m
Total equity	\$884.4m	\$826.8m
Ratio of Debt to Capital	31.4%	32.1%
Earnings per common share	15.5¢	16.8¢
Annualised return on common shareholders' equity	11.6%	13.7%

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of September 30, 2017	As of December 31, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(audited)</u>
ASSETS		
Investment property	80,623	80,662
Property, plant and equipment	167,686	167,723
Associates and joint ventures	99,177	87,293
Intangible assets	80,980	83,487
Financial investments (note 6)	5,005,199	4,813,748
Reinsurance assets	784,434	777,344
Income tax assets	44,866	59,575
Miscellaneous assets and receivables	196,468	183,018
Cash resources	312,207	279,070
Total assets	6,771,640	6,531,920
LIABILITIES		
Actuarial liabilities	2,871,033	2,776,362
Other insurance liabilities	221,181	207,122
Investment contract liabilities (note 7)	378,493	377,576
Total policy liabilities	3,470,707	3,361,060
Notes and loans payable (note 8)	405,648	395,213
Deposits and security liabilities (note 9)	1,637,785	1,623,325
Provisions	97,251	101,292
Income tax liabilities	45,870	50,641
Accounts payable and accrued liabilities	229,934	204,975
Total liabilities	5,887,195	5,736,506
EQUITY		
Share capital	3,056	3,029
Share premium	299,905	297,050
Reserves	(42,807)	(64,795)
Retained earnings	340,005	300,865
Shareholders' equity	600,159	536,149
Participating accounts	637	1,291
Non-controlling interests in subsidiaries	283,649	257,974
Total equity	884,445	795,414
Total liabilities and equity	6,771,640	6,531,920

These financial statements have been approved for issue by the Board of Directors on November 9, 2017.


 Director


 Director

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine months to September 30, 2017	Nine months to September 30, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
REVENUE		
Premium revenue (note 3)	673,238	615,434
Reinsurance premium expense (note 3)	(114,434)	(122,748)
Net premium revenue	558,804	492,686
Net investment income	281,535	272,004
Fees and other revenue	70,590	85,784
Total revenue	910,929	850,474
BENEFITS		
Policy benefits and change in actuarial liabilities (note 4)	508,733	536,462
Policy benefits and change in actuarial liabilities reinsured (note 4)	(76,191)	(160,393)
Net policy benefits and change in actuarial liabilities	432,542	376,069
Interest expense	41,831	46,123
Total benefits	474,373	422,192
EXPENSES		
Administrative expenses	203,992	186,852
Commissions and related compensation	72,925	70,568
Premium and asset taxes	10,483	9,043
Finance costs	25,848	30,456
Depreciation and amortisation	15,900	15,801
Total expenses	329,148	312,720
INCOME BEFORE TAXES	107,408	115,562
Income taxes	(29,303)	(27,524)
NET INCOME FROM CONTINUING OPERATIONS	78,105	88,038

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF INCOME (continued)

	Nine months to September 30, 2017	Nine months to September 30, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Net income from continuing operations	78,105	88,038
Net income from discontinued operation (note 5)	-	1,850
NET INCOME FOR THE PERIOD	<u>78,105</u>	<u>89,888</u>
 Net income is attributable to:		
Common shareholders:		
From continuing operations	47,211	50,162
From discontinued operation	-	1,850
	<u>47,211</u>	<u>52,012</u>
Participating policyholders	(1,595)	(2,015)
Non-controlling interests	32,489	39,891
	<u>78,105</u>	<u>89,888</u>
 Basic earnings per common share:		
From continuing operations	15.5 cents	16.2 cents
From discontinued operation	0.0 cents	0.6 cents
	<u>15.5 cents</u>	<u>16.8 cents</u>
 Fully diluted earnings per common share:		
From continuing operations	15.2 cents	15.4 cents
From discontinued operation	0.0 cents	0.5 cents
	<u>15.2 cents</u>	<u>15.9 cents</u>

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine months to September 30, 2017	Nine months to September 30, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
NET INCOME FOR THE PERIOD	78,105	89,888
OTHER COMPREHENSIVE INCOME		
Items net of tax that may be reclassified subsequently to income:		
Available for sale financial assets:		
Gains on revaluation	36,670	88,640
Losses / (gains) transferred to income	6,052	(4,430)
Net change in actuarial liabilities	(9,630)	(35,104)
Retranslation of foreign currency operations	(5,148)	(26,348)
	27,944	22,758
Items net of tax that will not be reclassified subsequently to income:		
Gains/(losses) arising on revaluation of owner-occupied property	-	(500)
Gains on defined benefit plans	2,227	34
	2,227	(466)
Other comprehensive income for the period	30,171	22,292
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	108,276	112,180
Total comprehensive income / (loss) is attributable to:		
Common shareholders:		
From continuing operations	70,222	65,343
From discontinued operation	-	1,850
	70,222	67,193
Participating policyholders	(492)	(1,570)
Non-controlling interests	38,546	46,557
	108,276	112,180

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2017					
Balance, beginning of period	3,029	297,050	(64,795)	300,865	536,149
Total comprehensive income:					
From continuing operations	-	-	20,806	49,416	70,222
Transactions with holders of equity instruments:					
Allotment of common shares	21	2,021	-	-	2,042
Movements in treasury shares	6	834	-	-	840
Changes in reserve for equity compensation benefits	-	-	(45)	-	(45)
Dividends declared	-	-	-	(7,575)	(7,575)
Transfers and other movements	-	-	1,227	(2,701)	(1,474)
Balance, end of period	3,056	299,905	(42,807)	340,005	600,159
Nine months to September 30, 2016					
Balance, beginning of period as previously reported	299,320	-	(59,688)	266,414	506,046
Redomiciliation adjustment net of treasury shares	(296,296)	296,296	-	-	-
Balance as restated	3,024	296,296	(59,688)	266,414	506,046
Total comprehensive income:					
From continuing operations	-	-	15,155	50,188	65,343
From discontinued operation	-	-	-	1,850	1,850
Transactions with holders of equity instruments:					
Movements in treasury Shares (reallocated to conform with current presentation)	5	746	-	-	751
Changes in reserve for equity compensation benefits	-	-	1,233	-	1,233
Dividends declared	-	-	-	(11,311)	(11,311)
Transfers and other movements	-	-	(4,559)	3,260	(1,299)
Balance, end of period	3,029	297,042	(47,859)	310,401	562,613

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling Interests (unaudited)	Total Equity (unaudited)
Nine months to September 30, 2017				
Balance, beginning of period	536,149	1,291	257,974	795,414
Total comprehensive income:				
From continuing operations	70,222	(492)	38,546	108,276
Transactions with holders of equity instruments:				
Allotment of common shares	2,042	-	-	2,042
Movements in treasury shares	840	-	-	840
Changes in reserve for equity compensation benefits	(45)	-	-	(45)
Dividends declared	(7,575)	-	(10,840)	(18,415)
Transfers and other movements	(1,474)	(162)	(2,031)	(3,667)
Balance, end of period	600,159	637	283,649	884,445
Nine months to September 30, 2016				
Balance, beginning of period as previously reported	506,046	1,383	231,735	739,164
Redomiciliation adjustment net of treasury shares	-	-	-	-
Balance as restated	506,046	1,383	231,735	739,164
Total comprehensive income:				
From continuing operations	65,343	(1,570)	46,557	110,330
From discontinued operation	1,850	-	-	1,850
Transactions with holders of equity instruments:				
Movements in treasury Shares (reallocated to conform with current presentation)	751	-	-	751
Changes in reserve for equity compensation benefits	1,233	-	-	1,233
Dividends declared	(11,311)	-	(10,620)	(21,931)
Transfers and other movements	(1,299)	(168)	(3,138)	(4,605)
Balance, end of period	562,613	(355)	264,534	826,792

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Nine months to September 30, 2017 (unaudited)	Nine months to September 30, 2016 (unaudited)
OPERATING ACTIVITIES		
Income before taxes	107,408	115,562
Adjustments for non-cash items, interest and dividends	(119,589)	(150,078)
Interest and dividends received	225,546	220,812
Interest paid	(77,091)	(69,570)
Income taxes paid	(35,315)	(20,362)
Net change in investments and operating assets	(65,964)	(197,547)
Net change in operating liabilities	105,683	207,147
Net cash flows - operating activities	140,678	105,964
INVESTING ACTIVITIES		
Property, plant and equipment, net	(9,907)	(11,915)
Associates and joint ventures, net	(6,894)	332
Intangible assets, net	(4,518)	(2,479)
Net cash flows - investing activities	(21,319)	(14,062)
FINANCING ACTIVITIES		
Shares issued to minority interest	(3,564)	(4,064)
Notes and loans payable, net	15,316	34,463
Redemption of preference shares	-	(119,989)
Dividends received from associates	2,439	1,105
Dividends paid to common shareholders	(7,444)	(5,955)
Dividends paid to preference shareholders	-	(5,256)
Dividends paid to minority interests	(10,840)	(10,767)
Net cash flows - financing activities	(4,093)	(110,463)
Effect of exchange rate changes	(1,317)	(3,616)
NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	113,949	(22,177)
Net change in cash and cash equivalents of discontinued operation	-	(44,614)
Cash and cash equivalents, beginning of period	312,106	384,879
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 11)	426,055	318,088

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

1. ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements as of and for the nine months ended September 30, 2017, have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for a full set of financial statements prepared in accordance with IFRS and should therefore be read together with the audited consolidated financial statements of SAGICOR FINANCIAL CORPORATION LIMITED as at December 31, 2016 as included in the Annual Report for 2016.

These condensed consolidated interim financial statements are presented in United States dollars (US\$) and all values are rounded to the nearest thousand unless otherwise stated.

The amounts presented in these condensed consolidated interim financial statements as of and for the nine months ended September 30, 2017 (and September 30, 2016) are unaudited.

All accounting policies adopted in the preparation of these and methods of computation applied in the condensed consolidated interim financial statements are the same as those applied in the 2016 audited consolidated financial statements, except for any changes required by amendments to IFRS.

Amendments to IFRS

The following amendments to standards and interpretations became effective in 2017:

- Amendments to IAS 7 – Disclosure initiative.
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses.

The Group has not early adopted any standard or interpretation which is effective after January 1, 2017.

Critical accounting estimates and judgements

Preparing the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions, including the likelihood, timing or amount of future transactions or events, that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from the estimates made.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were not significantly different than those made in the 2016 audited consolidated financial statements.

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

Exchange rates

The following exchange rates were applied in these interim financial statements for the conversion of amounts to US dollars.

	Closing rate as of September 30, 2017	Closing rate as of December 31, 2016	Average rate for the Nine months to September 30, 2017	Average rate for the Nine months to September 30, 2016
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	129.5542	127.9824	128.3496	123.5248
Trinidad & Tobago dollar	6.7422	6.7458	6.7426	6.5854
Pound sterling	0.74540	0.81280	0.78466	0.71384

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

2. SEGMENTS

The Group conducts its business through three reportable operating segments.

- Sagicor Life: Engages in life and health insurance, annuities and pension administration in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panama and Trinidad and Tobago.
- Sagicor Jamaica: Engages in life and health insurance, annuities and pension administration in Jamaica, Cayman Islands and Costa Rica, and in commercial banking and investment management in Jamaica.
- Sagicor Life USA: Engages in life insurance and annuities in certain states of the USA.

There have been no changes in the reportable operating segments from 2016.

Segmented financial information is set out in the sections 2.1 to 2.4.

2.1 Statement of income from continuing operations by reportable operating segment (unaudited)

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor	Head office	Adjust-	Total
Nine months to September 30, 2017	Life	Jamaica	Life USA	and other	ments	
Net premium revenue	223,310	247,883	64,440	23,171	-	558,804
Interest income	58,790	118,970	36,647	6,655	-	221,062
Other investment income	6,202	36,952	17,033	394	(108)	60,473
Fees and other revenue	8,314	48,613	(1,420)	15,164	(81)	70,590
Inter-segment revenues	9,622	-	-	48,190	(57,812)	-
Total revenue	306,238	452,418	116,700	93,574	(58,001)	910,929
Net policy benefits	148,992	127,849	66,417	20,849	-	364,107
Net change in actuarial liabilities	(312)	68,057	690	-	-	68,435
Interest expense	9,293	28,593	1,575	2,370	-	41,831
Administrative expenses	50,739	100,082	22,185	30,210	776	203,992
Commissions and premium and asset taxes	32,562	32,400	11,992	6,454	-	83,408
Finance costs	-	759	28	(188)	25,249	25,848
Depreciation and Amortisation	4,881	6,802	1,213	3,004	-	15,900
Inter-segment expenses	3,752	785	(1,826)	9,426	(12,137)	-
Total benefits and expenses	249,907	365,327	102,274	72,125	13,888	803,521
Segment income before taxes	56,331	87,091	14,426	21,449	(71,889)	107,408
Income taxes	(7,318)	(16,388)	(5,049)	(548)	-	(29,303)
Net income - continuing operations	49,013	70,703	9,377	20,901	(71,889)	78,105
Net income / (loss) attributable to shareholders from continuing operations	50,608	34,727	9,377	(861)	(46,640)	47,211
Total comprehensive income / (loss) attributable to shareholders from continuing operations	60,980	40,354	15,266	(575)	(45,803)	70,222

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

**2.1 Statement of income from continuing operations by reportable operating segment (unaudited)
(continued)**

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor	Head office	Adjust-	Total
Nine months to September 30, 2016	Life	Jamaica	Life USA	and other	ments	
Net premium revenue	220,657	202,281	53,091	16,657	-	492,686
Interest income	57,611	118,685	36,206	7,475	-	219,977
Other investment income	4,798	41,996	5,313	(80)	-	52,027
Fees and other revenue	15,127	38,734	13,139	18,816	(32)	85,784
Inter-segment revenues	8,581	-	-	31,929	(40,510)	-
Total revenue	306,774	401,696	107,749	74,797	(40,542)	850,474
Net policy benefits	146,298	126,703	56,517	7,746	-	337,264
Net change in actuarial liabilities	5,156	27,915	5,734	-	-	38,805
Interest expense	10,434	30,675	2,143	2,871	-	46,123
Administrative expenses	50,128	84,784	23,773	27,743	424	186,852
Commissions and premium and asset taxes	30,984	30,132	11,291	7,204	-	79,611
Finance costs	-	-	51	(34)	30,439	30,456
Depreciation and Amortisation	4,858	5,909	1,148	3,886	-	15,801
Inter-segment expenses	274	453	894	8,604	(10,225)	-
Total benefits and expenses	248,132	306,571	101,551	58,020	20,638	734,912
Segment income before taxes	58,642	95,125	6,198	16,777	(61,180)	115,562
Income taxes	(5,705)	(18,653)	(2,170)	(996)	-	(27,524)
Net income - continuing operations	52,937	76,472	4,028	15,781	(61,180)	88,038
Net income / (loss) attributable to shareholders from continuing operations	54,952	37,560	4,028	(15,637)	(30,741)	50,162
Total comprehensive income / (loss) attributable to shareholders from continuing operations	56,660	43,747	11,313	(15,814)	(30,563)	65,343

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

2.2 Statement of financial position by reportable operating segment (unaudited)

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
As of September 30, 2017						
Financial investments	1,413,336	2,303,141	1,139,877	148,845	-	5,005,199
Other external assets	317,682	498,135	841,946	180,182	(71,504)	1,766,441
Inter-segment assets	214,028	12,282	2,054	61,966	(290,330)	-
Total assets	1,945,046	2,813,558	1,983,877	390,993	(361,834)	6,771,640
Policy liabilities	1,279,435	735,301	1,461,104	66,371	(71,504)	3,470,707
Other external liabilities	83,643	1,566,521	236,699	529,625	-	2,416,488
Inter-segment liabilities	28,702	3,925	51,591	206,112	(290,330)	-
Total liabilities	1,391,780	2,305,747	1,749,394	802,108	(361,834)	5,887,195
Net assets	553,266	507,811	234,483	(411,115)	-	884,445
As of December 31, 2016						
Financial investments	1,403,870	2,212,153	1,068,244	129,481	-	4,813,748
Other external assets	324,570	450,104	829,889	189,807	(76,198)	1,718,172
Inter-segment assets	199,858	11,555	2,759	54,006	(268,178)	-
Total assets	1,928,298	2,673,812	1,900,892	373,294	(344,376)	6,531,920
Policy liabilities	1,272,500	675,019	1,434,678	55,061	(76,198)	3,361,060
Other external liabilities	86,871	1,544,651	203,929	539,995	-	2,375,446
Inter-segment liabilities	39,434	3,715	43,838	181,191	(268,178)	-
Total liabilities	1,398,805	2,223,385	1,682,445	776,247	(344,376)	5,736,506
Net assets	529,493	450,427	218,447	(402,953)	-	795,414

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

2.3 Revenues by products and services

<u>Amounts in US \$000</u>	Nine months to September 30, 2017 (unaudited)	Nine months to September 30, 2016 (unaudited)
Life, health and annuity insurance contracts issued to individuals	493,801	470,361
Life, health and annuity insurance and pension administration contracts issued to groups	243,752	214,431
Property and casualty insurance	30,492	26,445
Banking, investment management and other financial services	121,495	117,922
Farming and unallocated revenues	21,389	21,315
Total revenue	910,929	850,474

2.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Nine months to September 30, 2017 (unaudited)	Nine months to September 30, 2016 (unaudited)
Barbados	125,096	125,458
Jamaica	427,975	378,124
Trinidad and Tobago	122,809	124,255
Other Caribbean	118,455	114,886
USA	116,594	107,751
Total revenue	910,929	850,474

3. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
Nine months to September 30,	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Life insurance	311,063	287,648	22,400	23,933
Annuity	196,470	161,560	60,096	59,686
Health insurance	115,217	116,377	3,411	3,062
Property and casualty insurance	50,488	49,849	28,527	36,067
Total premium revenue	673,238	615,434	114,434	122,748

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

4. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	<u>Gross benefit</u>		<u>Ceded to reinsurers</u>	
Nine months to September 30,	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Life insurance benefits	172,176	157,978	7,927	11,246
Annuity benefits	139,515	141,680	45,357	44,763
Health insurance benefits	89,463	90,901	4,066	3,480
Property and casualty claims	24,570	16,617	4,267	10,423
Total policy benefits	425,724	407,176	61,617	69,912
Change in actuarial liabilities	83,009	129,286	14,574	90,481
Total policy benefits and change in actuarial liabilities	508,733	536,462	76,191	160,393

5. DISCONTINUED OPERATION

The sale of Sagicor Europe and its subsidiaries by the Group to AmTrust Financial Services Inc. (AmTrust) was completed on December 23, 2013. The price adjustments are subject to a limit based on the terms of the agreement. During the financial period 2016 to 2018, the results are subject to further underwriting, investment and foreign currency adjustments constrained by the limit as the experience develops.

The movement in price adjustments subsequent to the sale were as follows:

<u>Amounts in US \$000</u>	<u>Period to September 30, 2017 (unaudited)</u>
Liability of discontinued operation:	
Estimated amount payable, December 31, 2015	46,026
Payment made March 30, 2016	(44,614)
Experience loss for the twelve months to December 31, 2016	415
Net currency movements to December, 31 2016	(1,827)
Estimated amount payable December 31, 2016	-
Experience loss for the nine months ended September 30, 2017	-
Net currency movements to September 30, 2017	-
Estimated amount receivable September 30, 2017	-

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

6. FINANCIAL INVESTMENTS

The following table presents the carrying values and estimated fair values of financial investments.

<u>Amounts in US \$000</u>	September 30, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	-	-	20,665	21,688
Available for sale securities:				
Debt securities	2,347,179	2,347,179	2,271,020	2,271,020
Equity securities	88,372	88,372	96,684	96,684
	2,435,551	2,435,551	2,367,704	2,367,704
Financial assets at fair value through profit or loss:				
Debt securities	158,173	158,173	164,005	164,005
Equity securities	145,589	145,589	123,524	123,524
Derivative financial instruments	28,521	28,521	28,980	28,980
Mortgage loans	48,765	48,765	40,347	40,347
	381,048	381,048	356,856	356,856
Loans and receivables:				
Debt securities	1,029,905	1,098,895	985,664	1,042,108
Mortgage loans	291,260	291,308	291,419	291,154
Policy loans	140,577	148,355	137,940	148,141
Finance loans and finance leases	511,879	523,213	508,975	491,131
Securities purchased for re-sale	37,859	37,859	5,227	5,227
Deposits	177,120	177,120	139,298	139,298
	2,188,600	2,276,750	2,068,523	2,117,059
Total financial investments	5,005,199	5,093,349	4,813,748	4,863,307
Non-derivative financial assets at fair value through profit or loss:				
Designated at fair value upon recognition	349,982	349,982	316,700	316,700
Assets held for trading	2,545	2,545	11,176	11,176
	352,527	352,527	327,876	327,876

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

7. INVESTMENT CONTRACT LIABILITIES

The following table presents the carrying values and estimated fair values of investment contract liabilities.

<u>Amounts in US \$000</u>	September 30, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	126,319	126,319	128,345	128,345
Other investment contracts	113,593	115,909	118,563	121,051
	239,912	242,228	246,908	249,396
At fair value through profit or loss:				
Unit linked deposit administration liabilities	138,581	138,581	130,668	130,668
Total investment contract liabilities	378,493	380,809	377,576	380,064

8. NOTES AND LOANS PAYABLE

The following table presents the carrying values and estimated fair values of notes and loans payable.

<u>Amounts in US \$000</u>	September 30, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair value	Carrying value	Fair Value
8.875% senior notes due 2022	309,523	368,000	315,383	364,095
8.25% non-convertible redeemable preference shares due 2020	10,858	10,858	-	-
7.75% non-convertible redeemable preference shares due 2018	4,965	4,965	-	-
4.85% notes due 2019	75,809	76,468	74,825	75,491
Finance lease payable	4,493	4,493	5,005	5,005
Total notes and loans payable	405,648	464,784	395,213	444,591

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

9. DEPOSIT AND SECURITY LIABILITIES

The following table presents the carrying values and estimated fair values of deposit and security liabilities.

<u>Amounts in US \$000</u>	September 30, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	298,571	300,070	349,514	346,216
Customer deposits	827,442	832,922	915,155	915,419
Securities sold for re-purchase	459,273	456,382	320,574	320,574
Bank overdrafts	2,930	2,930	1,939	1,939
	1,588,216	1,592,304	1,587,182	1,584,148
At fair value through profit or loss:				
Structured products	47,777	47,777	34,779	34,779
Derivative financial instruments	1,792	1,792	1,364	1,364
	49,569	49,569	36,143	36,143
Total deposit and security liabilities	1,637,785	1,641,873	1,623,325	1,620,291

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

10.1 Property

Investment and owner-occupied property are carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property may also be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are mostly in Barbados and the Group has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Group's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

Applying the fair value hierarchy to the Group's property, results in a classification of Level 3 to all properties as set out below:

<u>Amounts in US \$000</u>	As of September 30, 2017 (unaudited)	As of December 31, 2016
	Level 3	Level 3
Investment property	80,623	80,662
Owner-occupied lands	37,185	37,185
Owner-occupied land and buildings	79,117	77,855
Total properties	196,925	195,702

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE (continued)

10.1 Property (continued)

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner occupied property, reasonable changes in fair value would affect other comprehensive income. The following table represents the movements in Level 3 property for the current year.

<u>Amounts in US \$000</u>	Nine months to September 30, (unaudited)			December 31,	
	2017	2017	2017	2017	2016
	Investment property	Owner- occupied lands	Owner- occupied land and buildings	Total	Total
Balance, beginning of period	80,662	37,185	77,855	195,702	197,897
Additions	-	-	2,445	2,445	2,687
Transfers in	-	-	(120)	(120)	555
Fair value changes recorded in net investment income	-	-	-	-	1,847
Fair value changes recorded in other comprehensive income	-	-	-	-	(1,583)
Depreciation	-	-	(829)	(829)	(1,105)
Disposals and divestitures	-	-	-	-	(1,578)
Effect of exchange rate changes	(39)	-	(234)	(273)	(3,018)
Balance, end of period	80,623	37,185	79,117	196,925	195,702

10.2 Financial instruments carried at fair value

The fair value of financial instruments is measured according to a fair value hierarchy which reflects the significance of market inputs in the valuation. This hierarchy is described and discussed in sections (i) to (iii) below.

(i) Level 1 – unadjusted quoted prices in active markets for identical instruments

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10.2 Financial instruments carried at fair value (continued)

(ii) Level 2 – inputs that are observable for the instrument, either directly or indirectly

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In estimating the fair value of non-traded financial assets, the Group uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security rate according to the perceived additional risk of the non-government security.

In assessing the fair value of non-traded financial liabilities, the Group uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

Certain of the Group's policy liabilities are unit linked, i.e. derive their value from a pool of assets which are carried at fair value. The Group assigns a fair value hierarchy of Level 2 to the contract liability if the liability represents the unadjusted fair value of the underlying pool of assets.

(iii) Level 3 – inputs for the instrument that are not based on observable market data

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable and which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Level 3 available for sale securities comprise primarily of corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through income include mortgage loans and debt securities and equities for which the full income return and capital returns accrue to holders of unit linked policy and deposit administration contracts. These assets are valued with inputs other than observable market data.

The techniques and methods described in the preceding section (ii) for non traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

The results of applying the fair value hierarchy to the Group's financial instruments are set out in the tables below:

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	As of September 30, 2017 (unaudited)			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Debt securities	689,041	1,655,237	2,901	2,347,179
Equity securities	26,660	50,287	11,425	88,372
	715,701	1,705,524	14,326	2,435,551
Investments at fair value through profit or loss:				
Debt securities	11,887	46,871	99,415	158,173
Equity securities	9,417	136,172	-	145,589
Derivative financial instruments	-	1,791	26,730	28,521
Mortgage loans	-	-	48,765	48,765
	21,304	184,834	174,910	381,048
Total assets	737,005	1,890,358	189,236	2,816,599
Total assets by percentage	26%	67%	7%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	138,581	138,581
Deposit and security liabilities:				
Structured products	-	-	47,777	47,777
Derivative financial instruments	-	1,792	-	1,792
	-	1,792	47,777	49,569
Total liabilities	-	1,792	186,358	188,150
Total liabilities by percentage	0%	1%	99%	100%

Transfers from Level 1 to Level 2 in the nine months ended September 30, 2017 - Nil.

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Debt securities	604,786	1,663,306	2,928	2,271,020
Equity securities	35,350	51,732	9,602	96,684
	640,136	1,715,038	12,530	2,367,704
Investments at fair value through profit or loss:				
Debt securities	35,720	32,436	95,849	164,005
Equity securities	3,992	119,532	-	123,524
Derivative financial instruments	-	1,364	27,616	28,980
Mortgage loans	-	-	40,347	40,347
	39,712	153,332	163,812	356,856
Total assets	679,848	1,868,370	176,342	2,724,560
Total assets by percentage	25%	69%	6%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	130,668	130,668
Deposit and security liabilities:				
Structured products	-	-	34,779	34,779
Derivative financial instruments	-	1,364	-	1,364
	-	1,364	34,779	36,143
Total liabilities	-	1,364	165,447	166,811
Total liabilities by percentage	0%	1%	99%	100%

Balances totalling \$59,752 have been transferred from Level 1 to Level 2 in 2016.

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities would affect other comprehensive income. Reasonable changes in inputs which could be applied to the valuations of investments designated at fair value are largely offset in income, since the changes in fair value are borne by contract holders. Changes in the valuations of structured products reflect changes in the underlying securities and are borne by the contract holders. The following tables present the movements in Level 3 instruments for the period.

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10.2 Financial instruments carried at fair value (continued)

	Nine months to September 30,				December 31,
	2017 (unaudited)	2017 (unaudited)	2017 (unaudited)	2017 (unaudited)	2016
<u>Amounts in US \$000</u>					
	Available for sale securities	Investments at fair value through income	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	12,530	136,196	27,616	176,342	189,936
Additions	3,668	47,192	15,090	65,950	44,262
Transfers to/(from) Level 3 classification	-	-	-	-	76
Fair value changes recorded in net investment income	-	617	14,127	14,744	8,135
Fair value changes recorded in other comprehensive income	(26)	-	-	(26)	(308)
Transfers out of Level 3 classification	-	(8)	-	(8)	-
Disposals	(1,837)	(35,897)	(30,103)	(67,837)	(58,148)
Effect of exchange rate changes	(9)	80	-	71	(7,611)
Balance, end of period	14,326	148,180	26,730	189,236	176,342
Fair value changes recorded in net investment income for instruments held at the end of the period	-	617	8,337	8,954	10,067

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017

10.2 Financial instruments carried at fair value (continued)

	Nine months to September 30,			December 31,
	2017	2017	2017	2016
	(unaudited)	(unaudited)	(unaudited)	
<u>Amounts in US \$000</u>	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	130,668	34,779	165,447	160,289
Gains recorded in interest expense	317	-	317	188
Issues	10,817	22,928	33,745	35,664
Settlements	(5,647)	(10,107)	(15,754)	(22,751)
Transfers to/(from) instruments carried at amortised cost	-	218	218	(252)
Effect of exchange rate changes	2,426	(41)	2,385	(7,691)
Balance, end of period	138,581	47,777	186,358	165,447
Fair value changes recorded in interest expense for instruments held at the end of the period	317	-	317	188

11. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise:

<u>Amounts in US \$000</u>	September 30, 2017 (unaudited)	September 30, 2016 (unaudited)
Cash resources	312,207	320,849
Call deposits and other liquid balances	155,138	79,012
Bank overdrafts	(2,930)	(1,956)
Other short-term borrowings	(38,360)	(79,817)
	426,055	318,088