SAGICOR FINANCIAL CORPORATION LIMITED

Interim Financial Statements

Six-months ended June 30, 2018

NOTICE OF NO AUDITOR REVIEW
The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

SAGICOR FINANCIAL CORPORATION LIMITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2018

CHAIRMAN'S REVIEW

The Sagicor Group maintained a solid performance for the six months to June 30, 2018. Group net income closed the period at US $39.4 million, against a prior year result of US $46.3 million. Net income attributable to shareholders was US $24.9 million, compared to the prior year result of US $24.2 million.

During the period, the Sagicor Group adopted two new accounting standards which became effective from January 1, 2018. IFRS 15, Revenue from Contracts with Customers was adopted, and affects how income is recognised on contracts by companies. IFRS 9, Financial instruments, was also adopted. This accounting standard changes the way that financial instruments are recognised and measured. The standard introduces new measurement categories for financial instruments and an expected credit loss model for impairment.

During the month of June 2018, the Government of Barbados announced its intention to suspend all payments to creditors of its external commercial debt, which is denominated primarily in US dollars, and its plans to maintain interest-only payments on its domestic debt, which is denominated in Barbados dollars. The Government of Barbados also commenced discussions with the International Monetary Fund (IMF) for technical and financial assistance to agree a programme with the primary objective of fiscal sustainability. A key element of the plan will be a formal and voluntary restructuring of the Government of Barbados debt. Until the IMF programme is approved, Sagicor has increased its provision for expected losses on Government of Barbados debt in accordance with IFRS 9. We support the initiatives to restore stability and growth to the Barbadian economy, and continue to engage with policymakers.

Total revenue for the Group amounted to US $638.6 million, against a prior year amount of US $562.6 million, an increase of 14%. The growth in revenue was mainly due to the growth in premiums in the USA segment, where the gross premiums were US $114.0 million, compared to US $88.4 million for the same period in the prior year, an increase of 29%.

Benefits were US $298.4 million, compared to US $279.4 million for the previous year, an increase of 7%. The increase was largely driven by the growth in new business and changes in the interest rate environment.

Expenses were US $286.9 million, compared to US $224.3 million for the same period in the prior year, an increase of 28%. Expenses include the provision for losses on all assets arising from the adoption of IFRS 9, and was largely driven by the provision for the Government of Barbados securities.

Group comprehensive income was a loss of US $17.0 million, compared to an income of US $62.6 million for the prior year. Shareholder comprehensive income was a loss of US $9.6 million, compared to an income of US $37.8 million for the prior year. The decline in comprehensive income was mainly due to marked to market declines on our international bond portfolio.

Group assets were US $6.9 billion, and Group liabilities were US $6.1 billion. Group equity was US $889.0 million, compared to US $939.6 million at December 31, 2017, a reduction of 5%. Shareholders' equity was US $596.7 million, compared to US $626.9 at December 31, 2017, a reduction of 5%. The fall in equity was primarily due to marked to market declines on our international bond portfolio. The Group's debt was US $412.6 million, with a debt to capital ratio of 31.7%, compared to 30.7% at December 31, 2017.

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

Stephen McNamara
Chairman
August 20, 2018

FINANCIAL HIGHLIGHTS		
(in US currency except percentages)	Six months ended JUNE 30	
	2018	**2017**
		restated
Total revenue	$638.6m	$562.6m
Overall Group net income	$39.4m	$46.3m
Overall Shareholders' net income	$24.9m	$24.2m
Net income allocated to non-controlling interests	$22.8m	$22.6m
Total equity	$889.0m	$845.9m
Book Value per share	$1.95	$1.88
Ratio of Debt to Capital	31.7%	32.7%
Earnings per common share	8.1¢	7.9¢
Annualised return on common shareholders' equity	7.2%	6.6%

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in US $000	As of June 30, 2018 (unaudited)	As of December 31, 2017 Restated (Note 2.3)	As of January 1, 2017 Restated (Note 2.3)
ASSETS			
Investment property	79,047	80,816	80,662
Property, plant and equipment	162,753	165,560	167,723
Associates and joint ventures	99,791	97,223	87,293
Intangible assets	77,569	81,714	83,487
Financial investments (note 9)	5,037,795	4,953,241	4,813,748
Reinsurance assets	810,131	797,391	777,344
Income tax assets	51,479	39,980	59,575
Miscellaneous assets and receivables	245,518	228,543	183,018
Cash resources	365,366	360,064	279,070
Assets of the discontinued operation	13,467	10,110	-
Total assets	**6,942,916**	**6,814,642**	**6,531,920**
LIABILITIES			
Actuarial liabilities	2,955,521	2,941,750	2,768,547
Other insurance liabilities	232,992	224,159	207,122
Investment contract liabilities (note 10)	377,881	379,018	377,576
Total policy liabilities	3,566,394	3,544,927	3,353,245
Notes and loans payable (note 11)	412,615	413,805	395,213
Deposits and security liabilities (note 12)	1,716,044	1,559,232	1,623,325
Provisions	74,357	80,027	101,292
Income tax liabilities	26,507	30,122	52,225
Accounts payable and accrued liabilities	257,992	246,976	204,975
Total liabilities	**6,053,909**	**5,875,089**	**5,730,275**
EQUITY			
Share capital	3,059	3,059	3,029
Share premium	300,486	300,470	297,050
Reserves	(81,514)	(47,388)	(64,798)
Retained earnings	374,717	370,781	303,929
Shareholders' equity	596,748	626,922	539,210
Participating accounts	(11,230)	865	1,291
Non-controlling interests in subsidiaries	303,489	311,766	261,144
Total equity	**889,007**	**939,553**	**801,645**
Total liabilities and equity	**6,942,916**	**6,814,642**	**6,531,920**

These financial statements have been approved for issue by the Board of Directors on August 20, 2018.

Director

D. Miller

Director

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in US $000	Six months to June 30, 2018 (unaudited)	Six months to June 30, 2017 Restated (Note16) (unaudited)	Three months to June 30, 2018 (unaudited)	Three months to June 30, 2017 Restated (Note 16) (unaudited)
REVENUE				
Premium revenue (note 5)	461,327	417,578	241,047	210,810
Reinsurance premium expense (note 5)	(51,297)	(77,433)	(18,319)	(38,334)
Net premium revenue	410,030	340,145	222,728	172,476
Net gain/(losses) on derecognition of financial assets measured at amortised cost	2,096	-	2,064	-
Interest income earned from financial assets measured at amortised cost and FVOCI (note 6)	144,134	-	73,960	-
Interest income earned from financial assets measured at fair value through profit and loss	8,107	-	3,904	-
Interest income (note 6)	-	145,938	-	74,009
Other investment income	12,759	30,158	8,753	10,581
Fees and other revenue	61,433	46,399	30,590	23,066
Total revenue	**638,559**	**562,640**	**341,999**	**280,132**
BENEFITS				
Policy benefits and change in actuarial liabilities (note 7)	325,807	291,271	194,045	128,340
Policy benefits and change in actuarial liabilities reinsured (note 7)	(53,451)	(40,387)	(41,410)	(1,462)
Net policy benefits and change in actuarial liabilities	272,356	250,884	152,635	126,878
Interest expense	26,060	28,541	13,689	14,195
Total benefits	**298,416**	**279,425**	**166,324**	**141,073**
EXPENSES				
Administrative expenses	138,979	139,159	68,939	69,485
Commissions and related compensation	51,578	49,283	26,754	23,898
Premium and asset taxes	9,816	8,152	2,698	1,845
Finance costs	17,484	17,081	8,863	8,734
Credit impairment losses (note 2, 14.2 and 14.3)	57,827	-	56,385	-
Depreciation and amortisation	11,234	10,625	5,662	5,256
Total expenses	**286,918**	**224,300**	**169,301**	**109,218**
INCOME BEFORE TAXES	**53,225**	**58,915**	**6,374**	**29,841**
Income taxes	(17,195)	(18,792)	(8,814)	(12,388)
NET INCOME / (LOSS) FROM CONTINUING OPERATIONS	**36,030**	**40,123**	**(2,440)**	**17,453**

The accompanying note form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF INCOME

Amounts in US $000	Six months to June 30, 2018 (unaudited)	Six months to June 30, 2017 Restated (Note 16) (unaudited)	Three months to June 30, 2018 (unaudited)	Three months to June 30, 2017 Restated (Note 16) (unaudited)
Net income / (loss) from continuing operations	36,030	40,123	(2,440)	17,453
Net income from discontinued operation (note 8)	3,357	6,208	2,965	1,923
NET INCOME FOR THE PERIOD	**39,387**	**46,331**	**525**	**19,376**
Net income is attributable to:				
Common shareholders:				
From continuing operations	21,543	17,982	2,046	5,611
From discontinued operation (note 8)	3,357	6,208	2,965	1,923
	24,900	24,190	5,011	7,534
Participating policyholders	(8,310)	(474)	(16,497)	(185)
Non-controlling interests	22,797	22,615	12,011	12,027
	39,387	**46,331**	**525**	**19,376**
Basic earnings per common share:				
From continuing operations	7.0 cents	5.9 cents	0.7 cents	1.8 cents
From discontinued operation (note 8)	1.1 cents	2.0 cents	1.0 cents	0.6 cents
	8.1 cents	7.9 cents	1.7 cents	2.4 cents
Fully diluted earnings per common share:				
From continuing operations	6.9 cents	5.8 cents	0.7 cents	1.8 cents
From discontinued operation (note 8)	1.1 cents	2.0 cents	0.9 cents	0.6 cents
	8.0 cents	7.8 cents	1.6 cents	2.4 cents

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in US $000	Six months to June 30, 2018 (unaudited)	Six months to June 30, 2017 Restated (Note 16) (unaudited)	Three months to June 30, 2018 (unaudited)	Three months to June 30, 2017 Restated (Note 16) (unaudited)
NET INCOME FOR THE PERIOD	**39,387**	**46,331**	**525**	**19,376**
OTHER COMPREHENSIVE INCOME:				
Items net of tax that may be reclassified subsequently to income:				
Available for sale financial assets:				
Gains on revaluation	-	21,687	-	13,738
Losses transferred to income	-	7,211	-	2,745
Debt instruments measured at fair value through other comprehensive income:				
Losses on revaluation	(65,113)	-	(36,722)	-
Losses / (gains) transferred to income	(1,749)	-	1,888	-
Net change in actuarial liabilities	29,874	(12,915)	16,711	(4,320)
Retranslation of foreign currency operations	(17,782)	(1,857)	(14,741)	(1,164)
Other items	-	-	1	-
	(54,770)	**14,126**	**(32,863)**	**10,999**
Items net of tax that will not be reclassified subsequently to income:				
Gains arising on revaluation of owner occupied property	832	-	832	26
Net gains on equity securities designated at fair value through other comprehensive income	27	-	13	-
(Losses) / gains on defined benefit plans	(2,500)	2,133	(2,500)	-
	(1,641)	2,133	(1,655)	26
Other comprehensive (loss) / income	**(56,411)**	**16,259**	**(34,518)**	**11,025**
TOTAL COMPREHENSIVE (LOSS) / INCOME (TCI)	**(17,024)**	**62,590**	**(33,993)**	**30,401**
TCI attributable to common shareholders:				
From continuing operations	(12,976)	31,630	(18,357)	15,331
From discontinued operation	3,357	6,208	2,965	1,923
	(9,619)	37,838	(15,392)	17,254
TCI attributable to participating policyholders	(9,061)	(164)	(17,221)	350
TCI attributable to non-controlling interests	1,656	24,916	(1,380)	12,797
	(17,024)	**62,590**	**(33,993)**	**30,401**

The accompany notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	Share Capital (unaudited)	Share Premium (unaudited)	Reserves (unaudited)	Retained earnings (unaudited)	Total Shareholders' Equity (unaudited)
Six months to June 30, 2018					
Balance as of December 31, 2017	3,059	300,470	(47,482)	367,327	623,374
Adjustment - actuarial liabilities (note 16)	-	-	94	3,454	3,548
Balance as of December 31, 2017 restated	3,059	300,470	(47,388)	370,781	626,922
Transition adjustment - IFRS 9 (note 16)	-	-	(217)	(10,442)	(10,659)
Balance as of January 1, 2018	3,059	300,470	(47,605)	360,339	616,263
Total comprehensive income:					
From continuing operations	-	-	(32,019)	19,043	(12,976)
From discontinued operation	-	-	-	3,357	3,357
Transactions with holders of equity instruments:					
Movements in treasury shares	-	16	-	-	16
Changes in reserve for equity compensation benefits	-	-	(1,686)	-	(1,686)
Dividends declared	-	-	-	(7,648)	(7,648)
Transfers and other movements	-	-	(204)	(374)	(578)
Balance as of June 30, 2018	**3,059**	**300,486**	**(81,514)**	**374,717**	**596,748**

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling Interests (unaudited)	Total Equity (unaudited)
Six months to June 30, 2018				
Balance as of December 31, 2017	623,374	865	308,089	932,328
Adjustment - actuarial liabilities (note 16)	3,548	-	3,677	7,225
Balance as of December 31, 2017 restated	626,922	865	311,766	939,553
Transition adjustment - IFRS 9 (note 16)	(10,659)	(2,930)	(2,352)	(15,941)
Balance as of January 1, 2018	616,263	(2,065)	309,414	923,612
Total comprehensive income:				
From continuing operations	(12,976)	(9,061)	1,656	(20,381)
From discontinued operation	3,357	-	-	3,357
Transactions with holders of equity instruments:				
Movements in treasury shares	16	-	-	16
Changes in reserve for equity compensation benefits	(1,686)	-	-	(1,686)
Dividends declared	(7,648)	-	(10,449)	(18,097)
Transfers and other movements	(578)	(104)	2,868	2,186
Balance as of June 30, 2018	**596,748**	**(11,230)**	**303,489**	**889,007**

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	Share Capital (unaudited)	Share Premium (unaudited)	Reserves (unaudited)	Retained earnings (unaudited)	Total Shareholders' Equity (unaudited)
Six months to June 30, 2017 restated					
Balance as of December 31, 2016	3,029	297,050	(64,795)	300,865	536,149
Adjustment - actuarial liabilities	-	-	(3)	3,064	3,061
Balance as of December 31, 2016 restated	3,029	297,050	(64,798)	303,929	539,210
Total comprehensive income:					
From continuing operations	-	-	11,515	20,115	31,630
From discontinued operation	-	-	-	6,208	6,208
Transactions with holders of equity instruments:					
Movements in treasury shares	6	834	-	-	840
Changes in reserve for equity compensation benefits	-	-	1,637	-	1,637
Dividends declared	-	-	-	(7,575)	(7,575)
Transfers and other movements	-	-	(405)	(1,201)	(1,606)
Balance as of June 30, 2017	**3,035**	**297,884**	**(52,051)**	**321,476**	**570,344**

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in US $000	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling Interests (unaudited)	Total Equity (unaudited)
Six months to June 30, 2017 restated				
Balance as of December 31, 2016	536,149	1,291	257,974	795,414
Adjustment - actuarial liabilities	3,061	-	3,170	6,231
Balance as of December 31, 2016 restated	539,210	1,291	261,144	801,645
Total comprehensive income:				
From continuing operations	31,630	(164)	24,916	56,382
From discontinued operation	6,208	-	-	6,208
Transactions with holders of equity instruments:				
Movements in treasury shares	840	-	-	840
Changes in reserve for equity compensation benefits	1,637	-	-	1,637
Dividends declared	(7,575)	-	(10,838)	(18,413)
Transfers and other movements	(1,606)	(108)	(677)	(2,391)
Balance as of June 30, 2017	570,344	1,019	274,545	845,908

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL CORPORATION LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in US $000	Six months to June 30, 2018 (unaudited)	Six months to June 30, 2017 Restated
OPERATING ACTIVITIES		
Income before taxes	53,225	58,915
Adjustments for non-cash items, interest and dividends (note 15)	(68,759)	(96,478)
Interest and dividends received	152,321	148,385
Interest paid	(38,317)	(42,174)
Income taxes paid	(20,188)	(27,103)
Net change in investments and operating assets (note 15)	(253,129)	3,142
Net change in operating liabilities (note 15)	219,907	41,908
Net cash flows - operating activities	45,060	86,595
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 15)	(5,049)	(4,997)
Associates and joint ventures	(149)	(6,656)
Dividends received from associates and joint ventures	120	1,119
Intangible assets, net (note 15)	(1,852)	(3,688)
Net cash flows - investing activities	(6,930)	(14,222)
FINANCING ACTIVITIES		
Redemption of preference share	(1)	-
Shares issued to / (purchased from) non-controlling interest	2,304	(1,795)
Notes and loans payable, net (note 15)	(1,377)	15,455
Dividends paid to common shareholders	(7,484)	(7,444)
Dividends paid to non-controlling interest	(10,449)	(10,838)
Net cash flows - financing activities	(17,007)	(4,622)
Effect of exchange rate changes	(5,800)	87
NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	15,323	67,838
Cash and cash equivalents, beginning of period	325,726	312,106
CASH AND CASH EQUIVALENTS, END OF PERIOD (note 15)	341,049	379,944

The accompanying notes form an integral part of these financial statements

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements ("condensed financial statements") of Sagicor Financial Corporation Limited and its subsidiaries (the "Group") are presented in compliance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 2017 annual consolidated financial statements and the accompanying notes included in pages 114 to 233 of the Annual Report for 2017. The condensed financial however do include certain disclosures required in the annual financial statements but which are additional to the requirements of IAS 34.

2. ACCOUNTING POLICIES

Except as indicated below, these condensed financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2017 annual consolidated financial statements. The principle accounting policies are described in note 2 of those annual consolidated financial statements.

2.1 Adoption of IFRS 9 - Financial Instruments

As of January 1, 2018, the Group adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Group changed its accounting policies as outlined in sections (a) to (l) below. As permitted by the transition provisions in IFRS 9, the Group has elected not to restate comparative period results; accordingly, all comparative period information on financial instruments is presented in accordance with the accounting policies disclosed in notes 2.8, 2.12, 2.14 and 2.22 of the annual 2017 consolidated financial statements. Adjustments to the carrying amounts of financial assets and financial liabilities as of January 1, 2018 were recognised in equity. New or amended interim disclosures have been provided for the current period, where applicable, and comparative period disclosures are consistent with those made in 2017.

(a) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the Group's business model. These categories replace the existing IAS 39 classification of FVTPL, available for sale, loans and receivables and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

2 ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

Financial assets measured at amortized cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Financial assets measured at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities.

Financial assets measured at fair value through profit and loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;

Business model assessment

Business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets,
- The nature of the market of the assets in the country of origination of a portfolio of assets,
- How the Group intends to generate profits from holding a portfolio of assets,
- The historical and future expectations of asset sales within a portfolio.

Solely repayments of principle and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principle and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measured at FVTPL.

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(b) Unit linked funds fair value model

The Group's liabilities include unit linked funds which are components of insurance contracts issued or unit linked investment contracts issued with terms that the full investment return earned on the backing assets accrue to the contract-holders. As these liabilities are accounted for at FVTPL, the financial assets backing these liabilities are consequently classified as and measured at FVTPL.

(c) Embedded derivatives

The Group may hold debt securities and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives. The embedded derivative of a financial asset is classified in the same manner as the host contract.

(d) Impairment of financial assets measured at amortized cost and FVTOCI

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(e) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(f) Definition of default

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(g) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(h) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes:
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

Measurement (continued)

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'upside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

2. ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

Forward looking information (continued)

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

The weightings assigned to each economic scenario as at January 1 and June 30, 2018 were as follows:

	Base	Upside	Downside
Sagicor Life portfolios (excluding Government of Barbados)	80%	10%	10%
Sagicor Jamaica portfolios (excluding Government of Barbados)	80%	10%	10%
Refer to note 14.3 for Government of Barbados exposures			

Financial assets measured at amortized cost and FVTOCI, recognize impairment gains and losses in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in other comprehensive income. When the asset is sold, the cumulative gain or loss is reclassified to investment income. Interest income, dividend income and gains and losses arising from changes in fair value are included in investment income.

(i) Interest income and interest earned on assets measured at fair value through profit and loss

Interest income is earned based on the effective interest rate based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

(j) Classification of financial liabilities

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through income (FVTPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2 ACCOUNTING POLICIES

2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(j) Classification of financial liabilities (continued)

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVTPL as the Group is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL. All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

(k) Re-classified balances

The Group reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. Any re-classified balances of financial investment and impairment losses relating to the adoption of IFRS 9 are detailed in notes 9, 14 and 16.

Financial liability balances which were accounted for at amortised cost under IAS 39 continue to be so accounted for under IFRS 9 and financial liability balances which were accounted for at fair value through income under IAS 39 are now accounted at FVTPL on the adoption of IFRS 9. Consequently, no financial liability balances have been restated as of January 1, 2018.

(l) Modification of loans

The Group sometimes renegotiates or otherwise modified the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the group derecognises the original financial asset and recognises a new asset at fair value and recalculated the new effective interest rate for the asset. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

2. ACCOUNTING POLICIES

2.2 Adoption of IFRS 15 "Revenue from Contracts with Customers"

Effective January 1, 2018, the Sagicor Group adopted IFRS 15. This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers. IFRS 15 does not apply to the Group's primary activities of insurance and banking which are governed by IFRS 4 – 'Insurance Contracts' and IFRS 9 – 'Financial Instruments'.

In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified retrospective method with no restatement of comparative information. There was no significant impact on the Group resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity.

The standard introduces new disclosure requirements for interim financial statements which are set out in note 4.5.

2.3 Change in accounting policy for the measurement of actuarial liabilities

The improvement of mortality rates is an accepted trend that is occurring in developed and developing countries around the world. All segments within the Group had previously recognized this trend in their reserving assumptions with the exception of Jamaica. During this period, Jamaica incorporated mortality improvement into its reserve calculations. The foregoing is part of a wider initiative across the Group to harmonize reserving practices across the segments. The harmonization of the mortality improvement assumption emanates from a Group policy that was implemented on January 1, 2018.

This change in policy was a voluntary change and was reflected as a prior period adjustment with retrospective application from December 31, 2016.

The impact of this change in policy is summarized in note 16.

2.4 Exchange rates

The following exchange rates were applied for the conversion of amounts to US dollars.

	Closing rates as of June 30, 2018	Closing rates as of December 31, 2017	Average rates for the six months to June 30, 2018	Average rates for the six months to June 30, 2017
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	129.7166	124.5754	125.5454	128.3762
Trinidad & Tobago dollar	6.7520	6.7628	6.7422	6.7394
Pound sterling	0.75740	0.74020	0.72650	0.79294

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Impairment of financial assets

In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

(a) <u>Establishing staging for debt securities and deposits</u>

The Group's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard	D	C	DDD	d
		9	Doubtful			DD	
		10	Loss			D	

The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade <u>and</u> have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade <u>and</u> have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test

- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop Criteria

- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

(c) Forward looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

As described in note 14.3, management has evaluated three potential scenarios of terms which the Government of Barbados debt may be restructured. As there are no formal terms released by the Government of Barbados, there is a significant degree of management estimate integrated in the potential expected loss associated with these debt instruments.

4. 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, Panamá 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 2017. Segmented financial information is set out in the sections 4.1 to 4.4.

4. SEGMENTS (continued)

4.1 Statement of income from continuing operations by reportable operating segment

Amounts in US $000 **Six months to June 30, 2018**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office and other**	**Adjust-ments**	**Total**
Net premium revenue	153,688	146,965	92,077	17,300	-	410,030
Net gain/(losses) on derecognition of financials assets measured at amortised cost	-	2,096	-	-	-	2,096
Interest income	39,808	81,411	26,913	4,109	-	152,241
Other investment income	3,002	9,220	1,249	117	(829)	12,759
Fees and other revenue	11,033	45,689	(5,025)	9,889	(153)	61,433
Inter-segment revenues	7,474	-	-	38,179	(45,653)	-
Total revenue	**215,005**	**285,381**	**115,214**	**69,594**	**(46,635)**	**638,559**
Net policy benefits	100,695	101,128	49,018	8,193	-	259,034
Net change in actuarial liabilities	(28,998)	2,512	39,808	-	-	13,322
Interest expense	5,344	17,379	1,929	1,408	-	26,060
Administrative expenses	33,845	66,703	14,993	22,539	899	138,979
Commissions and premium and asset taxes	21,038	25,966	9,362	5,028	-	61,394
Finance costs	-	659	97	(73)	16,801	17,484
Credit impairment losses	48,049	7,918	(286)	2,146	-	57,827
Depreciation and amortisation	3,094	4,950	1,386	1,804	-	11,234
Inter-segment expenses	2,071 (1)	907	(570) (1)	7,297	(9,705)	-
Total benefits and expenses	**185,138**	**228,122**	**115,737**	**48,342**	**7,995**	**585,334**
Segment income before taxes	**29,867**	**57,259**	**(523)**	**21,252**	**(54,630)**	**53,225**
Income taxes	(5,138)	(12,017)	110	(417)	267	(17,195)
Net income - continuing operations	**24,729**	**45,242**	**(413)**	**20,835**	**(54,363)**	**36,030**
Net income / (loss) attributable to shareholders from continuing operations	33,039	22,217	(413)	4,262	(37,562)	**21,543**
Total comprehensive income / (loss) attributable to shareholders from continuing operations	30,557	1,511	(9,552)	3,476	(38,968)	(12,976)

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $1,577 relating to this transaction.

4. SEGMENTS (continued)

4.1 Statement of income from continuing operations by reportable operating segment (continued)

Amounts in US $000 **Six months to June 30, 2017 Restated**	**Sagicor Life**	**Sagicor Jamaica**	**Sagicor Life USA**	**Head office and other**	**Adjust-ments**	**Total**
Net premium revenue	147,415	135,616	41,223	15,891	-	340,145
Interest income	38,798	78,685	24,067	4,388	-	145,938
Other investment income	5,903	13,036	10,904	388	(73)	30,158
Fees and other revenue	6,462	30,914	(660)	9,748	(65)	46,399
Inter-segment revenues	6,370	-	-	47,468	(53,838)	-
Total revenue	**204,948**	**258,251**	**75,534**	**77,883**	**(53,976)**	**562,640**
Net policy benefits	99,613	82,103	45,808	8,789	-	236,313
Net change in actuarial liabilities	12,996	3,424	(1,849)	-	-	14,571
Interest expense	6,545	19,457	923	1,616	-	28,541
Administrative expenses	33,326	69,810	14,725	20,789	509	139,159
Commissions and premium and asset taxes	21,832	23,312	7,812	4,479	-	57,435
Finance costs	-	432	20	(125)	16,754	17,081
Depreciation and amortisation	3,294	4,470	816	2,045	-	10,625
Inter-segment expenses	2,594 (1)	516	(1,353) (1)	6,257	(8,014)	-
Total benefits and expenses	**180,200**	**203,524**	**66,902**	**43,850**	**9,249**	**503,725**
Segment income before taxes	**24,748**	**54,727**	**8,632**	**34,033**	**(63,225)**	**58,915**
Income taxes	(4,889)	(10,671)	(3,022)	(210)	-	(18,792)
Net income - continuing operations	**19,859**	**44,056**	**5,610**	**33,823**	**(63,225)**	**40,123**
Net income / (loss) attributable to shareholders from continuing operations	20,333	21,637	5,610	16,873	(46,471)	**17,982**
Total comprehensive income / (loss) attributable to shareholders from continuing operations	26,149	23,785	10,804	16,838	(45,946)	**31,630**

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $2,131 relating to this transaction.

4. SEGMENTS (continued)

4.2 Statement of financial position by reportable operating segment

Amounts in US $000	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust-ments	Total
June 30, 2018						
Financial investments	1,393,152	2,300,610	1,196,330	147,703	-	5,037,795
Other external assets	325,811	584,178	860,710	186,891	(65,936)	1,891,654
Assets of discontinued operation	-	-	-	13,467	-	13,467
Inter-segment assets	224,634	13,625	6,499	67,923	(312,681)	-
Total assets	1,943,597	2,898,413	2,063,539	415,984	(378,617)	6,942,916
Policy liabilities	1,316,828	734,325	1,515,341	65,836	(65,936)	3,566,394
Other external liabilities	71,332	1,610,244	263,052	542,887	-	2,487,515
Inter-segment liabilities	31,033	5,145	53,586	222,917	(312,681)	-
Total liabilities	1,419,193	2,349,714	1,831,979	831,640	(378,617)	6,053,909
Net assets	**524,404**	**548,699**	**231,560**	**(415,656)**	**-**	**889,007**
December 31, 2017 restated						
Financial investments	1,386,182	2,291,191	1,123,623	152,245	-	4,953,241
Other external assets	351,871	531,671	856,271	182,468	(70,990)	1,851,291
Assets of discontinued operation	-	-	-	10,110	-	10,110
Inter-segment assets	214,767	13,347	2,505	62,101	(292,720)	-
Total assets	1,952,820	2,836,209	1,982,399	406,924	(363,710)	6,814,642
Policy liabilities	1,296,525	757,480	1,495,300	66,612	(70,990)	3,544,927
Other external liabilities	89,643	1,507,289	194,836	538,394	-	2,330,162
Inter-segment liabilities	27,285	4,098	51,587	209,750	(292,720)	-
Total liabilities	1,413,453	2,268,867	1,741,723	814,756	(363,710)	5,875,089
Net assets	**539,367**	**567,342**	**240,676**	**(407,832)**	**-**	**939,553**

4. SEGMENTS (continued)

4.3 Revenues by products and services

Amounts in US $000	Six months to June 30, 2018	Six months to June 30, 2017
Life, health and annuity insurance contracts issued to individuals	375,127	319,172
Life, health and annuity insurance and pension administration contracts issued to groups	139,563	130,565
Property and casualty insurance	23,495	20,741
Banking, investment management and other financial services	85,329	79,802
Farming and unallocated revenues	15,045	12,360
Total revenue	**638,559**	**562,640**

4.4 Revenues by geographical area

Amounts in US $000	Six months to June 30, 2018	Six months to June 30, 2017
Barbados	91,713	85,371
Jamaica	272,588	242,195
Trinidad and Tobago	83,393	81,808
Other Caribbean	76,456	77,804
USA	114,409	75,462
Total revenue	**638,559**	**562,640**

4.5 Revenues from service contracts with customers

Revenues from service contracts with customers consist primarily of management and administration fees earned from third party investment funds, pension plans and insurance benefit plans (managed funds or administrative service only (ASO) benefit plans). These service contracts generally impose single performance obligations, each consisting of a series of similar related services to the unitholder or policyholder of each fund or plan. The Group's performance obligations within these service arrangements are generally satisfied over time as the unitholders and policyholders simultaneously receive and consume contracted benefits over time.

The Group also earns revenues for the provision of corporate finance, stockbroking, trust and related services to various customers.

The various fees are billed periodically and are collected either by deduction or within a short period of time.

The following table discloses revenue from service contracts with customers by reportable operating segment.

4. SEGMENTS (continued)

4.5 Revenues from service contracts with customers (continued)

Amounts in US $000	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust-ments	Total
Six months to June 30, 2018						
Revenue from contracts with customers:						
Products transferred at a point in time	-	7,115	47	-	-	7,162
Products and services transferred over time	651	7,796	-	(7)	-	8,440
Total included in fees and other revenue	651	14,911	47	(7)	-	15,602

5. PREMIUM REVENUE

Amounts in US $000	Gross premium		Ceded to reinsurers	
Six months to June 30,	**2018**	**2017**	**2018**	**2017**
Life insurance	217,898	204,822	15,712	15,214
Annuity	125,214	102,670	15,761	41,166
Health insurance	83,594	76,476	2,529	2,353
Property and casualty insurance	34,621	33,610	17,295	18,700
Total premium revenue	**461,327**	**417,578**	**51,297**	**77,433**

6. NET INVESTMENT INCOME

Amounts in US $000	Six months to June 30, 2018 Amortised cost assets	FVOCI assets	Total	Six months to June 30, 2017
Investment income				
Interest income:				
Debt securities	40,437	55,777	96,214	
Mortgage loans	8,807	-	8,807	
Policy loans	4,952	-	4,952	
Finance loans and finance leases	32,097	-	32,097	
Securities purchased for re-sale	717	-	717	
Deposits	1,347	-	1,347	
	88,357	55,777	144,134	
Interest income from FVTPL investments			8,107	
Total interest income (IAS 39 basis)			-	145,938
Dividend income			1,275	1,365
Net gain/(losses) on derecognition of financial assets measured at amortised cost			2,096	-
Net investment gains			7,212	25,065
Share of operating income of associates and joint venture			3,634	3,900
Other investment income			2,116	2,063
			168,574	178,331
Investment expenses				
Allowances for impairment losses (IAS 39 basis)			-	518
Direct operating expenses of investment property			942	955
Other direct investment expenses			536	762
			1,478	2,235
Net investment income			**167,096**	**176,096**

7. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

Amounts in US $000	Gross benefit		Ceded to reinsurers	
Six months to June 30,	**2018**	**2017 restated**	**2018**	**2017**
Life insurance benefits	115,699	111,207	9,960	5,263
Annuity benefits	112,889	96,886	33,350	30,114
Health insurance benefits	65,316	57,773	(68)	2,359
Property and casualty claims	13,558	10,314	5,186	2,131
Total policy benefits	307,462	276,180	48,428	39,867
Change in actuarial liabilities	18,345	15,091	5,023	520
Total policy benefits and change in actuarial liabilities	**325,807**	**291,271**	**53,451**	**40,387**

8. 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 sales price is subject to experience adjustments up to contractually specified limits until the end of the run-off period on December 31, 2018. The experience adjustments include underwriting, investment and foreign exchange results and are subject to a reasonable risk premium adjustment by the buyer.

The movement in price adjustments were as follows:

Amounts in US $000	
Liability of discontinued operation:	
Estimated amount payable December 31, 2016	-
Experience gain for the twelve months ended December 31, 2017 [(1)]	(10,110)
Net currency movements to December 31, 2017	-
Estimated amount receivable December 31, 2017	(10,110)
Experience gain for the six months ended June 30, 2018	(3,587)
Net currency movements to June 30, 2018	230
Estimated amount receivable June 30, 2018	(13,467)

1) The experience gain of $10,110 was not reported in any of the interim quarters in 2017. Each interim quarter recorded a nil movement, with the full amount being reflected in the annual financial statements. The cumulative result for the six months to June 30, 2017 has been restated to record a gain of $6,208, of which $4,285 was allocated to the three months ended March 31, 2017 and $1,923 was allocated to the three months ended June 30, 2017. As a consequence, the corresponding earnings per share were restated. These restatements reflect more accurately the timing of this experience gain.

9. FINANCIAL INVESTMENTS

(a) Reclassification from IAS 39 to IFRS 9

The following table summarises the results of management's reclassification of financial investments from their IAS 39 categories to their IFRS 9 categories:

Amounts in US $000	IAS 39 classification	Carrying value December 31, 2017	IFRS 9 classification	Carrying value January 1, 2018
Debt securities	Available for sale	2,266,275	FVOCI	2,235,782
Debt securities	Fair value through income	180,484	FVTPL	210,977
Debt securities	Loans and receivables	1,051,683	Amortised cost	1,040,291
Equity securities	Available for sale	86,862	FVOCI	470
Equity securities	Fair value through income	158,621	FVTPL	245,013
Derivative financial instruments	Fair value through income	32,477	FVTPL	32,477
Mortgage loans	Fair value through income	45,447	FVTPL	25,675
Mortgage loans	Loans and receivables	296,939	Amortised cost	315,849
Policy loans	Loans and receivables	142,132	Amortised cost	142,132
Finance loans and finance leases	Loans and receivables	564,399	Amortised cost	560,988
Securities purchased for resale	Loans and receivables	16,518	Amortised cost	16,518
Deposits	Loans and receivables	111,404	Amortised cost	110,892
		4,953,241		4,937,064

The Group holds a small portfolio of debt instruments which failed to meet the SPPI test requirement for the FVOCI classification under IFRS 9. These are hybrid securities with features of both debt and equity, with interest payments in shares and callable dates, but have no fixed maturity date. As a result, these instruments are classified as FVTPL under IFRS 9.

The Group assessed its business model for securities within the Group's portfolio and identified certain securities which are managed separately and actively traded for capital gains. These securities which were previously classified as available for sale are reclassified to FVTPL under IFRS 9.

Floating rate mortgages being held to received contractual cash flows, which were previously classified as fair value through income, are reclassified as amortised cost under IFRS 9.

9. FINANCIAL INVESTMENTS (continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9

The following tables reconcile the carrying amounts of financial investments, from their previous measurement category in accordance with IAS 39 as of December 31, 2017 to their new measurement categories upon transition to IFRS 9 as at January 1, 2018.

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
FINANCIAL INVESTMENTS AT AMORTISED COST:				
Debt securities				
Opening balance under IAS 39	1,051,683			
Valuation re-measurement			23	
Re-measurement: ECL allowance			(11,415)	
Closing balance under IFRS 9				1,040,291
Mortgage Loans				
Opening balance under IAS 39	296,939			
Addition: From FVTPL (IFRS 9)		19,772		
Re-measurement: ECL allowance			(862)	
Closing balance under IFRS 9				315,849
Policy Loans				
Opening balance under IAS 39	142,132			
Closing balance under IFRS 9				142,132
Finance loans and leases				
Opening balance under IAS 39	564,399			
ECL allowance			(3,411)	
Closing balance under IFRS 9				560,988
Securities purchased for resale				
Opening balance under IAS 39	16,518			
Closing balance under IFRS 9				16,518
Deposits				
Opening balance under IAS 39	111,404			
ECL allowance			(512)	
Closing balance under IFRS 9				110,892

9. FINANCIAL INVESTMENTS (continued)

(c) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
MISCELLANEOUS ASSETS AND RECEIVABLES				
Cash resources				
Opening balance under IAS 39	360,064			
Closing balance under IFRS 9				360,064
Other accounts receivables				
Opening balance under IAS 39	133,167			
Re-measurement: ECL allowance			(48)	
Closing balance under IFRS 9				133,119

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39	2,266,275			
Subtraction: To FVTPL (IFRS 9)		(30,493)		
Valuation re-measurement			9,454	
Re-measurement: ECL allowance			(9,454)	
Closing balance under IFRS 9				2,235,782
Equity securities				
Opening balance: Available for sale under IAS 39	86,862			
Subtraction: To FVTPL (IFRS 9)		(86,392)		
Closing balance under IFRS 9				470
Total financial investments measured at FVOCI				2,236,252

9. FINANCIAL INVESTMENTS (continued)

(d) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

Amounts in US $000	IAS 39 carrying amount December 31, 2017	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018
FINANCIAL INVESTMENTS AT FVTPL:				
Debt securities				
Opening balance under IAS 39	180,484			
Addition: From available for sale (IAS 39)		30,493		
Closing balance under IFRS 9				210,977
Equity securities				
Opening balance under IAS 39	158,621			
Addition: From available for sale (IAS 39)		86,392		
Closing balance under IFRS 9				245,013
Mortgage loans				
Opening balance under IAS 39	45,447			
Subtraction: To amortised cost (IFRS 9)		(19,772)		
Closing balance under IFRS 9				25,675
Derivative financial instruments				
Opening balance under IAS 39	32,477			
Closing balance under IFRS 9				32,477
Total financial investments measured at FVTPL				514,142

9. FINANCIAL INVESTMENTS (continued)

(e) Analysis of financial investments

Amounts in US $000	June 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Investments at FVOCI (available for sale):				
Debt securities	2,324,759	2,324,759	2,266,275	2,266,275
Equity securities	681	681	86,862	86,862
	2,325,440	2,325,440	2,353,137	2,353,137
Investments at FVTPL (fair value through income):				
Debt securities	187,015	187,015	180,484	180,484
Equity securities	243,212	243,212	158,621	158,621
Derivative financial instruments	22,872	22,872	32,477	32,477
Mortgage loans	25,571	25,571	45,447	45,447
	478,670	478,670	417,029	417,029
Investments at amortised cost (loans and receivables):				
Debt securities	1,057,505	1,170,794	1,051,683	1,155,331
Mortgage loans	317,691	316,515	296,939	296,867
Policy loans	146,251	152,185	142,132	149,995
Finance loans and finance leases	574,790	563,015	564,399	551,922
Securities purchased for re-sale	31,851	31,851	16,518	16,518
Deposits	105,597	105,597	111,404	111,404
	2,233,685	2,339,957	2,183,075	2,282,037
Total financial investments	**5,037,795**	**5,144,067**	**4,953,241**	**5,052,203**
Non-derivative financial assets at fair value through profit or loss:				
Designated at fair value upon recognition	448,355	448,355	375,917	375,917
Assets held for trading	7,443	7,443	8,635	8,635
	455,798	**455,798**	**384,552**	**384,552**

10. INVESTMENT CONTRACT LIABILITIES

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

Amounts in US $000	June 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair Value**	**Carrying value**	**Fair value**
Liabilities at amortised cost:				
Deposit administration liabilities	112,667	112,667	121,483	121,483
Other investment contracts	119,938	119,938	117,782	119,915
	232,605	232,605	239,265	241,398
Liabilities at FVTPL (fair value through income):				
Unit linked deposit administration liabilities	145,276	145,276	139,753	139,753
Total investment contract liabilities	**377,881**	**377,881**	**379,018**	**381,151**

11. NOTES AND LOANS PAYABLE

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

Amounts in US $000	June 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair value**	**Carrying value**	**Fair Value**
Liabilities at amortised cost:				
8.875% senior notes due 2022	317,770	346,594	317,028	364,131
8.25% convertible redeemable preference shares due 2020	10,886	10,886	11,310	11,887
7.75% convertible redeemable preference share due 2018	5,006	5,056	5,181	5,433
4.85% notes due 2019	74,973	74,878	74,929	76,199
Finance lease payable	3,980	3,980	5,357	5,357
Total notes and loans payable	**412,615**	**441,394**	**413,805**	**463,007**

12. DEPOSIT AND SECURITY LIABILITIES

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

Amounts in US $000	June 30, 2018 IFRS 9 basis		December 31, 2017 IAS 39 basis	
	Carrying value	**Fair Value**	**Carrying value**	**Fair value**
Liabilities at amortised cost:				
Other funding instruments	347,925	352,932	279,874	284,980
Customer deposits	827,675	820,145	750,948	749,834
Securities sold for re-purchase	484,235	483,783	476,034	473,771
Bank overdrafts	619	619	2,568	2,568
	1,660,454	1,657,479	1,509,424	1,511,153
Liabilities at FVTPL (fair value through income):				
Structured products	54,471	54,471	47,576	47,576
Derivative financial instruments	1,119	1,119	2,232	2,232
	55,590	55,590	49,808	49,808
Total deposit and security liabilities	**1,716,044**	**1,713,069**	**1,559,232**	**1,560,961**

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

13.1 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:

Amounts in US $000	As of June 30, 2018	As of December 31, 2017
	Level 3	**Level 3**
Investment property	79,047	80,816
Owner-occupied lands	35,232	35,232
Owner-occupied land and buildings	77,055	78,465
Total properties	**191,334**	**194,513**

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

13.1 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.

	Six months to June 30,				December 31,
	2018	2018	2018	2018	2017
Amounts in US $000	Investment property	Owner-occupied lands	Owner-occupied land and buildings	Total	Total
Balance, beginning of period	80,816	35,232	78,465	194,513	195,702
Additions	-	-	960	960	3,175
Transfers in / (out)	(125)	-	-	(125)	(1,696)
Fair value changes recorded in net investment income	995	-	-	995	74
Fair value changes recorded in other comprehensive income	10	-	(1,027)	(1,017)	(2,227)
Depreciation	-	-	(559)	(559)	(1,098)
Disposals and divestitures	(2,500)	-	25	(2,475)	-
Effect of exchange rate changes	(149)	-	(809)	(958)	583
Balance, end of period	**79,047**	**35,232**	**77,055**	**191,334**	**194,513**

13.2 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.

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

13.2 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:

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

13.2 Financial instruments carried at fair value (continued)

Amounts in US $000	As of June 30, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVOCI:				
Debt securities	644,250	1,678,205	2,304	2,324,759
Equity securities	634	-	47	681
	644,884	1,678,205	2,351	2,325,440
Investments at FVTPL:				
Debt securities	16,836	79,409	90,770	187,015
Equity securities	31,875	198,653	12,684	243,212
Derivative financial instruments	-	1,119	21,753	22,872
Mortgage loans	-	-	25,571	25,571
	48,711	279,181	150,778	478,670
Total assets	**693,595**	**1,957,386**	**153,129**	**2,804,110**
Total assets by percentage	25%	70%	5%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	145,276	145,276
Deposit and security liabilities:				
Structured products	-	-	54,471	54,471
Derivative financial instruments	-	1,119	-	1,119
	-	1,119	54,471	55,590
Total liabilities	**-**	**1,119**	**199,747**	**200,866**
Total liabilities by percentage	0%	1%	99%	100%

During the six months ended June 30, 2018, there were no transfers between level 1 and level 2.

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

13.2 Financial instruments carried at fair value (continued)

Amounts in US $000	As of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale securities:				
Debt securities	653,516	1,610,263	2,496	2,266,275
Equity securities	23,314	53,167	10,381	86,862
	676,830	1,663,430	12,877	2,353,137
Investments at fair value through income:				
Debt securities	19,185	62,542	98,757	180,484
Equity securities	14,269	144,352	-	158,621
Derivative financial instruments	-	2,232	30,245	32,477
Mortgage loans	-	-	45,447	45,447
	33,454	209,126	174,449	417,029
Total assets	**710,284**	**1,872,556**	**187,326**	**2,770,166**
Total assets by percentage	26%	68%	6%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	139,753	139,753
Deposit and security liabilities:				
Structured products	-	-	47,576	47,576
Derivative financial instruments	-	2,232	-	2,232
	-	2,232	47,576	49,808
Total liabilities	**-**	**2,232**	**187,329**	**189,561**
Total liabilities by percentage	0%	1%	99%	100%

Transfers from Level 2 to Level 1 in 2017 totalled $19,819.

For Level 3 instruments, reasonable changes in inputs which could be applied to the valuation of available for sale securities/investments at fair value through other comprehensive income 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.

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

13.2 Financial instruments carried at fair value (continued)

	Six months to June 30,				December 31,
	2018	2018	2018	2018	2017
Amounts in US $000	Investments at FVOCI	Investments at FVTPL	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	12,877	144,204	30,245	187,326	176,342
Reclassifications on initial application of IFRS 9	(9,365)	(10,311)	-	(19,676)	-
Additions	-	7,340	9,069	16,409	78,882
Transfers to/(from) Level 3 classification	-	-	-	-	(16)
Fair value changes recorded in net investment income	-	(455)	2,238	1,783	21,044
Fair value changes recorded in other comprehensive income	(192)	-	-	(192)	(98)
Disposals	(968)	(11,704)	(19,799)	(32,471)	(87,814)
Effect of exchange rate changes	(1)	(49)	-	(50)	(1,014)
Balance, end of period	**2,351**	**129,025**	**21,753**	**153,129**	**187,326**
Fair value changes recorded in net investment income for instruments held at the end of the period	-	(376)	3,847	3,471	10,067

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

13.2 Financial instruments carried at fair value (continued)

	Six months to June 30,			December 31,
	2018	2018	2018	2017
Amounts in US $000	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	139,753	47,576	187,329	165,447
Issues	10,346	20,150	30,496	44,185
Settlements	(4,620)	(10,251)	(14,871)	(28,256)
Fair value changes recorded within interest expense	(419)	-	(419)	125
Transfers to/(from) instruments carried at amortised cost	-	(2,471)	(2,471)	3,682
Effect of exchange rate changes	216	(533)	(317)	2,146
Balance, end of period	**145,276**	**54,471**	**199,747**	**187,329**
Fair value changes recorded in interest expense for instruments held at the end of the period	(419)	-	(419)	188

14. CREDIT RISK

14.1 Credit risk exposure – financial investments subject to impairment

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognized. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	June 30, 2018				
	ECL Staging				
Debt securities – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
Credit grade:					
Investment	203,890	-	-	-	203,890
Non-investment	612,605	7,474	794	308	621,181
Watch	48,175	45	2,581	12,259	63,060
Default	-	106	226,184	-	226,290
Gross carrying amount	864,670	7,625	229,559	12,567	1,114,421
Loss allowance	(2,960)	(91)	(52,945)	(920)	(56,916)
Carrying amount	861,710	7,534	176,614	11,647	1,057,505

	June 30, 2018				
	ECL Staging				
Mortgage loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
Credit grade:					
Investment	199,547	9,594	124	-	209,265
Non-investment	79,068	2,490	6,015	-	87,573
Watch	-	895	10,368	-	11,263
Default	5,223	-	5,250	-	10,473
Gross carrying amount	283,838	12,979	21,757	-	318,574
Loss allowance	(630)	(259)	6	-	(883)
Carrying amount	283,208	12,720	21,763	-	317,691

14. CREDIT RISK (continued)

14.1 Credit risk exposure – financial investments subject to impairment (continued)

	June 30, 2018				
	ECL Staging				
Finance loans and leases – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
Credit grade:					
Investment	379	-	-	-	379
Non-investment	482,605	16,600	89,317	-	588,522
Watch	-	2,560	-	-	2,560
Default	-	-	168	-	168
Gross carrying amount	482,984	19,160	89,485	-	591,629
Loss allowance	(6,453)	(1,696)	(8,690)	-	(16,839)
Carrying amount	476,531	17,464	80,795	-	574,790

	June 30, 2018				
	ECL Staging				
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
Credit grade:					
Non-investment	31,851	-	-	-	31,851
Gross carrying amount	31,851	-	-	-	31,851
Loss allowance	-	-	-	-	-
Carrying amount	31,851	-	-	-	31,851

	June 30, 2018				
	ECL Staging				
Policy loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
Credit grade:					
Investment	53,922	-	-	-	53,922
Non-investment	27,957	-	-	-	27,957
Un-rated	64,372	-	-	-	64,372
Gross carrying amount	146,251	-	-	-	146,251
Loss allowance	-	-	-	-	-
Carrying amount	146,251	-	-	-	146,251

14. CREDIT RISK (continued)

14.1 Credit risk exposure – financial investments subject to impairment (continued)

	June 30, 2018				
	ECL Staging				
Deposits – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit-impaired	Total
Credit grade:					
Investment	87,885	-	-	-	87,885
Non-investment	15,508	-	-	-	15,508
Watch	1,682	-	-	-	1,682
Un-rated	1,052	-	-	-	1,052
Gross carrying amount	106,127	-	-	-	106,127
Loss allowance	(530)	-	-	-	(530)
Carrying amount	105,597	-	-	-	105,597

14. CREDIT RISK (continued)

14.1 Credit risk exposure – financial investments subject to impairment (continued)

For financial investments measured at FVTPL under the unit-linked funds fair value model, the unit holders bear the credit risk and the Group has no direct credit exposure.

Maximum exposure to credit risk - Financial instruments not subject to impairment

Amounts expressed in US$ 000	Maximum exposure to credit risk
Financial assets designated at fair value	
Debt securities	187,015
Equity securities	243,212
Derivative financial instruments	22,872
Mortgage loans	25,571

14. CREDIT RISK (continued)

14.2 Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period, and the consequent ‘step-up’ (or ‘step down’) between 12-month and life-time ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

14. CREDIT RISK (continued)

14.3 Debt Securities in Default

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

The GOB has commenced a program to address its fiscal position with the ultimate aim of achieving a sound fiscal position. An emergency budget was laid in Parliament on June 11, 2018, with additional revenue and expense control measures being put into place starting over a three-month period commencing from July 1, 2018. This budget represents Phase One of what is expected to be a three-phase process. Phase Two will see additional measures over the nine- month period commencing from October 1, 2018. Phase Three will be continue the process of fiscal reform from July 1, 2019. The GOB also commenced discussions with the International Monetary Fund for liquidity support. It is expected that an outcome of these discussions will be a formal restructuring of GOB debt.

Until such the restructuring agreement is finalised, Sagicor has classified all of its GOB instruments in Stage 3 and assessed three possible scenarios:

Scenario one – weighting 50%
GOB bonds are replaced with a single bond with a coupon of 4% for first five years (interest capitalised), 6.25% for years 6-11, thereafter 7.5% with a maturity of 30 years.

Scenario two – weighting 45%
GOB bonds are replaced with a single bond with a coupon of 1.5% for first five years, 6.25% for years 6-11, thereafter 7% with a maturity of 40 years.

Scenario three – weighting 5%
Bonds in the Barbados statutory fund are replaced with a single bond with a coupon rate of 4% for the first 5 years and 8% thereafter with a maturity of 40 years. All other bonds are replaced with a single bond with a face value haircut of 25% and a coupon rate of 3% for the first 5 years and 7% thereafter with a maturity of 10 years.

Accordingly, the increase in expected credit loss has been recognized in the condensed consolidated statement of income

Amounts in US $000	GOB Exposure	GOB Loss Allowances
Balance as of March 31, 2018	280,151	9,534
Additions, maturities and carrying value adjustments	42,299	-
Increase in loss allowance	-	56,088
Balance as of June 30, 2018	322,450	65,622

15. CASH FLOWS

Amounts in US $000	June 30, 2018	June 30, 2017
Adjustments for non-cash items, interest and dividends:		
Interest and dividend income	(153,516)	(147,303)
Net investment (gains) / losses	(7,212)	(25,065)
Net increase in actuarial liabilities	13,322	14,571
Gain on recapture insurance portfolio	(5,280)	-
Interest expense and finance costs	43,544	45,622
Depreciation and amortisation	11,234	10,625
Increase in provision for unearned premiums	1,515	6,972
Other items	27,634	(1,900)
	(68,759)	(96,478)
Net increase in investments and operating assets:		
Investment property	2,500	-
Debt securities	(171,004)	(8,016)
Equity securities	(49,864)	589
Mortgage loans	(1,621)	(6,556)
Policy loans	(3,134)	(1,316)
Finance loans and finance leases	(37,152)	(1,146)
Securities purchased for re-sale	(8,627)	229
Deposits	(7,284)	10,658
Other assets and receivables	23,057	8,700
	(253,129)	3,142

15. CASH FLOWS (CONTINUED)

The gross changes in investment property, debt securities and equity securities are as follows.

Amounts in US $000	June 30, 2018	June 30, 2017
Investment property:		
Disbursements	-	-
Disposal proceeds	2,500	-
	2,500	-
Debt securities:		
Disbursements	(351,407)	(752,522)
Disposal proceeds	180,403	744,506
	(171,004)	(8,016)
Equity securities:		
Disbursements	(234,492)	(19,835)
Disposal proceeds	184,628	20,424
	(49,864)	589
Net increase in operating liabilities:		
Insurance liabilities	6,574	4,199
Investment contract liabilities	2,523	(3,180)
Other funding instruments	69,701	25,016
Deposits	109,785	24,116
Securities sold for re-purchase	9,379	(4,213)
Other liabilities and payables	21,945	(4,030)
	219,907	41,908

15. CASH FLOWS (CONTINUED)

Amounts in US $000	June 30, 2018	June 30, 2017
Property, plant and equipment:		
Purchases	(6,826)	(10,585)
Disposal proceeds	1,777	5,588
	(5,049)	(4,997)
Financing activities		
Notes and loans payable:		
Proceeds	-	15,795
Repayments	(1,377)	(340)
	(1,377)	15,455
Cash and cash equivalents		
Cash resources	268,945	324,406
Call deposits and other liquid balances	90,704	93,042
Bank overdrafts	(619)	(4,772)
Other short-term borrowings	(17,981)	(32,732)
	341,049	379,944

16. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS

The changes in accounting policies outlined in note 2 which have impacted the prior period statements of financial position, income and comprehensive income are summarised in the following tables. Other corrections are outlined separately below.

STATEMENT OF FINANCIAL POSITION Amounts in US $000	**December 31, 2017 as originally presented**	**Adjustment - actuarial liabilities**	**December 31, 2017 as restated**	**Transition adjustment - IFRS 9**	**As of January 1, 2018**
ASSETS					
Investment property	80,816		80,816		80,816
Property, plant and equipment	165,560		165,560		165,560
Associates and joint ventures	97,223		97,223		97,223
Intangible assets	81,714		81,714		81,714
Financial investments (note 9)	4,953,241		4,953,241	(16,177)	4,937,064
Reinsurance assets	797,391		797,391		797,391
Income tax assets	39,980		39,980	284	40,264
Miscellaneous assets and receivables	228,543		228,543	(48)	228,495
Cash resources	360,064		360,064		360,064
Assets of discontinued operation	10,110		10,110		10,110
Total assets	**6,814,642**		**6,814,642**	**(15,941)**	**6,798,701**
LIABILITIES					
Actuarial liabilities	2,950,820	(9,070)	2,941,750		2,941,750
Other insurance liabilities	224,159		224,159		224,159
Investment contract liabilities	379,018		379,018		379,018
Total policy liabilities	3,553,997		3,544,927		3,544,927
Notes and loans payable	413,805		413,805		413,805
Deposits and security liabilities	1,559,232		1,559,232		1,559,232
Provisions	80,027		80,027		80,027
Income tax liabilities	28,277	1,845	30,122		30,122
Accounts payable and accrued liabilities	246,976		246,976		246,976
Total liabilities	**5,882,314**	**(7,225)**	**5,875,089**		**5,875,089**
EQUITY					
Share capital	3,059		3,059		3,059
Share premium	300,470		300,470		300,470
Reserves	(47,482)	94	(47,388)	(217)	(47,605)
Retained earnings	367,327	3,454	370,781	(10,442)	360,339
Shareholders' equity	623,374	3,548	626,922	(10,659)	616,263
Participating accounts	865		865	(2,930)	(2,065)
Non-controlling interests in subsidiaries	308,089	3,677	311,766	(2,352)	309,414
Total equity	932,328	7,225	939,553	(15,941)	923,612
Total liabilities and equity	6,814,642	-	6,814,642	(15,941)	6,798,701

16. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF FINANCIAL POSITION	December 31, 2016 as originally presented	Adjustment - actuarial liabilities	December 31, 2016 as restated
Amounts in US $000			
ASSETS	**6,531,920**	**-**	**6,531,920**
LIABILITIES			
Actuarial liabilities	2,776,362	(7,815)	2,768,547
Income tax liabilities	50,641	1,584	52,225
Liabilities not subject to restatement	2,909,503		2,909,503
Total liabilities	**5,736,506**	**(6,231)**	**5,730,275**
EQUITY			
Share capital	3,029	-	3,029
Share premium	297,050	-	297,050
Reserves	(64,795)	(3)	(64,798)
Retained earnings	300,865	3,064	303,929
Shareholders' equity	536,149	3,061	539,210
Participating accounts	1,291	-	1,291
Non-controlling interests in subsidiaries	257,974	3,170	261,144
Total equity	795,414	6,231	801,645
Total liabilities and equity	6,531,920	**-**	6,531,920

16. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (CONTINUED)

Amounts in US $000	Six months to June 30, 2017			Three months to June 30, 2017		
STATEMENT OF INCOME	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**
REVENUE	**562,640**	**-**	**562,640**	**280,132**	**-**	**280,132**
Net policy benefits and change in actuarial liabilities (1)	249,455	1,429(3)	250,884	126,621	257(3)	126,878
Interest expense	28,541	-	28,541	14,195	-	14,195
Total benefits	**277,996**	**1,429**	**279,425**	**140,816**	**257**	**141,073**
EXPENSES	**224,300**	**-**	**224,300**	**109,218**	**-**	**109,218**
INCOME BEFORE TAXES	**60,344**	**(1,429)**	**58,915**	**30,098**	**(257)**	**29,841**
Income taxes	(19,233)	441(3)	(18,792)	(12,361)	(27)(3)	(12,388)
Net income - continuing operations	**41,111**	**(988)**	**40,123**	**17,737**	**(284)**	**17,453**
Net income - discontinued operation (2)	-	6,208	6,208	-	1,923	1,923
NET INCOME	**41,111**	**5,220**	**46,331**	**17,737**	**1,639**	**19,376**
Net income is attributable to:						
Shareholders - continuing operations	19,006	(1,024)	17,982	5,750	(139)	5,611
Shareholders - discontinued operation	-	6,208(2)	6,208	-	1,923(2)	1,923
	19,006	5,184	24,190	5,750	1,784	7,534
Participating policyholders	(474)	-	(474)	(185)	-	(185)
Non-controlling interests	22,579	36	22,615	12,172	(145)	12,027
	41,111	**5,220**	**46,331**	**17,737**	**1,639**	**19,376**
Basic earnings per share						
Continuing operations	6.3 cents	(0.4) cents	5.9 cents	1.9 cents	(0.1) cents	1.8 cents
Discontinued operation	0.0 cents	2.0 cents	2.0 cents	0.0 cents	0.6 cents	0.6 cents
	6.3 cents	1.6 cents	7.9 cents	1.9 cents	0.5 cents	2.4 cents
Fully diluted earnings per share						
Continuing operations	6.1 cents	(0.3) cents	5.8 cents	1.9 cents	(0.1) cents	1.8 cents
Discontinued operation	0.0 cents	2.0 cents	2.0 cents	0.0 cents	0.6 cents	0.6 cents
	6.1 cents	1.7 cents	7.8 cents	1.9 cents	0.5 cents	2.4 cents

(1) Adjustments apply to gross amounts

(2) See note 8

(3) In the US segment, actuarial liabilities for the six months to June 30, 2017 were adjusted for various assumption changes, which related to the period, and which were identified and recorded in the Group's audited financial statements at December 31, 2017.

16. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (CONTINUED)

Amounts in US $000	Six months to June 30, 2017			Three months to June 30, 2017		
STATEMENT OF COMPREHENSIVE INCOME	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**	**Originally presented**	**Actuarial and other adjust-ment**	**Restated**
NET INCOME	**41,111**	**5,220**	**46,331**	**17,737**	**1,639**	**19,376**
OTHER COMPREHENSIVE INCOME						
Items net of tax that may be reclassified subsequently to income:						
Available for sale financial assets:						
Unrealised on revaluation	21,687	-	21,687	13,738	-	13,738
Losses / (gains) transferred to income	7,211	-	7,211	2,745	-	2,745
Net change in actuarial liabilities	(12,915)	-	(12,915)	(4,320)	-	(4,320)
Retranslation of foreign currency operations	(1,846)	-	(1,846)	(1,153)	-	(1,153)
	14,137	-	14,137	11,010	-	11,010
Items net of tax that will not be reclassified subsequently to income						
Unrealised arising on revaluation of owner occupied property	-	-	-	26	-	26
On defined benefit plans	2,133	-	2,133	-	-	-
Other comprehensive income	**16,270**	**-**	**16,270**	**11,036**	**-**	**11,036**
TOTAL COMPREHENSIVE INCOME	**57,381**	**5,220**	**62,601**	**28,773**	**1,639**	**30,412**
Total comprehensive income is attributable to:						
Shareholders - continuing operations	32,665	(1,024)	31,641	15,481	(139)	15,342
Shareholders - discontinued operation	-	6,208	6,208	-	1,923	1,923
	32,665	5,184	37,849	15,481	1,784	17,265
Participating policyholders	(164)	-	(164)	350	-	350
Non-controlling interests	24,880	36	24,916	12,942	(145)	12,797
	57,381	**5,220**	**62,601**	**28,773**	**1,639**	**30,412**

16. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (CONTINUED)

Amounts in US $000	Retained earnings
Restated balance as of December 31, 2017	370,781
Transition adjustments on adoption of IFRS 9:	
Reclassify investments from available-for-sale to FVTPL	6,152
Increase in provision for miscellaneous receivables and contract assets	(24)
Increase in provision for debt investments at amortised cost	(10,168)
Increase in provision for debt investments at FVOCI	(7,316)
Increase in deferred tax assets relating to impairment provisions	813
Other	101
Total transition adjustments	(10,442)
Balance as of January 1, 2018	360,339

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a life-time expected loss allowance for all miscellaneous receivables. To measure the expected credit losses, miscellaneous receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the miscellaneous receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for miscellaneous receivables are a reasonable approximation of the loss rates for service contract assets.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for both miscellaneous receivables and service contract assets:

Opening balance 1 January 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0.2% - 1.2%	0.0%	1.4%	1.8%	
Gross carrying amount	18,069	-	-	69	18,138
Loss allowance	46	-	-	2	48

The loss allowances for miscellaneous receivables as at December 31, 2017 reconciles to the opening loss allowances on 1 January 2018 as follows:

Amounts in US $000	Miscellaneous receivables
Loss allowances	
As of December 31, 2017 – calculated under IAS 39	269
Amounts restated through opening retained earnings	(221)
As of January 1, 2018 - calculated under IFRS 9	**48**