# SAGICOR FINANCIAL CORPORATION LIMITED

Interim Financial Statements

Nine-months ended September 30, 2018

# SAGICOR FINANCIAL CORPORATION LIMITED
# FINANCIAL RESULTS
# FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

## CHAIRMAN'S REVIEW

The Sagicor Group had a resilient performance despite significant adverse events in the regional and international markets, namely, credit losses on Government of Barbados debt, mark-to-market losses on our international bonds and the devaluation of the Jamaican dollar to the US dollar.

The Sagicor Group net income for the nine months to September 30, 2018 was US $59.0 million, compared to a prior year result of US $85.8 million. Group net income attributable to shareholders was US $31.7 million, compared to a prior year result of US $54.8 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.

On September 7, 2018 the Government of Barbados (GoB) entered into a Staff-Level Agreement with the International Monetary Fund (IMF) to provide financial and technical assistance. As part of the programme, the GoB launched a Debt Exchange Offer for GoB Domestic Barbados dollar debt holders on September 7, 2018. The GoB announced on October 15, 2018 that its Exchange Offer received unanimous support from the domestic creditors. A restructuring plan has not yet been announced for the External US dollar denominated debt. The Sagicor Group holds approximately US $337 million in GoB debt, of which US $278 million is Domestic Barbados-dollar denominated debt. The Sagicor Group has determined the net impact of the credit events on GoB debt to shareholders at approximately US $43 million, as at September 30, 2018 (gross expected credit loss of US $101 million less actuarial offset).

Total revenue for the Group was US $1,068.7 million, compared to a prior year amount of US $910.9 million, an increase of 17%. The growth in revenue was mainly due to the growth in premiums in the USA segment, where the gross premiums were US $263.5 million compared to US$ 133.7 million for the same period in the prior year, an increase of 97%.

Benefits were US $537.4 million compared to US $475.1 million for the prior year an increase of 13%. The increase was largely driven by the growth in new business and changes in the interest rate environment.

Expenses were US $443.0 million, compared to US $329.1 million for the same period in the prior year, an increase of 35%. Expenses include the provision for losses on all assets arising from the adoption of IFRS 9, and this result was largely driven by the provision for the Government of Barbados securities.

Group comprehensive income was a loss of US $6.6 million, compared to income of US $108.4 million for the prior year. Shareholder comprehensive income was a loss of US $6.8 million compared to income of US $70.1 million for the prior year. The decline in shareholder comprehensive income was mainly due to marked to market declines on our international bond portfolio, and the impact of the devaluation of the Jamaican dollar relative to the US dollar of US$ 35.1 million, compared to the prior year.

Group assets were US $6.8 billion and Group liabilities were US $5.9 billion. Group equity was US $895.9 million, compared to US $888.6 million for the prior year. Shareholders' equity was US $598.1 million, compared to US $601.0 million for the prior year.

The Group's debt was US $404.4 million with a debt-to-capital ratio of 31.1%, compared to 31.3% for the prior year.

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

Stephen McNamara
Chairman
November 29, 2018

**FINANCIAL HIGHLIGHTS**

| *(in US currency except percentages)* | Nine months ended SEPTEMBER 30 2018 | 2017 restated |
|---|---|---|
| Total revenue | $1,068.7m | $910.9m |
| Overall Group net income | $59.0m | $85.8m |
| Overall Shareholders' net income | $31.7m | $54.8m |
| Net income allocated to non-controlling interests | $35.0m | $32.7m |
| Total equity | $895.9m | $888.6m |
| Book Value per share | $1.96 | $1.98 |
| Ratio of Debt to Capital | 31.1% | 31.3% |
| Earnings per common share | 10.3¢ | 18.0¢ |
| Annualised return on common shareholders' equity | 6.4% | 11.4% |

**SAGICOR FINANCIAL CORPORATION LIMITED**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| Amounts in US $000 | As of September 30, 2018 (unaudited) | As of December 31, 2017 Restated (Note 17) | As of January 1, 2017 Restated (Note 17) |
|---|---|---|---|
| **ASSETS** | | | |
| Investment property | 78,901 | 80,816 | 80,662 |
| Property, plant and equipment | 151,782 | 165,560 | 167,723 |
| Associates and joint ventures | 95,535 | 97,223 | 87,293 |
| Intangible assets | 81,521 | 81,714 | 83,487 |
| Financial investments (note 9) | 5,077,123 | 4,953,241 | 4,813,748 |
| Reinsurance assets | 748,965 | 797,391 | 777,344 |
| Income tax assets | 46,856 | 39,980 | 59,575 |
| Miscellaneous assets and receivables | 162,240 | 228,543 | 183,018 |
| Cash resources | 365,170 | 360,064 | 279,070 |
| Assets of the discontinued operation (note 8) | 13,301 | 10,110 | - |
| **Total assets** | **6,821,394** | **6,814,642** | **6,531,920** |
| | | | |
| **LIABILITIES** | | | |
| Actuarial liabilities | 2,974,560 | 2,944,700 | 2,771,824 |
| Other insurance liabilities | 239,141 | 224,159 | 207,122 |
| Investment contract liabilities (note 10) | 377,192 | 379,018 | 377,576 |
| Total policy liabilities | 3,590,893 | 3,547,877 | 3,356,522 |
| Notes and loans payable (note 11) | 404,353 | 413,805 | 395,213 |
| Deposits and security liabilities (note 12) | 1,632,178 | 1,559,232 | 1,623,325 |
| Provisions | 70,386 | 80,027 | 101,292 |
| Income tax liabilities | 34,165 | 29,502 | 51,078 |
| Accounts payable and accrued liabilities | 193,566 | 246,976 | 204,975 |
| **Total liabilities** | **5,925,541** | **5,877,419** | **5,732,405** |
| | | | |
| **EQUITY** | | | |
| Share capital | 3,059 | 3,059 | 3,029 |
| Share premium | 300,471 | 300,470 | 297,050 |
| Reserves | (87,911) | (47,388) | (64,798) |
| Retained earnings | 382,488 | 368,451 | 301,799 |
| Shareholders' equity | 598,107 | 624,592 | 537,080 |
| Participating accounts | (10,528) | 865 | 1,291 |
| Non-controlling interests in subsidiaries | 308,274 | 311,766 | 261,144 |
| **Total equity** | **895,853** | **937,223** | **799,515** |
| | | | |
| **Total liabilities and equity** | **6,821,394** | **6,814,642** | **6,531,920** |

These financial statements have been approved for issue by the Board of Directors on November 29, 2018.

Director                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 | Nine months to September 30, 2018 (unaudited) | Nine months to September 30, 2017 Restated (Note17) (unaudited) | Three months to September 30, 2018 (unaudited) | Three months to September 30, 2017 Restated (Note 17) (unaudited) |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Premium revenue (note 5) | 789,117 | 673,238 | 327,790 | 255,660 |
| Reinsurance premium expense (note 5) | (69,117) | (114,434) | (17,820) | (37,001) |
| Net premium revenue | 720,000 | 558,804 | 309,970 | 218,659 |
| Net gain/(losses) on derecognition of financial assets measured at amortised cost | 2,747 | - | 651 | - |
| Interest income earned from financial assets measured at amortised cost and FVOCI (note 6) | 215,359 | - | 71,225 | - |
| Interest income earned from financial assets measured at fair value through profit and loss | 10,829 | - | 2,722 | - |
| Net investment income | 30,492 | 281,535 | 17,733 | 105,439 |
| Fees and other revenue | 89,290 | 70,590 | 27,857 | 24,191 |
| Loss arising on disposal | (13) | - | (13) | - |
| **Total revenue** | **1,068,704** | **910,929** | **430,145** | **348,289** |
| | | | | |
| **BENEFITS** | | | | |
| Policy benefits and change in actuarial liabilities (note 7) | 519,647 | 509,509 | 193,840 | 218,238 |
| Policy benefits and change in actuarial liabilities reinsured (note 7) | (19,807) | (76,191) | 33,644 | (35,804) |
| Net policy benefits and change in actuarial liabilities | 499,840 | 433,318 | 227,484 | 182,434 |
| Interest expense | 37,541 | 41,831 | 11,481 | 13,290 |
| **Total benefits** | **537,381** | **475,149** | **238,965** | **195,724** |
| | | | | |
| **EXPENSES** | | | | |
| Administrative expenses | 212,579 | 203,992 | 73,600 | 64,833 |
| Commissions and related compensation | 79,370 | 72,925 | 27,792 | 23,642 |
| Premium and asset taxes | 11,681 | 10,483 | 1,865 | 2,331 |
| Finance costs | 26,412 | 25,848 | 8,928 | 8,767 |
| Credit impairment losses (note 2, 15.2 and 15.3) | 96,010 | - | 38,183 | - |
| Depreciation and amortisation | 16,906 | 15,900 | 5,672 | 5,275 |
| **Total expenses** | **442,958** | **329,148** | **156,040** | **104,848** |
| | | | | |
| **INCOME BEFORE TAXES** | **88,365** | **106,632** | **35,140** | **47,717** |
| Income taxes | (32,591) | (29,027) | (15,396) | (10,235) |
| **NET INCOME FROM CONTINUING OPERATIONS** | **55,774** | **77,605** | **19,744** | **37,482** |

The accompanying note form an integral part of these financial statements

## SAGICOR FINANCIAL CORPORATION LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF INCOME

| Amounts in US $000 | Nine months to September 30, 2018 (unaudited) | Nine months to September 30, 2017 Restated (Note 17) (unaudited) | Three months to September 30, 2018 (unaudited) | Three months to September 30, 2017 Restated (Note 17) (unaudited) |
|---|---|---|---|---|
| Net income / (loss) from continuing operations | **55,774** | **77,605** | **19,744** | **37,482** |
| Net income from discontinued operation (note 8) | 3,191 | 8,225 | (166) | 2,017 |
| **NET INCOME FOR THE PERIOD** | **58,965** | **85,830** | **19,578** | **39,499** |
| **Net income is attributable to:** | | | | |
| Common shareholders: | | | | |
| From continuing operations | 28,541 | 46,536 | 6,998 | 28,554 |
| From discontinued operation (note 8) | 3,191 | 8,225 | (166) | 2,017 |
| | 31,732 | 54,761 | 6,832 | 30,571 |
| Participating policyholders | (7,722) | (1,595) | 588 | (1,121) |
| Non-controlling interests | 34,955 | 32,664 | 12,158 | 10,049 |
| | **58,965** | **85,830** | **19,578** | **39,499** |
| **Basic earnings per common share:** | | | | |
| From continuing operations | 9.3 cents | 15.3 cents | 2.3 cents | 9.4 cents |
| From discontinued operation | 1.0 cents | 2.7 cents | (0.1) cents | 0.7 cents |
| | 10.3 cents | 18.0 cents | 2.2 cents | 10.1 cents |
| **Fully diluted earnings per common share:** | | | | |
| From continuing operations | 9.1 cents | 15.0 cents | 2.2 cents | 9.2 cents |
| From discontinued operation | 1.0 cents | 2.7 cents | (0.1) cents | 0.7 cents |
| | 10.1 cents | 17.7 cents | 2.1 cents | 9.9 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 | Nine months to September 30, 2018 (unaudited) | Nine months to September 30, 2017 Restated (Note 17) (unaudited) | Three months to September 30, 2018 (unaudited) | Three months to September 30, 2017 Restated (Note 17) (unaudited) |
|---|---|---|---|---|
| **NET INCOME FOR THE PERIOD** | **58,965** | **85,830** | **19,578** | **39,499** |
| **OTHER COMPREHENSIVE INCOME:** | | | | |
| **Items net of tax that may be reclassified subsequently to income:** | | | | |
| Available for sale financial assets: | | | | |
| Gains on revaluation | - | 36,670 | - | 14,983 |
| Losses transferred to income | - | 6,052 | - | (1,159) |
| Debt instruments measured at fair value through other comprehensive income: | | | | |
| Losses on revaluation | (57,623) | - | 7,490 | - |
| Losses / (gains) transferred to income | (964) | - | 785 | - |
| Net change in actuarial liabilities | 27,297 | (17,195) | (2,577) | (4,280) |
| Retranslation of foreign currency operations | (34,946) | (5,217) | (17,164) | (3,360) |
| | **(66,236)** | **20,310** | **(11,466)** | **6,184** |
| **Items net of tax that will not be reclassified subsequently to income:** | | | | |
| Gains/(losses) arising on revaluation of owner occupied property | 816 | - | (16) | - |
| Net losses on equity securities designated at fair value through other comprehensive income | (173) | - | (200) | - |
| Gains on defined benefit plans | - | 2,227 | 2,500 | 94 |
| | 643 | 2,227 | 2,284 | 94 |
| **Other comprehensive (loss) / income** | **(65,593)** | **22,537** | **(9,182)** | **6,278** |
| **TOTAL COMPREHENSIVE (LOSS) / INCOME (TCI)** | **(6,628)** | **108,367** | **10,396** | **45,777** |
| TCI attributable to common shareholders: | | | | |
| From continuing operations | (10,035) | 61,913 | 2,941 | 30,283 |
| From discontinued operation | 3,191 | 8,225 | (166) | 2,017 |
| | (6,844) | 70,138 | 2,775 | 32,300 |
| TCI attributable to participating policyholders | (8,307) | (492) | 754 | (328) |
| TCI attributable to non-controlling interests | 8,523 | 38,721 | 6,867 | 13,805 |
| | **(6,628)** | **108,367** | **10,396** | **45,777** |

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) |
|---|---|---|---|---|---|
| **Nine months to September 30, 2018** | | | | | |
| Balance as of December 31, 2017 | 3,059 | 300,470 | (47,482) | 367,327 | 623,374 |
| Adjustment - actuarial liabilities (note 17) | - | - | 94 | 1,124 | 1,218 |
| Balance as of December 31, 2017 restated | 3,059 | 300,470 | (47,388) | 368,451 | 624,592 |
| Transition adjustment - IFRS 9 (note 17) | - | - | (217) | (10,442) | (10,659) |
| Balance as of January 1, 2018 | 3,059 | 300,470 | (47,605) | 358,009 | 613,933 |
| Total comprehensive income: | | | | | |
| From continuing operations | - | - | (38,576) | 28,541 | (10,035) |
| From discontinued operation | - | - | - | 3,191 | 3,191 |
| Transactions with holders of equity instruments: | | | | | |
| Movements in treasury shares | - | 1 | - | - | 1 |
| Changes in reserve for equity compensation benefits | - | - | (750) | - | (750) |
| Disposal of interest in subsidiaries | - | - | (935) | 935 | - |
| Dividends declared | - | - | - | (7,648) | (7,648) |
| Transfers and other movements | - | - | (45) | (540) | (585) |
| Balance as of September 30, 2018 | **3,059** | **300,471** | **(87,911)** | **382,488** | **598,107** |

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) |
|---|---|---|---|---|
| **Nine months to September 30, 2018** | | | | |
| Balance as of December 31, 2017 | 623,374 | 865 | 308,089 | 932,328 |
| Adjustment - actuarial liabilities (note 17) | 1,218 | - | 3,677 | 4,895 |
| Balance as of December 31, 2017 restated | 624,592 | 865 | 311,766 | 937,223 |
| Transition adjustment - IFRS 9 (note 17) | (10,659) | (2,930) | (2,352) | (15,941) |
| Balance as of January 1, 2018 | 613,933 | (2,065) | 309,414 | 921,282 |
| Total comprehensive income: | | | | |
| From continuing operations | (10,035) | (8,307) | 8,523 | (9,819) |
| From discontinued operation | 3,191 | - | - | 3,191 |
| Transactions with holders of equity instruments: | | | | |
| Movements in treasury shares | 1 | - | - | 1 |
| Changes in reserve for equity compensation benefits | (750) | - | - | (750) |
| Disposal of interest in subsidiaries | - | - | (2,221) | (2,221) |
| Dividends declared | (7,648) | - | (10,237) | (17,885) |
| Transfers and other movements | (585) | (156) | 2,795 | 2,054 |
| Balance as of September 30, 2018 | **598,107** | **(10,528)** | **308,274** | **895,853** |

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) |
|---|---|---|---|---|---|
| **Nine months to September 30, 2017 restated** | | | | | |
| Balance as of December 31, 2016 | 3,029 | 297,050 | (64,795) | 300,865 | 536,149 |
| Adjustment - actuarial liabilities (note 17) | - | - | (3) | 934 | 931 |
| Balance as of January 1, 2017 restated | 3,029 | 297,050 | (64,798) | 301,799 | 537,080 |
| Total comprehensive income: | | | | | |
| From continuing operations | - | - | 13,173 | 48,740 | 61,913 |
| From discontinued operation | - | - | - | 8,225 | 8,225 |
| Transactions with holders of equity instruments: | | | | | |
| Allotment of common shares | 21 | 2,021 | - | - | 2,042 |
| Movements in treasury shares | 6 | 834 | - | - | 840 |
| Changes in reserve for equity compensation benefits | - | - | (45) | - | (45) |
| Dividends declared | - | - | - | (7,575) | (7,575) |
| Transfers and other movements | - | - | 1,226 | (2,702) | (1,476) |
| Balance as of September 30, 2017 | **3,056** | **299,905** | **(50,444)** | **348,487** | **601,004** |

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) |
|---|---|---|---|---|
| **Nine months to September 30, 2017 restated** | | | | |
| Balance as of December 31, 2016 | 536,149 | 1,291 | 257,974 | 795,414 |
| Adjustment - actuarial liabilities (note 17) | 931 | - | 3,170 | 4,101 |
| Balance as of January 1, 2017 restated | 537,080 | 1,291 | 261,144 | 799,515 |
| Total comprehensive income: | | | | |
| From continuing operations | 61,913 | (492) | 38,721 | 100,142 |
| From discontinued operation | 8,225 | - | - | 8,225 |
| Transactions with holders of equity instruments: | | | | |
| Allotment of common shares | 2,042 | - | - | 2,042 |
| Movements in treasury shares | 840 | - | - | 840 |
| Changes in reserve for equity compensation benefits | (45) | - | - | (45) |
| Dividends declared | (7,575) | - | (10,840) | (18,415) |
| Transfers and other movements | (1,476) | (162) | (2,031) | (3,669) |
| Balance as of September 30, 2017 | **601,004** | 637 | 286,994 | 888,635 |

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 | Nine months to September 30, 2018 (unaudited) | Nine months to September 30, 2017 Restated |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Income before taxes | 88,365 | 106,632 |
| Adjustments for non-cash items, interest and dividends (note 16) | (90) | (118,813) |
| Interest and dividends received | 229,450 | 225,546 |
| Interest paid | (60,108) | (77,091) |
| Income taxes paid | (23,446) | (35,315) |
| Net change in investments and operating assets (note 16) | (304,492) | (92,573) |
| Net change in operating liabilities (note 16) | 156,746 | 68,944 |
| **Net cash flows - operating activities** | 86,425 | 77,330 |
| **INVESTING ACTIVITIES** | | |
| Property, plant and equipment, net (note 16) | (7,748) | (9,907) |
| Associates and joint ventures | (146) | (6,894) |
| Intangible assets, net | (2,817) | (4,518) |
| Acquisition of subsidiaries, net of cash and cash equivalents | (2,697) | - |
| Sale of subsidiaries | (14,109) | - |
| **Net cash flows - investing activities** | (27,517) | (21,319) |
| **FINANCING ACTIVITIES** | | |
| Redemption of preference share | (1) | - |
| Shares issued to / (purchased from) non-controlling interest | 2,056 | (3,564) |
| Notes and loans payable, net (note 16) | (6,386) | 15,316 |
| Dividends received from associates and joint ventures | 440 | 2,439 |
| Dividends paid to common shareholders | (7,491) | (7,444) |
| Dividends paid to non-controlling interest | (10,237) | (10,840) |
| **Net cash flows - financing activities** | (21,619) | (4,093) |
| **Effect of exchange rate changes** | (8,490) | (1,317) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS** | 28,799 | 50,601 |
| Cash and cash equivalents, beginning of period | 338,349 | 308,109 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD (note 16)** | 367,148 | 358,710 |

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 statements 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.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at fair value through profit and loss.

*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 which may contain 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 (SICR) an 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.

## 2. ACCOUNTING POLICIES

### 2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(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.

(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.

## 2. ACCOUNTING POLICIES

### 2.1 Adoption of IFRS 9 - Financial Instruments (continued)

*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.

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 ‘downside 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.

## 2. ACCOUNTING POLICIES

### 2.1 Adoption of IFRS 9 - Financial Instruments (continued)

*Forward looking information (continued)*

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.

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 September 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% |
| Sagicor Life USA | 80% | 10% | 10% |
| Refer to note 15.4 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.

## 2 ACCOUNTING POLICIES

### 2.1 Adoption of IFRS 9 - Financial Instruments (continued)

(j) Classification of financial liabilities (continued)

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).

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, 15 and 17.

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 modifies the contractual cash flows of loans to customers and debt instruments. 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 recalculates 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.

The impact of this change in policy is summarized in note 17.

### 2.4 Exchange rates

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

| | Closing rates as of September 30, 2018 | Closing rates as of December 31, 2017 | Average rates for the Nine months to September 30, 2018 | Average rates for the Nine months to September 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 | 134.5434 | 124.5754 | 128.1390 | 128.3496 |
| Trinidad & Tobago dollar | 6.7522 | 6.7628 | 6.7442 | 6.7426 |
| Pound sterling | 0.76680 | 0.74020 | 0.73872 | 0.78466 |

## 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) Establishing staging for debt securities and deposits

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:

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

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 and 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 and 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 15.4, as at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 the Company signed an agreement with the Government of Barbados which outlined the terms of the debt exchange.

## 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 4.5.

## 4. SEGMENTS (continued)

### 4.1 Statement of income from continuing operations by reportable operating segment

| Amounts in US $000<br>**Nine months to September 30, 2018** | **Sagicor Life** | **Sagicor Jamaica** | **Sagicor Life USA** | **Head office and other** | **Adjust-ments** | **Total** |
|---|---|---|---|---|---|---|
| Net premium revenue | 230,768 | 224,397 | 238,525 | 26,310 | - | 720,000 |
| Net gain/(losses) on derecognition of financials assets measured at amortised cost | - | 2,747 | - | - | - | 2,747 |
| Interest income | 59,368 | 119,793 | 41,170 | 5,857 | - | 226,188 |
| Other investment income | 3,633 | 19,747 | 7,046 | 729 | (663) | 30,492 |
| Fees and other revenue | 12,756 | 71,000 | (8,482) | 13,868 | 148 | 89,290 |
| Gain/Loss arising on disposal | 458 | - | - | (471) | - | (13) |
| Inter-segment revenues | 11,349 | - | - | 39,045 | (50,394) | - |
| Total revenue | **318,332** | **437,684** | **278,259** | **85,338** | **(50,909)** | **1,068,704** |
| Net policy benefits | 157,940 | 148,105 | 78,805 | 12,897 | - | 397,747 |
| Net change in actuarial liabilities | (52,103) | 18,350 | 135,846 | - | - | 102,093 |
| Interest expense | 6,855 | 25,322 | 3,448 | 1,916 | - | 37,541 |
| Administrative expenses | 51,116 | 98,377 | 24,632 | 35,288 | 3,166 | 212,579 |
| Commissions and premium and asset taxes | 31,137 | 34,832 | 17,998 | 7,084 | - | 91,051 |
| Finance costs | - | 943 | 139 | 26 | 25,304 | 26,412 |
| Credit impairment losses | 82,701 | 10,706 | (33) | 2,636 | - | 96,010 |
| Depreciation and amortisation | 4,814 | 7,415 | 2,136 | 2,541 | - | 16,906 |
| Inter-segment expenses | 1,893 (1) | 1,415 | 478 (1) | 10,908 | (14,694) | - |
| Total benefits and expenses | **284,353** | **345,465** | **263,449** | **73,296** | **13,776** | **980,339** |
| Segment income before taxes | **33,979** | **92,219** | **14,810** | **12,042** | **(64,685)** | **88,365** |
| Income taxes | (7,584) | (21,297) | (3,111) | (797) | 198 | (32,591) |
| **Net income - continuing operations** | **26,395** | **70,922** | **11,699** | **11,245** | **(64,487)** | **55,774** |
| Net income / (loss) attributable to shareholders from continuing operations | 34,117 | 34,833 | 11,699 | (12,925) | (39,183) | **28,541** |
| Total comprehensive income / (loss) attributable to shareholders from continuing operations | 29,990 | 8,564 | 2,745 | (13,640) | (37,694) | (10,035) |

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $1,148 relating to this transaction.

**4. SEGMENTS (continued)**

### 4.1 Statement of income from continuing operations by reportable operating segment

| Amounts in US $000<br>**Three months to September 30, 2018** | **Sagicor Life** | **Sagicor Jamaica** | **Sagicor Life USA** | **Head office and other** | **Adjust-ments** | **Total** |
|---|---|---|---|---|---|---|
| Net premium revenue | 77,080 | 77,432 | 146,448 | 9,010 | - | 309,970 |
| Net gain/(losses) on derecognition of financials assets measured at amortised cost | - | 651 | - | - | - | 651 |
| Interest income | 19,560 | 38,382 | 14,257 | 1,748 | - | 73,947 |
| Other investment income | 631 | 10,527 | 5,797 | 612 | 166 | 17,733 |
| Fees and other revenue | 1,723 | 25,311 | (3,457) | 3,979 | 301 | 27,857 |
| Gain/Loss arising on disposal | 458 | - | - | (471) | - | (13) |
| Inter-segment revenues | 3,875 | - | - | 866 | (4,741) | - |
| Total revenue | **103,327** | **152,303** | **163,045** | **15,744** | **(4,274)** | **430,145** |
| Net policy benefits | 57,245 | 46,977 | 29,787 | 4,704 | - | 138,713 |
| Net change in actuarial liabilities | (23,105) | 15,838 | 96,038 | - | - | 88,771 |
| Interest expense | 1,511 | 7,943 | 1,519 | 508 | - | 11,481 |
| Administrative expenses | 17,271 | 31,674 | 9,639 | 12,749 | 2,267 | 73,600 |
| Commissions and premium and asset taxes | 10,099 | 8,866 | 8,636 | 2,056 | - | 29,657 |
| Finance costs | - | 284 | 42 | 99 | 8,503 | 8,928 |
| Credit impairment losses | 34,652 | 2,788 | 253 | 490 | - | 38,183 |
| Depreciation and amortisation | 1,720 | 2,465 | 750 | 737 | - | 5,672 |
| Inter-segment expenses | (178) [(1)] | 508 | 1,048 [(1)] | 3,611 | (4,989) | - |
| Total benefits and expenses | **99,215** | **117,343** | **147,712** | **24,954** | **5,781** | **395,005** |
| Segment income before taxes | **4,112** | **34,960** | **15,333** | **(9,210)** | **(10,055)** | **35,140** |
| Income taxes | (2,446) | (9,280) | (3,221) | (380) | (69) | (15,396) |
| **Net income - continuing operations** | **1,666** | **25,680** | **12,112** | **(9,590)** | **(10,124)** | **19,744** |
| Net income / (loss) attributable to shareholders from continuing operations | 1,078 | 12,616 | 12,112 | (17,187) | (1,621) | 6,998 |
| Total comprehensive income / (loss) attributable to shareholders from continuing operations | (567) | 7,053 | 12,297 | (17,116) | 1,274 | 2,941 |

[(1)] During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $429 in income relating to this transaction.

## 4. SEGMENTS (continued)

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

| Amounts in US $000<br>**Nine months to September 30, 2017 restated** | **Sagicor Life** | **Sagicor Jamaica** | **Sagicor Life USA** | **Head office and other** | **Adjust-ments** | **Total** |
|---|---|---|---|---|---|---|
| Net premium revenue | 223,310 | 247,883 | 64,440 | 23,171 | - | 558,804 |
| Interest income | 58,790 | 118,970 | 36,647 | 6,655 | - | 221,062 |
| Other investment income | 6,202 | 36,952 | 17,033 | 394 | (108) | 60,473 |
| Fees and other revenue | 8,314 | 48,613 | (1,420) | 15,164 | (81) | 70,590 |
| Inter-segment revenues | 9,622 | - | - | 48,190 | (57,812) | - |
| Total revenue | **306,238** | **452,418** | **116,700** | **93,574** | **(58,001)** | **910,929** |
| Net policy benefits | 148,992 | 127,849 | 66,417 | 20,849 | - | 364,107 |
| Net change in actuarial liabilities | (312) | 67,530 | 1,993 | - | - | 69,211 |
| Interest expense | 9,293 | 28,593 | 1,575 | 2,370 | - | 41,831 |
| Administrative expenses | 50,739 | 100,082 | 22,185 | 30,210 | 776 | 203,992 |
| Commissions and premium and asset taxes | 32,562 | 32,400 | 11,992 | 6,454 | - | 83,408 |
| Finance costs | - | 759 | 28 | (188) | 25,249 | 25,848 |
| Depreciation and amortisation | 4,881 | 6,802 | 1,213 | 3,004 | - | 15,900 |
| Inter-segment expenses | 3,752 (1) | 785 | (1,826) (1) | 9,426 | (12,137) | - |
| Total benefits and expenses | **249,907** | **364,800** | **103,577** | **72,125** | **13,888** | **804,297** |
| Segment income before taxes | **56,331** | **87,618** | **13,123** | **21,449** | **(71,889)** | **106,632** |
| Income taxes | (7,318) | (16,569) | (4,592) | (548) | - | (29,027) |
| **Net income - continuing operations** | **49,013** | **71,049** | **8,531** | **20,901** | **(71,889)** | **77,605** |
| Net income / (loss) attributable to shareholders from continuing operations | 50,608 | 34,898 | 8,531 | (861) | (46,640) | **46,536** |
| Total comprehensive income / (loss) attributable to shareholders from continuing operations | 53,415 | 40,456 | 14,420 | (575) | (45,803) | **61,913** |

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $3,044 relating to this transaction.

**4. SEGMENTS (continued)**

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

| Amounts in US $000<br>**Three months to September 30, 2017 restated** | **Sagicor Life** | **Sagicor Jamaica** | **Sagicor Life USA** | **Head office and other** | **Adjust-ments** | **Total** |
|---|---|---|---|---|---|---|
| Net premium revenue | 75,895 | 112,267 | 23,217 | 7,280 | - | 218,659 |
| Interest income | 19,992 | 40,285 | 12,580 | 2,267 | - | 75,124 |
| Other investment income | 299 | 23,916 | 6,129 | 6 | (35) | 30,315 |
| Fees and other revenue | 1,852 | 17,699 | (760) | 5,416 | (16) | 24,191 |
| Inter-segment revenues | 3,252 | - | - | 722 | (3,974) | - |
| Total revenue | **101,290** | **194,167** | **41,166** | **15,691** | **(4,025)** | **348,289** |
| Net policy benefits | 49,379 | 45,746 | 20,609 | 12,060 | - | 127,794 |
| Net change in actuarial liabilities | (13,308) | 64,106 | 3,842 | - | - | 54,640 |
| Interest expense | 2,748 | 9,136 | 652 | 754 | - | 13,290 |
| Administrative expenses | 17,413 | 30,272 | 7,460 | 9,421 | 267 | 64,833 |
| Commissions and premium and asset taxes | 10,730 | 9,088 | 4,180 | 1,975 | - | 25,973 |
| Finance costs | - | 327 | 8 | (63) | 8,495 | 8,767 |
| Depreciation and amortisation | 1,587 | 2,332 | 397 | 959 | - | 5,275 |
| Inter-segment expenses | 1,158 (1) | 269 | (473) (1) | 3,169 | (4,123) | - |
| Total benefits and expenses | **69,707** | **161,276** | **36,675** | **28,275** | **4,639** | **300,572** |
| Segment income before taxes | **31,583** | **32,891** | **4,491** | **(12,584)** | **(8,664)** | **47,717** |
| Income taxes | (2,429) | (5,898) | (1,570) | (338) | - | (10,235) |
| **Net income - continuing operations** | **29,154** | **26,993** | **2,921** | **(12,922)** | **(8,664)** | **37,482** |
| Net income / (loss) attributable to shareholders from continuing operations | 30,275 | 13,261 | 2,921 | (17,734) | (169) | **28,544** |
| Total comprehensive income / (loss) attributable to shareholders from continuing operations | 27,266 | 16,671 | 3,616 | (17,413) | 143 | **30,283** |

(1) During 2015, Sagicor Life USA entered into a reinsurance agreement with Sagicor Life; included in the inter-segment expenses is $913 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 |
|---|---|---|---|---|---|---|
| **September 30, 2018** | | | | | | |
| Financial investments | 1,340,757 | 2,291,013 | 1,363,392 | 81,961 | - | 5,077,123 |
| Other external assets | 337,967 | 478,006 | 805,475 | 172,701 | (63,179) | 1,730,970 |
| Assets of discontinued operation | - | - | - | 13,301 | - | 13,301 |
| Inter-segment assets | 255,517 | 13,732 | 15,145 | 68,281 | (352,675) | - |
| Total assets | 1,934,241 | 2,782,751 | 2,184,012 | 336,244 | (415,854) | 6,821,394 |
| Policy liabilities | 1,300,028 | 734,228 | 1,547,277 | 72,539 | (63,179) | 3,590,893 |
| Other external liabilities | 75,364 | 1,478,986 | 324,889 | 455,409 | - | 2,334,648 |
| Inter-segment liabilities | 31,679 | 5,928 | 70,086 | 244,982 | (352,675) | - |
| Total liabilities | 1,407,071 | 2,219,142 | 1,942,252 | 773,930 | (415,854) | 5,925,541 |
| **Net assets** | **527,170** | **563,609** | **241,760** | **(436,686)** | **-** | **895,853** |

| Amounts in US $000 | Sagicor Life | Sagicor Jamaica | Sagicor Life USA | Head office and other | Adjust-ments | Total |
|---|---|---|---|---|---|---|
| **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 | 1,498,250 | 66,612 | (70,990) | 3,547,877 |
| Other external liabilities | 89,643 | 1,507,289 | 194,216 | 538,394 | - | 2,329,542 |
| Inter-segment liabilities | 27,285 | 4,098 | 51,587 | 209,750 | (292,720) | - |
| Total liabilities | 1,413,453 | 2,268,867 | 1,744,053 | 814,756 | (363,710) | 5,877,419 |
| **Net assets** | **539,367** | **567,342** | **238,346** | **(407,832)** | **-** | **937,223** |

## 4. SEGMENTS (continued)

### 4.3 Revenues by products and services

| Amounts in US $000 | Nine months to September 30, 2018 | Nine months to September 30, 2017 | Three months to September 30, 2018 | Three months to September 30, 2017 |
|---|---|---|---|---|
| Life, health and annuity insurance contracts issued to individuals | 674,587 | 493,801 | 299,460 | 174,629 |
| Life, health and annuity insurance and pension administration contracts issued to groups | 210,171 | 243,752 | 70,608 | 113,187 |
| Property and casualty insurance | 34,693 | 30,492 | 11,198 | 9,751 |
| Banking, investment management and other financial services | 127,162 | 121,495 | 41,833 | 41,693 |
| Farming and unallocated revenues | 22,091 | 21,389 | 7,046 | 9,029 |
| **Total revenue** | **1,068,704** | **910,929** | **430,145** | **348,289** |

### 4.4 Revenues by geographical area

| Amounts in US $000 | Nine months to September 30, 2018 | Nine months to September 30, 2017 | Three months to September 30, 2018 | Three months to September 30, 2017 |
|---|---|---|---|---|
| Barbados | 135,048 | 125,096 | 43,335 | 39,725 |
| Jamaica | 415,532 | 427,975 | 142,944 | 185,780 |
| Trinidad and Tobago | 122,845 | 122,809 | 39,452 | 41,001 |
| Other Caribbean | 117,657 | 118,455 | 41,201 | 40,651 |
| USA | 277,622 | 116,594 | 163,213 | 41,132 |
| **Total revenue** | **1,068,704** | **910,929** | **430,145** | **348,289** |

### 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.

**4. SEGMENTS (continued)**

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

| Amounts in US $000 | Sagicor Life | Sagicor Jamaica | Sagicor Life USA | Head office and other | Adjust-ments | Total |
|---|---|---|---|---|---|---|
| **Nine months to September 30, 2018** | | | | | | |
| Revenue from contracts with customers: | | | | | | |
| Products transferred at a point in time | - | 26,493 | 175 | (7) | - | 26,661 |
| Products and services transferred over time | 5,748 | 24,474 | - | - | - | 30,222 |
| Total included in fees and other revenue | 5,748 | 50,967 | 175 | (7) | - | 56,883 |
| **Three months to September 30, 2018** | | | | | | |
| Revenue from contracts with customers: | | | | | | |
| Products transferred at a point in time | - | 7,487 | 59 | (7) | - | 7,539 |
| Products and services transferred over time | 1,993 | 8,380 | - | 14 | - | 10,387 |
| Total included in fees and other revenue | 1,993 | 15,867 | 59 | 7 | - | 17,926 |

## 5. PREMIUM REVENUE

| Amounts in US $000 | Gross premium | | Ceded to reinsurers | |
|---|---|---|---|---|
| **Nine months to September 30,** | **2018** | **2017** | **2018** | **2017** |
| Life insurance | 325,608 | 311,063 | 23,501 | 22,400 |
| Annuity | 285,034 | 196,470 | 15,824 | 60,096 |
| Health insurance | 125,702 | 115,217 | 3,350 | 3,411 |
| Property and casualty insurance | 52,773 | 50,488 | 26,442 | 28,527 |
| Total premium revenue | **789,117** | **673,238** | **69,117** | **114,434** |

| Amounts in US $000 | Gross premium | | Ceded to reinsurers | |
|---|---|---|---|---|
| **Three months to September 30,** | **2018** | **2017** | **2018** | **2017** |
| Life insurance | 107,710 | 106,241 | 7,789 | 7,186 |
| Annuity | 159,820 | 93,800 | 63 | 18,930 |
| Health insurance | 42,108 | 38,741 | 821 | 1,058 |
| Property and casualty insurance | 18,152 | 16,878 | 9,147 | 9,827 |
| Total premium revenue | **327,790** | **255,660** | **17,820** | **37,001** |

## 6. NET INVESTMENT INCOME

| Amounts in US $000 | Nine months to September 30, 2018 | | | Nine months to September 30, 2017 |
|---|---|---|---|---|
| | **Amortised cost assets** | **FVOCI assets** | **Total** | |
| **Investment income** | | | | |
| Interest income: | | | | |
| Debt securities | 61,163 | 84,202 | 145,365 | |
| Mortgage loans | 13,065 | - | 13,065 | |
| Policy loans | 7,457 | - | 7,457 | |
| Finance loans and finance leases | 46,531 | - | 46,531 | |
| Securities purchased for re-sale | 1,040 | - | 1,040 | |
| Deposits | 1,901 | - | 1,901 | |
| | 131,157 | 84,202 | 215,359 | |
| Interest income from FVTPL investments | | | 10,829 | |
| Total interest income (IAS 39 basis) | | | - | 221,062 |
| Dividend income | | | 1,549 | 2,789 |
| Net gain/(losses) on derecognition of financial assets measured at amortised cost | | | 2,747 | - |
| Net investment gains | | | 27,538 | 49,485 |
| Share of operating income of associates and joint venture | | | 1,499 | 8,501 |
| Other investment income | | | 3,041 | 3,183 |
| | | | 262,562 | 285,020 |
| **Investment expenses** | | | | |
| Allowances for impairment losses (IAS 39 basis) | | | - | 1,082 |
| Direct operating expenses of investment property | | | 1,567 | 1,445 |
| Other direct investment expenses | | | 1,568 | 958 |
| | | | 3,135 | 3,485 |
| **Net investment income** | | | **259,427** | **281,535** |

## 6. NET INVESTMENT INCOME

| Amounts in US $000 | Three months to September 30, 2018 | | | Three months to September 30, 2017 |
|---|---|---|---|---|
| | Amortised cost assets | FVOCI assets | Total | |
| **Investment income** | | | | |
| Interest income: | | | | |
| Debt securities | 20,726 | 28,425 | 49,151 | |
| Mortgage loans | 4,258 | - | 4,258 | |
| Policy loans | 2,505 | - | 2,505 | |
| Finance loans and finance leases | 14,434 | - | 14,434 | |
| Securities purchased for re-sale | 323 | - | 323 | |
| Deposits | 554 | - | 554 | |
| | 42,800 | 28,425 | 71,225 | |
| Interest income from FVTPL investments | | | 2,722 | |
| Total interest income (IAS 39 basis) | | | - | 75,124 |
| Dividend income | | | 274 | 1,424 |
| Net gain/(losses) on derecognition of financial assets measured at amortised cost | | | 651 | - |
| Net investment gains | | | 20,326 | 24,420 |
| Share of operating (loss) / income of associates and joint venture | | | (2,135) | 4,601 |
| Other investment income | | | 925 | 1,120 |
| | | | 93,988 | 106,689 |
| **Investment expenses** | | | | |
| Allowances for impairment losses (IAS 39 basis) | | | - | 564 |
| Direct operating expenses of investment property | | | 625 | 490 |
| Other direct investment expenses | | | 1,032 | 196 |
| | | | 1,657 | 1,250 |
| **Net investment income** | | | **92,331** | **105,439** |

## 7. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

| Amounts in US $000 | Gross benefit | | Ceded to reinsurers | |
|---|---|---|---|---|
| **Nine months to September 30,** | **2018** | **2017 restated** | **2018** | **2017 restated** |
| Life insurance benefits | 180,121 | 172,176 | 13,841 | 7,927 |
| Annuity benefits | 176,985 | 139,515 | 52,812 | 45,357 |
| Health insurance benefits | 96,811 | 89,463 | 2,656 | 4,066 |
| Property and casualty claims | 19,188 | 24,570 | 6,049 | 4,267 |
| Total policy benefits | 473,105 | 425,724 | 75,358 | 61,617 |
| Change in actuarial liabilities | 46,542 | 83,785 | (55,551) | 14,574 |
| Total policy benefits and change in actuarial liabilities | **519,647** | **509,509** | **19,807** | **76,191** |

| Amounts in US $000 | Gross benefit | | Ceded to reinsurers | |
|---|---|---|---|---|
| **Three months to September 30,** | **2018** | **2017 restated** | **2018** | **2017 restated** |
| Life insurance benefits | 64,422 | 60,969 | 3,881 | 2,664 |
| Annuity benefits | 64,096 | 42,629 | 19,462 | 15,243 |
| Health insurance benefits | 31,495 | 31,690 | 2,724 | 1,707 |
| Property and casualty claims | 5,630 | 14,256 | 863 | 2,136 |
| Total policy benefits | 165,643 | 149,544 | 26,930 | 21,750 |
| Change in actuarial liabilities | 28,197 | 68,694 | (60,574) | 14,054 |
| Total policy benefits and change in actuarial liabilities | **193,840** | **218,238** | **(33,644)** | **35,804** |

## 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 | - |
| Payment made | - |
| Experience gain for the twelve months ended December 31, 2017 [(1)] | (10,110) |
| Net currency movements to December 31, 2016 | - |
| Estimated amount receivable December 31, 2017 | (10,110) |
| Experience gain for the nine months ended September 30, 2018 | (3,586) |
| Net currency movements to September 30, 2018 | 395 |
| Estimated amount receivable September 30, 2018 | (13,301) |

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 nine months to September 30, 2017 has been restated to record a gain of $8,225, of which $4,285 was allocated to the three months ended March 31, 2017, $1,923 was allocated to the three months ended June 30, 2017 and $2,017 was allocated to the three months ended September 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 |
| **Total financial investments at amortised cost** | | | | 2,186,670 |

**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 |
| **Total Miscellaneous assets and receivables** | | | | 493,183 |

| 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) | | |
| 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 | September 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 | 2,451,193 | 2,451,193 | 2,266,275 | 2,266,275 |
| Equity securities | 364 | 364 | 86,862 | 86,862 |
| | 2,451,557 | 2,451,557 | 2,353,137 | 2,353,137 |
| **Investments at FVTPL (fair value through income):** | | | | |
| Debt securities | 177,197 | 177,197 | 180,484 | 180,484 |
| Equity securities | 252,778 | 252,778 | 158,621 | 158,621 |
| Derivative financial instruments | 27,015 | 27,015 | 32,477 | 32,477 |
| Mortgage loans | 30,637 | 30,637 | 45,447 | 45,447 |
| | 487,627 | 487,627 | 417,029 | 417,029 |
| **Investments at amortised cost (loans and receivables):** | | | | |
| Debt securities | 1,050,173 | 1,184,383 | 1,051,683 | 1,155,331 |
| Mortgage loans | 292,392 | 291,604 | 296,939 | 296,867 |
| Policy loans | 145,035 | 150,884 | 142,132 | 149,995 |
| Finance loans and finance leases | 517,276 | 506,895 | 564,399 | 551,922 |
| Securities purchased for re-sale | 30,166 | 30,166 | 16,518 | 16,518 |
| Deposits | 102,897 | 102,897 | 111,404 | 111,404 |
| | 2,137,939 | 2,266,829 | 2,183,075 | 2,282,037 |
| **Total financial investments** | **5,077,123** | **5,206,013** | **4,953,241** | **5,052,203** |
| **Non-derivative financial assets at fair value through profit or loss:** | | | | |
| Designated at fair value upon recognition | 452,725 | 452,725 | 375,917 | 375,917 |
| Assets held for trading | 7,887 | 7,887 | 8,635 | 8,635 |
| | **460,612** | **460,612** | **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 | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | IFRS 9 basis | | IAS 39 basis | |
| | Carrying value | Fair Value | Carrying value | Fair value |
| **Liabilities at amortised cost:** | | | | |
| Deposit administration liabilities | 112,431 | 112,431 | 121,483 | 121,483 |
| Other investment contracts | 120,023 | 120,023 | 117,782 | 119,915 |
| | 232,454 | 232,454 | 239,265 | 241,398 |
| **Liabilities at FVTPL (fair value through income):** | | | | |
| Unit linked deposit administration liabilities | 144,738 | 144,738 | 139,753 | 139,753 |
| **Total investment contract liabilities** | **377,192** | **377,192** | **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 | September 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | IFRS 9 basis | | IAS 39 basis | |
| | Carrying value | Fair value | Carrying value | Fair Value |
| **Liabilities at amortised cost:** | | | | |
| 8.875% senior notes due 2022 | 311,194 | 329,871 | 317,028 | 364,131 |
| 8.25% convertible redeemable preference shares due 2020 | 10,509 | 10,584 | 11,310 | 11,887 |
| 7.75% convertible redeemable preference share due 2018 | - | - | 5,181 | 5,433 |
| 4.85% notes due 2019 | 75,918 | 74,572 | 74,929 | 76,199 |
| Finance lease payable | 6,732 | 6,732 | 5,357 | 5,357 |
| **Total notes and loans payable** | **404,353** | **421,759** | **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 | September 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 | 381,273 | 385,524 | 279,874 | 284,980 |
| Customer deposits | 704,996 | 707,247 | 750,948 | 749,834 |
| Securities sold for re-purchase (Note 17 – SGJ) | 480,110 | 480,110 | 476,034 | 473,771 |
| Bank overdrafts | 783 | 783 | 2,568 | 2,568 |
| | 1,567,162 | 1,573,664 | 1,509,424 | 1,511,153 |
| **Liabilities at FVTPL (fair value through income):** | | | | |
| Structured products | 63,779 | 63,779 | 47,576 | 47,576 |
| Derivative financial instruments | 1,237 | 1,237 | 2,232 | 2,232 |
| | 65,016 | 65,016 | 49,808 | 49,808 |
| **Total deposit and security liabilities** | **1,632,178** | **1,638,680** | **1,559,232** | **1,560,961** |

## 13. SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES

### 13.1 Acquisition

On September 1, 2018 the Sagicor Group acquired 100% of the shareholding of Harmony General Insurance Company Ltd. Harmony General, was a locally owned property and casualty insurance company which operated only in the Barbadian market. The net assets acquired are as follows:

| | Fair Value | Acquiree's carrying value |
|---|---|---|
| **Net assets acquired:** | | |
| Property, plant and equipment | 16 | 16 |
| Intangible assets | 1,732 | - |
| Financial investments | 4,377 | 4,377 |
| Reinsurance assets | 1,720 | 1,720 |
| Income tax assets | 34 | 34 |
| Miscellaneous assets and receivables | 2,584 | 2,584 |
| Cash resources | 2,051 | 2,051 |
| Other insurance liabilities | (8,543) | (8,543) |
| Provisions | (117) | (117) |
| Income tax liabilities | 150 | 150 |
| Accounts payable and accrued liabilities | (650) | (650) |
| Total net assets | 3,354 | 1,622 |
| Share of net assets acquired | 3,354 | |
| Purchase consideration and related costs | 4,750 | |
| Goodwill arising on acquisition | 1,396 | |

| | Total Revenue | Net Income/(Loss) |
|---|---|---|
| **Details of acquiree's net income and total revenue:** | | |
| For the period ended September 30, 2018 | 5,272 | (5,824) |
| Consolidated from acquisition date to September 30, 2018 | 426 | 30 |

The acquisition has been recorded using provisional values which could be subject to adjustment within the time frame permitted by International Financial Reporting Standards.

## 13. SUBSIDIARY ACQUISITION AND OWNERSHIP CHANGES (continued)

### 13.2 Disposal

On September 4, 2018 the Sagicor Group divested its holdings in Globe Finance Inc. The Sagicor Group effectively owned 51% of the company.

The financial performance for the nine months ended September 2018 and September 2017 were as follows:

| | Nine months to September 2018 | Nine months to September 2017 |
|---|---|---|
| Total net income from Globe Finance Inc | (2,953) | 117 |
| Income attributable to shareholders | (1,772) | 70 |

Details of the sale of Globe Finance Inc.

| | Nine months to September 2018 |
|---|---|
| Consideration received or receivable: | |
| Net sales price | 5,538 |
| Carrying amount of net assets sold | 5,551 |
| Loss on sale | (13) |

The carrying amount of assets and liabilities at the date of sale were:

| | August 2018 |
|---|---|
| **ASSETS** | |
| Financial Investments | 71,742 |
| Other investments and assets | 23,806 |
| Total assets | 95,548 |
| | |
| **LIABILITIES** | |
| Policy liabilities | - |
| Other liabilities | 89,997 |
| Total liabilities | 89,997 |
| | |
| **NET ASSETS** | 5,551 |

## 14. FAIR VALUE DISCLOSURES OF ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

### 14.1 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 September 30, 2018 | As of December 31, 2017 |
|---|---|---|
| | **Level 3** | **Level 3** |
| Investment property | 78,901 | 80,816 |
| Owner-occupied lands | 35,232 | 35,232 |
| Owner-occupied land and buildings | 73,961 | 78,465 |
| **Total properties** | **188,094** | **194,513** |

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

### 14.1 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.

| | Nine months to September 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 | 9 | - | 1,352 | 1,361 | 3,175 |
| Transfers in / (out) | (125) | - | - | (125) | (1,696) |
| Fair value changes recorded in net investment income | 996 | - | - | 996 | 74 |
| Fair value changes recorded in other comprehensive income | - | - | (1,027) | (1,027) | (2,227) |
| Depreciation | - | - | (833) | (833) | (1,098) |
| Disposals and divestitures | (2,500) | - | (2,509) | (5,009) | - |
| Effect of exchange rate changes | (295) | - | (1,487) | (1,782) | 583 |
| Balance, end of period | **78,901** | **35,232** | **73,961** | **188,094** | **194,513** |

### 14.2 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.

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

### 14.2 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 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:

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

### 14.2 Financial instruments carried at fair value (continued)

| Amounts in US $000 | As of September 30, 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Investments at FVOCI:** | | | | |
| Debt securities | 665,605 | 1,785,588 | - | 2,451,193 |
| Equity securities | 317 | 2 | 45 | 364 |
| | 665,922 | 1,785,590 | 45 | 2,451,557 |
| **Investments at FVTPL:** | | | | |
| Debt securities | 13,829 | 86,869 | 76,499 | 177,197 |
| Equity securities | 37,966 | 198,079 | 16,733 | 252,778 |
| Derivative financial instruments | - | 1,380 | 25,635 | 27,015 |
| Mortgage loans | - | - | 30,637 | 30,637 |
| | 51,795 | 286,328 | 149,504 | 487,627 |
| **Total assets** | **717,717** | **2,071,918** | **149,549** | **2,939,184** |
| **Total assets by percentage** | 24% | 71% | 5% | 100% |
| **Investment contracts:** | | | | |
| Unit linked deposit administration liabilities | - | - | 144,738 | 144,738 |
| **Deposit and security liabilities:** | | | | |
| Structured products | - | - | 63,779 | 63,779 |
| Derivative financial instruments | - | 1,237 | - | 1,237 |
| | - | 1,237 | 63,779 | 65,016 |
| **Total liabilities** | **-** | **1,237** | **208,517** | **209,754** |
| **Total liabilities by percentage** | 0% | 1% | 99% | 100% |

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

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

### 14.2 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.

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

### 14.2 Financial instruments carried at fair value (continued)

| | Nine months to September 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) | (7,822) | - | (17,187) | - |
| Additions | - | 30,097 | 15,519 | 45,616 | 78,882 |
| Fair value changes recorded in net investment income | - | (1,723) | 8,453 | 6,730 | 21,044 |
| Fair value changes recorded in other comprehensive income | - | - | - | - | (98) |
| Disposals | (3,463) | (45,048) | (28,582) | (77,093) | (87,814) |
| Transfers (out of) Level 3 Classification | - | - | - | - | (16) |
| Effect of exchange rate changes | (4) | 4,161 | - | 4,157 | (1,014) |
| Balance, end of period | **45** | **123,869** | **25,635** | **149,549** | **187,326** |
| Fair value changes recorded in net investment income for instruments held at the end of the period | - | (1,635) | 5,420 | 3,785 | 10,067 |

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

### 14.2 Financial instruments carried at fair value (continued)

| | Nine months to September 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 | 14,642 | 34,070 | 48,712 | 44,185 |
| Settlements | (8,221) | (24,198) | (32,419) | (28,256) |
| Fair value changes recorded within interest expense | (1,647) | - | (1,647) | 125 |
| Transfers (to)/from instruments carried at amortised cost | - | 7,708 | 7,708 | 3,682 |
| Effect of exchange rate changes | 211 | (1,377) | (1,166) | 2,146 |
| Balance, end of period | **144,738** | **63,779** | **208,517** | **187,329** |
| Fair value changes recorded in interest expense for instruments held at the end of the period | (1,647) | - | (1,647) | 188 |

## 15. CREDIT RISK

### 15.1 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.

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | 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 | Total |
| Credit grade: | | | | | | |
| Investment | 229,624 | - | - | - | 229,624 | 201,894 |
| Non-investment | 606,428 | 7,329 | 9 | 278 | 614,044 | 662,657 |
| Watch | 49,219 | 45 | - | 12,449 | 61,713 | 187,097 |
| Default | - | - | 230,147 | - | 230,147 | - |
| Unrated | - | - | - | 30 | 30 | 35 |
| Gross carrying amount | 885,271 | 7,374 | 230,156 | 12,757 | 1,135,558 | 1,051,683 |
| Loss allowance | (3,255) | (14) | (81,082) | (1,034) | (85,385) | - |
| Carrying amount | 882,016 | 7,360 | 149,074 | 11,723 | 1,050,173 | 1,051,683 |

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | 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 | Total |
| Credit grade: | | | | | | |
| Investment | 200,365 | 9,030 | 41 | - | 209,436 | 209,675 |
| Non-investment | 56,553 | 3,358 | 23 | - | 59,934 | 68,156 |
| Watch | - | 967 | 14,415 | - | 15,382 | 13,191 |
| Default | - | - | 10,095 | - | 10,095 | 8,533 |
| Gross carrying amount | 256,918 | 13,355 | 24,574 | - | 294,847 | 299,555 |
| Loss allowance | (571) | (156) | (1,728) | - | (2,455) | (2,616) |
| Carrying amount | 256,347 | 13,199 | 22,846 | - | 292,392 | 296,939 |

## 15. CREDIT RISK (continued)

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

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | 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 | Total |
| Credit grade: | | | | | | |
| Investment | 1,519 | - | - | - | 1,519 | 2,079 |
| Non-investment | 496,241 | 15,852 | 6,420 | - | 518,513 | 559,384 |
| Watch | - | 2,271 | 1,608 | - | 3,879 | 1,758 |
| Default | - | - | 8,739 | - | 8,739 | 13,726 |
| Gross carrying amount | 497,760 | 18,123 | 16,767 | - | 532,650 | 576,947 |
| Loss allowance | (5,639) | (1,197) | (8,538) | - | (15,374) | (12,548) |
| Carrying amount | 492,121 | 16,926 | 8,229 | - | 517,276 | 564,399 |

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | 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 | Total |
| Credit grade: | | | | | | |
| Non-investment | 30,166 | - | - | - | 30,166 | 16,518 |
| Gross carrying amount | 30,166 | - | - | - | 30,166 | 16,518 |
| Loss allowance | - | - | - | - | - | - |
| Carrying amount | 30,166 | - | - | - | 30,166 | 16,518 |

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | 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 | Total |
| Credit grade: | | | | | | |
| Investment | 79,604 | - | - | - | 79,604 | 80,945 |
| Unrated | 65,431 | - | - | - | 65,431 | 61,187 |
| Gross carrying amount | 145,035 | - | - | - | 145,035 | 142,132 |
| Loss allowance | - | - | - | - | - | - |
| Carrying amount | 145,035 | - | - | - | 145,035 | 142,132 |

## 15. CREDIT RISK (continued)

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

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | ECL Staging | | | Purchased credit-impaired | Total | Total |
| **Deposits – amortised cost** | Stage 1 12-month ECL | Stage 2 life-time ECL | Stage 3 life-time ECL | | | |
| Credit grade: | | | | | | |
| Investment | 78,710 | - | - | - | 78,710 | 76,754 |
| Non-investment | 21,329 | 1 | - | - | 21,330 | 32,281 |
| Watch | 1,835 | 371 | - | - | 2,206 | 964 |
| Unrated | 1,056 | - | - | - | 1,056 | 1,405 |
| Gross carrying amount | 102,930 | 372 | - | - | 103,302 | 111,404 |
| Loss allowance | (355) | (50) | - | - | (405) | - |
| Carrying amount | 102,575 | 322 | - | - | 102,897 | 111,404 |

| Amounts in US $000 | September 30, 2018 | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | ECL Staging | | | Purchased credit-impaired | Total | Total |
| **Debt securities – FVOCI** | Stage 1 12-month ECL | Stage 2 life-time ECL | Stage 3 life-time ECL | | | |
| Credit grade: | | | | | | |
| Investment | 1,919,039 | - | - | - | 1,919,039 | 1,665,004 |
| Non-investment | 433,391 | 93,780 | - | - | 527,171 | 561,448 |
| Watch | 256 | 6,776 | - | - | 7,032 | 46,824 |
| Default | - | - | 53,633 | - | 53,633 | - |
| Unrated | - | - | - | - | - | 102 |
| Gross carrying amount | 2,352,686 | 100,556 | 53,633 | - | 2,506,875 | 2,273,378 |
| Loss allowance | (1,539) | (8,750) | (17,533) | - | (27,822) | (6,707) |
| Carrying amount | 2,351,147 | 91,806 | 36,100 | - | 2,479,053 | 2,266,671 |

## 15. CREDIT RISK (continued)

### 15.1 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 | 177,197 |
| Derivative financial instruments | 27,015 |
| Mortgage loans | 30,637 |

## 15. CREDIT RISK (continued)

### 15.2 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 stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- 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 inputs used in the calculation including the effect of ‘step-up’ (or ‘step down’) between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

The following tables contain an analysis of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amount of financial assets below represents the Group's maximum exposure to credit risk on these assets.

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| **Amounts in US $000** | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Purchased credit-impaired** | **Total** |
| **DEBT SECURITIES - FVOCI** | | | | | |
| **Loss Allowance as at January 01, 2018** | **2,780** | **8,863** | **95** | **-** | **11,738** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (32) | 32 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (45) | - | 45 | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (1,818) | 1,818 | - | **-** |
| New financial assets originated or purchased | 346 | - | - | - | **346** |
| Financial assets fully derecognised during the period | (498) | (1,048) | (92) | - | **(1,638)** |
| Changes in models/assumptions used in ECL calculation | (6) | - | - | - | **(6)** |
| Changes to inputs used in ECL calculation | (935) | 2,695 | 15,554 | - | **17,314** |
| Foreign exchange adjustment | (71) | 26 | 113 | - | **68** |
| **Loss Allowance as at September 30, 2018** | **1,539** | **8,750** | **17,533** | **-** | **27,822** |

## 15. CREDIT RISK (continued)

### 15.2 Loss allowances (continued)

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| **Amounts in US $000** | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Purchased credit-impaired** | **Total** |
| **DEBT SECURITIES – AMORTISED COST** | | | | | |
| **Loss Allowance as at January 01, 2018** | **1,928** | **8,581** | **-** | **917** | **11,426** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 3 | (271) | - | 271 | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (8,535) | 8,535 | - | **-** |
| New financial assets originated or purchased | 2,024 | - | - | 187 | **2,211** |
| Financial assets fully derecognised during the period | (204) | (39) | (906) | (54) | **(1,203)** |
| Changes in models/assumptions used in ECL calculation | (8) | 8 | 1,429 | 30 | **1,459** |
| Changes to inputs used in ECL calculation | (157) | (1) | 71,748 | (46) | **71,544** |
| Foreign exchange adjustment | (57) | - | 3 | - | **(54)** |
| **Loss Allowance as at September 30, 2018** | **3,255** | **14** | **81,080** | **1,034** | **85,383** |

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| **Amounts in US $000** | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Purchased credit-impaired** | **Total** |
| **MORTGAGE LOANS - AMORTISED COST** | | | | | |
| **Loss Allowance as at January 01, 2018** | **941** | **309** | **1,149** | **-** | **2,399** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (85) | 85 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (182) | - | 182 | - | **-** |
| Transfer from Stage 2 to Stage 1 | 68 | (68) | - | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (88) | 88 | - | **-** |
| Transfer from Stage 3 to Stage 2 | - | 7 | (7) | - | - |
| Transfer from Stage 3 to Stage 1 | 2 | - | (2) | - | - |
| New financial assets originated or purchased | 53 | - | - | - | **53** |
| Financial assets fully derecognised during the period | (131) | (47) | (3) | - | **(181)** |
| Changes to inputs used in ECL calculation | (94) | (44) | 323 | - | **185** |
| Foreign exchange adjustments | (1) | 2 | (2) | - | **(1)** |
| **Loss Allowance as at September 30, 2018** | **571** | **156** | **1,728** | **-** | **2,455** |

## 15. CREDIT RISK (continued)

### 15.2 Loss allowances (continued)

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| **Amounts in US $000** | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Purchased credit-impaired** | **Total** |
| **FINANCE LOANS AND FINANCE LEASES - AMORTISED COST** | | | | | |
| **Loss Allowance as at January 01, 2018** | **6,114** | **1,427** | **8,294** | **-** | **15,835** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (273) | 273 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (24) | - | 24 | - | **-** |
| Transfer from Stage 2 to Stage 1 | 368 | (368) | - | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (265) | 265 | - | **-** |
| Transfer from Stage 3 to Stage 1 | 106 | - | (106) | - | **-** |
| New financial assets originated or purchased | 1,653 | 41 | 340 | - | **2,034** |
| Financial assets fully derecognised during the period | (1,454) | (654) | (1,433) | - | **(3,541)** |
| Changes to inputs used in ECL calculation | (518) | 790 | 1,715 | - | **1,987** |
| Foreign exchange adjustment | (333) | (47) | (561) | - | **(941)** |
| **Loss Allowance as at September 30, 2018** | **5,639** | **1,197** | **8,538** | **-** | **15,374** |

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| **Amounts in US $000** | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Purchased credit-impaired** | **Total** |
| **DEPOSITS - AMORTISED COST** | | | | | |
| **Loss Allowance as at January 01, 2018** | **506** | **51** | **-** | **-** | **557** |
| New financial assets originated or purchased | 153 | - | - | - | **153** |
| Financial assets fully derecognised during the period | (97) | - | - | - | **(97)** |
| Changes to inputs used in ECL calculation | (208) | (1) | - | - | **(209)** |
| Foreign exchange adjustment | 1 | - | - | - | **1** |
| **Loss Allowance as at September 30, 2018** | **355** | **50** | **-** | **-** | **405** |

Under IAS 39 there was a collective provision for financial assets recognised of US$4,045. Upon adoption of IFRS 9 as at January 1, 2018, an expected credit loss on assets in stage 1 and stage 2 replaced the IAS 39 collective provision. The IAS 39 collective provision was reversed from the opening adjustment presented in the condensed consolidated statement of changes in equity.

## 15. CREDIT RISK (continued)

### 15.2 Loss allowances (continued)

The most significant period-end assumptions used for the ECL were as follows:

**At January 1, 2018**

**Economic variable assumptions**

| | | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Unemployment rate | Base | 4.7% | 4.5% | 4.5% |
| (USA) | Upside | 4.4% | 3.7% | 3.8% |
| | Downside | 5.2% | 5.5% | 5.7% |
| World GDP | Base | 3.7% | 3.7% | 3.7% |
| | Upside | 5.6% | 5.6% | 5.6% |
| | Downside | 2.8% | 2.8% | 2.85% |
| WTI Oil Prices/10 | Base | $5.72 | $5.42 | $5.23 |
| | Upside | $1.96 | $1.96 | $1.96 |
| | Downside | $9.52 | $9.52 | $9.52 |

**At September 30, 2018**

**Economic variable assumptions**

| | | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Unemployment rate | Base | 3.9% | 4.1% | 4.4% |
| (USA) | Upside | 3.6% | 3.7% | 3.8% |
| | Downside | 4.2% | 4.4% | 4.6% |
| World GDP | Base | 3.9% | 3.8% | 3.7% |
| | Upside | 5.4% | 5.4% | 5.4% |
| | Downside | 2.9% | 2.9% | 2.8% |
| WTI Oil Prices/10 | Base | $6.73 | $6.44 | $6.11 |
| | Upside | $9.52 | $9.52 | $9.52 |
| | Downside | $2.96 | $2.83 | $2.69 |

Sagicor's lending operations in Barbados, Trinidad, and Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

## 15. CREDIT RISK (continued)

### 15.2 Loss allowances (continued

| Barbados | Expected state for the next 12 months | |
|---|---|---|
| Unemployment rate | Base | Negative |
| | Upside | Stable |
| | Downside | Negative |
| GDP growth | Base | Negative |
| | Upside | Stable |
| | Downside | Super Negative |

| Trinidad | Expected state for the next 12 months | |
|---|---|---|
| Unemployment rate | Base | Stable |
| | Upside | Positive |
| | Downside | Negative |
| GDP growth | Base | Stable |
| | Upside | Positive |
| | Downside | Negative |

| Jamaica | Expected state for the next 12 months | |
|---|---|---|
| Interest rate | Base | Stable |
| | Upside | Stable |
| | Downside | Stable |
| Unemployment rate | Base | Stable |
| | Upside | Positive |
| | Downside | Negative |

## 15. CREDIT RISK (continued)

### 15.2 Loss allowances (continued)

Amounts in US $000

**SICR and IAS 1 critical estimated disclosure**

| SICR criteria * | Actual threshold applied | Change in threshold | ECL impact of Change in threshold |
|---|---|---|---|
| Investments | 2-notch downgrade since origination | 1-notch downgrade since origination | $927 |

* See note 3.1 for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

| Loss Given Default | Actual value applied | Change in value | ECL impact of Increase in value | ECL impact of Decrease in value |
|---|---|---|---|---|
| Investments - Corporate Debts | 52% | ( - /+ 5) % | $963 | ($938) |
| Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica) | 35% | ( - /+ 5) % | $393 | ($393) |
| Investments - Sovereign Debts (GoB - Excluding BAICO) | 36% | ( - /+ 5) % | $13,909 | ($13,909) |
| Investments - Sovereign Debts (GoB - BAICO Bonds ONLY) | 27% | ( - /+ 5) % | $283 | ($283) |
| Investments - Sovereign Debts (Government of Jamaica) | 15% | ( - /+ 5) % | $278 | (278) |

| Weighting for downside scenario | Actual value applied | Change in value | ECL impact of Increase in value | ECL impact of Decrease in value |
|---|---|---|---|---|
| Investments - excluding Government of Barbados | 10% (80% for base scenario and 10% for upside scenario) | ( - /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly | $314 | ($314) |
| Lending products | 10% (80% for base scenario and 10% for upside scenario) | ( - /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly | $128 | ($130) |
| Investments – Sovereign Debts (GoB - BAICO Bonds ONLY) | 10% (80% for base scenario and 10% for upside scenario) | ( - /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly | $23 | ($23) |

*As part of the acquisition of the British American Insurance Company (BAICO) portfolio the Company received bonds issued by the Government of Barbados of US$46.6 million to support the policyholder liabilities transferred. In order to safeguard the interest of policyholders these bonds were issued with a protective clause in accordance with the sale and purchase agreement approved by the Supreme Court which prevented the Government of Barbados from restructuring these bonds at any time. Accordingly, these bonds have been excluded from the Government of Barbados's restructuring plan, and have been classified as stage 1.

## 15. CREDIT RISK (continued)

### 15.3 IFRS 9 Carrying Values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| Amounts in US $000 | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
| **DEBT SECURITIES - FVOCI** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **2,061,339** | **136,393** | **2,330** | **-** | **2,200,062** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (12,576) | 12,576 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (17,657) | - | 17,657 | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (34,750) | 34,750 | - | **-** |
| New financial assets originated or purchased | 629,973 | - | - | - | **629,973** |
| Financial assets fully derecognised during the period | (256,015) | (12,911) | (2,266) | - | **(271,192)** |
| Changes in principle and interest | (22,378) | (739) | 797 | - | **(22,320)** |
| Foreign exchange adjustment | (30,000) | (13) | 365 | - | **(29,648)** |
| **Gross carrying amount as at September 30, 2018** | **2,352,686** | **100,556** | **53,633** | **-** | **2,506,875** |

| | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| Amounts in US $000 | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
| **DEBT SECURITIES - AMORTISED COST** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **813,354** | **225,621** | **-** | **12,708** | **1,051,683** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 3 | (14,937) | - | 14,937 | - | - |
| Transfer from Stage 2 to Stage 3 | - | (214,057) | 214,057 | - | **-** |
| New financial assets originated or purchased | 218,515 | 497 | 4,696 | 754 | **224,462** |
| Financial assets fully derecognised during the period | (107,175) | (1,847) | (3,997) | (809) | **(113,828)** |
| Changes in principle and interest | (2,242) | (2,838) | 463 | 104 | **(4,513)** |
| Foreign exchange adjustment | (22,244) | (2) | - | - | **(22,246)** |
| **Gross carrying amount as at September 30, 2018** | **885,271** | **7,374** | **230,156** | **12,757** | **1,135,558** |

## 15. CREDIT RISK (continued)

### 15.3 IFRS 9 Carrying Values (continued)

| Amounts in US $000 | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
| **MORTGAGE LOANS - AMORTISED COST** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **270,719** | **17,567** | **29,934** | **-** | **318,220** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (8,990) | 8,990 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (2,508) | - | 2,508 | - | **-** |
| Transfer from Stage 2 to Stage 1 | 6,225 | (6,225) | - | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (3,012) | 3,012 | - | **-** |
| Transfer from Stage 3 to Stage 2 | - | 1,086 | (1,086) | - | **-** |
| Transfer from Stage 3 to Stage 1 | 912 | - | (912) | - | **-** |
| New financial assets originated or purchased | 27,380 | 158 | 100 | - | **27,638** |
| Financial assets fully derecognised during the period | (25,127) | (3,548) | (7,229) | - | **(35,904)** |
| Write-offs | - | - | (10) | - | **(10)** |
| Changes in principle and interest | (7,446) | (1,675) | (1,385) | - | **(10,506)** |
| Foreign exchange adjustment | (4,247) | 14 | (358) | - | **(4,591)** |
| **Gross carrying amount as at 30 September, 2018** | **256,918** | **13,355** | **24,574** | **-** | **294,847** |

| Amounts in US $000 | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
| **POLICY LOANS - AMORTISED COST** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **142,132** | **-** | **-** | **-** | **142,132** |
| Transfers: | | | | | |
| New financial assets originated or purchased | 4,490 | - | - | - | **4,490** |
| Financial assets fully derecognised during the period | (1,213) | - | - | - | **(1,213)** |
| Changes in principle and interest | 196 | - | - | - | **196** |
| Foreign exchange adjustment | (570) | - | - | - | **(570)** |
| **Gross carrying amount as at 30 September, 2018** | **145,035** | **-** | **-** | **-** | **145,035** |

## 15. CREDIT RISK (continued)

### 15.3 IFRS 9 Carrying Values (continued)

| Amounts in US $000 | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
| **FINANCE LOANS AND FINANCE LEASES - AMORTISED COST** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **544,414** | **12,236** | **19,946** | **-** | **576,596** |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (18,083) | 18,083 | - | - | **-** |
| Transfer from Stage 1 to Stage 3 | (2,104) | - | 2,104 | - | **-** |
| Transfer from Stage 2 to Stage 1 | 2,748 | (2,748) | - | - | **-** |
| Transfer from Stage 2 to Stage 3 | - | (5,107) | 5,107 | - | **-** |
| Transfer from Stage 3 to Stage 1 | 173 | - | (173) | - | **-** |
| New financial assets originated or purchased | 149,367 | 1,439 | 660 | - | **151,466** |
| Financial assets fully derecognised during the period | (131,694) | (8,441) | (12,750) | - | **(152,885)** |
| Write-offs | (14) | (4) | (114) | - | **(132)** |
| Changes in principle and interest | (17,976) | 3,003 | 3,004 | - | **(11,969)** |
| Foreign exchange adjustment | (29,071) | (338) | (1,017) | - | **(30,426)** |
| **Gross carrying amount as at 30 September, 2018** | **497,760** | **18,123** | **16,767** | **-** | **532,650** |

| Amounts in US $000 | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit-impaired | Total |
| **SECURITIES PURCHASED FOR RESALE - AMORTISED COST** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **16,518** | **-** | **-** | **-** | **16,518** |
| Net new financial assets originated or purchased | 15,615 | - | - | - | **15,615** |
| Foreign exchange adjustment | (1,967) | - | - | - | **(1,967)** |
| **Gross carrying amount as at 30 September, 2018** | **30,166** | **-** | **-** | **-** | **30,166** |

## 15. CREDIT RISK (continued)

### 15.3 IFRS 9 Carrying Values (continued)

| Amounts in US $000 | Nine months ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Purchased credit-impaired | Total |
| **DEPOSITS - AMORTISED COST** | | | | | |
| **Gross carrying amount as at January 01, 2018** | **111,034** | **370** | **-** | **-** | **111,404** |
| New financial assets originated or purchased | 32,924 | 1 | - | - | **32,925** |
| Financial assets fully derecognised during the period | (34,321) | - | - | - | **(34,321)** |
| Changes in principle and interest | (3,567) | 1 | - | - | **(3,566)** |
| Foreign exchange adjustment | (3,140) | - | - | - | **(3,140)** |
| **Gross carrying amount as at September 30, 2018** | **102,930** | **372** | **-** | **-** | **103,302** |

## 15. CREDIT RISK (continued)

### 15.4 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, in June 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.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 the company signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt the Group has accepted the following securities:

**Series C**

A 15-year amortising bond with interest rates ranging from 1.0% for the first 3 years to 3.75% for years 5 through to maturity. Interest on these bonds is to be paid quarterly with the first payment due on December 31, 2018. The principal will be repaid in four equal quarterly instalments commencing one year prior to maturity.

**Series D**

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

**Series G**

A 50-year amortising bond which includes a 15-year grace period on principal payments. The interest rates on the bond range from 4% per annum for the first 15 years to 8% for years 26 through 50 with interest capitalisation of 100% for the first five years.

**External Debt**

The restructuring of the external debt is yet to be finalised.

Given this agreement and the short timeframe required for the restructuring to close subsequent to September 30, 2018 the Group applied a significant weighting to the probability of the current instruments being exchanged for the new instruments in determining the expected credit loss. The Group has also considered other scenarios, these however are considered unlikely and have not had a significant impact on the expected credit loss computed as at September 30, 2018. As the new instruments have not been issued, the determination of the expected fair value is based on models and an internally developed yield curve. As a result, the actual fair value that the Group will record on exchange may be different to the expected credit loss recorded at September 30. The impact of sensitizing the ECL recorded on GoB debt instruments is disclosed in note 15.2.

**CREDIT RISK (continued)**

**15.4 Debt Securities in Default**

Accordingly, an expected credit loss has been recognized in the condensed consolidated statement of income as follows:

| Amounts in US $000 | GOB Exposure | GOB Loss Allowances |
|---|---|---|
| Balance as of September 30, 2018 | 337,183 | 101,437 |

## 16. CASH FLOWS

| Amounts in US $000 | September 30, 2018 | September 30, 2017 |
|---|---|---|
| **Adjustments for non-cash items, interest and dividends:** | | |
| Interest and dividend income | (227,737) | (223,851) |
| Net investment (gains) / losses | (27,538) | (49,485) |
| Loss arising on disposal | 13 | - |
| Net increase in actuarial liabilities | 102,093 | 69,211 |
| Gain on recapture insurance portfolio | (5,280) | - |
| Interest expense and finance costs | 63,953 | 67,679 |
| Depreciation and amortisation | 16,906 | 15,900 |
| Increase in provision for unearned premiums | 3,482 | 7,992 |
| Other items | 74,018 | (6,259) |
| | (90) | (118,813) |
| **Net increase in investments and operating assets:** | | |
| Investment property | 2,491 | - |
| Debt securities | (363,753) | (42,603) |
| Equity securities | (3,801) | 2,867 |
| Mortgage loans | 2,450 | (9,343) |
| Policy loans | (2,952) | (2,879) |
| Finance loans and finance leases | (41,966) | (9,435) |
| Securities purchased for re-sale | (8,513) | (2,292) |
| Deposits | (3,437) | (36,576) |
| Other assets and receivables | 114,989 | 7,688 |
| | (304,492) | (92,573) |

## 16. CASH FLOWS (continued)

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

| Amounts in US $000 | September 30, 2018 | September 30, 2017 |
|---|---|---|
| **Investment property:** | | |
| Disbursements | (9) | - |
| Disposal proceeds | 2,500 | - |
| | (2,491) | - |
| **Debt securities:** | | |
| Disbursements | (1,105,209) | (1,445,539) |
| Disposal proceeds | 741,456 | 1,402,936 |
| | (363,753) | (42,603) |
| **Equity securities:** | | |
| Disbursements | (35,299) | (29,870) |
| Disposal proceeds | 31,498 | 32,737 |
| | (3,801) | 2,867 |
| **Net increase in operating liabilities:** | | |
| Insurance liabilities | 3,474 | 12,554 |
| Investment contract liabilities | 4,268 | 1,674 |
| Other funding instruments | 103,338 | (49,312) |
| Deposits | 86,625 | (71,336) |
| Securities sold for re-purchase | 8,279 | 144,012 |
| Other liabilities and payables | (49,238) | 31,352 |
| | 156,746 | 68,944 |

## 16. CASH FLOWS (continued)

| Amounts in US $000 | September 30, 2018 | September 30, 2017 |
|---|---|---|
| **Property, plant and equipment:** | | |
| Purchases | (9,943) | (16,062) |
| Disposal proceeds | 2,195 | 6,155 |
| | (7,748) | (9,907) |
| **Financing activities** | | |
| **Notes and loans payable:** | | |
| Proceeds | 553 | 15,828 |
| Repayments | (6,939) | (512) |
| | (6,386) | 15,316 |
| **Cash and cash equivalents** | | |
| Cash resources | 269,698 | 206,502 |
| Call deposits and other liquid balances | 98,233 | 155,138 |
| Bank overdrafts | (783) | (2,930) |
| | 367,148 | 358,710 |

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

The changes in accounting policies outlined in note 2.3 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**<br>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 | (6,120) [1] | 2,944,700 | | 2,944,700 |
| Other insurance liabilities | 224,159 | | 224,159 | | 224,159 |
| Investment contract liabilities | 379,018 | | 379,018 | | 379,018 |
| Total policy liabilities | 3,553,997 | (6,120) | 3,547,877 | | 3,547,877 |
| 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 | 1,225 | 29,502 | | 29,502 |
| Accounts payable and accrued liabilities | 246,976 | | 246,976 | | 246,976 |
| **Total liabilities** | **5,882,314** | **(4,895)** | **5,877,419** | | **5,877,419** |

[1] Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments. This voluntary change in policy was reflected as a prior period adjustment in accordance with IAS 8. In addition, a detailed review of Sagicor USA's actuarial model was completed which concluded that the model inputs were generally appropriate; however, certain items were identified which have been treated as errors and prior periods have been adjusted accordingly. The Sagicor Jamaica's adjustment reduced actuarial liabilities by $9,070 and Sagicor USA's adjustment increased the liability by $2,950.

**17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)**

| **STATEMENT OF FINANCIAL POSITION**<br>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** |
|---|---|---|---|---|---|
| **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 | 1,124 | 368,451 | (10,442) | 358,009 |
| Shareholders' equity | 623,374 | 1,218 | 624,592 | (10,659) | 613,933 |
| 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 | 4,895 | 937,223 | (15,941) | 921,282 |
| **Total liabilities and equity** | 6,814,642 | - | 6,814,642 | (15,941) | 6,798,701 |

**17. 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 | (4,538) [1] | 2,771,824 |
| Income tax liabilities | 50,641 | 437 | 51,078 |
| Liabilities not subject to restatement | 2,909,503 | - | 2,909,503 |
| **Total liabilities** | **5,736,506** | **(4,101)** | **5,732,405** |
| **EQUITY** | | | |
| Share capital | 3,029 | - | 3,029 |
| Share premium | 297,050 | - | 297,050 |
| Reserves | (64,795) | (3) | (64,798) |
| Retained earnings | 300,865 | 934 | 301,799 |
| Shareholders' equity | 536,149 | 931 | 537,080 |
| Participating accounts | 1,291 | - | 1,291 |
| Non-controlling interests in subsidiaries | 257,974 | 3,170 | 261,144 |
| **Total equity** | 795,414 | 4,101 | 799,515 |
| **Total liabilities and equity** | 6,531,920 | **-** | 6,531,920 |

[1] Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments. This voluntary change in policy was reflected as a prior period adjustment in accordance with IAS 8. In addition, a detailed review of Sagicor USA's actuarial model was completed which concluded that the model inputs were generally appropriate; however, certain items were identified which have been treated as errors and prior periods have been adjusted accordingly. The Sagicor Jamaica's adjustment reduced actuarial liabilities by $7,815 and Sagicor USA's adjustment increased the liability by $3,277.

**17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)**

| Amounts in US $000 | Nine months to September 30, 2017 | | | Three months to September 30, 2017 | | |
|---|---|---|---|---|---|---|
| **STATEMENT OF INCOME** | **Originally presented** | **Actuarial and other adjust-ment** | **Restated** | **Originally presented** | **Actuarial and other adjustment** | **Restated** |
| **REVENUE** | **910,929** | **-** | **910,929** | **348,289** | **-** | **348,289** |
| Net policy benefits and change in actuarial liabilities [(1)] | 432,542 | 776 [(3)] | 433,318 | 183,087 | (653) [(3)] | 182,434 |
| Interest expense | 41,831 | - | 41,831 | 13,290 | - | 13,290 |
| **Total benefits** | **474,373** | **776** | **475,149** | **196,377** | **(653)** | **195,724** |
| **EXPENSES** | **329,148** | **-** | **329,148** | **104,848** | **-** | **104,848** |
| **INCOME BEFORE TAXES** | 107,408 | (776) | 106,632 | 47,064 | 653 | 47,717 |
| Income taxes | (29,303) | 276 [(3)] | (29,027) | (10,070) | (165) [(3)] | (10,235) |
| **Net income - continuing operations** | **78,105** | **(500)** | **77,605** | **36,994** | **488** | **37,482** |
| Net income - discontinued operation [(2)] | - | 8,225 | 8,225 | - | 2,017 | 2,017 |
| **NET INCOME** | **78,105** | **7,725** | **85,830** | **36,994** | **2,505** | **39,499** |
| **Net income is attributable to:** | | | | | | |
| Shareholders - continuing operations | 47,211 | (675) | 46,536 | 28,205 | 349 | 28,554 |
| Shareholders - discontinued operation | - | 8,225 | 8,225 | - | 2,017 | 2,017 |
| | 47,211 | 7,550 | 54,761 | 28,205 | 2,366 | 30,571 |
| Participating policyholders | (1,595) | - | (1,595) | (1,121) | - | (1,121) |
| Non-controlling interests | 32,489 | 175 | 32,664 | 9,910 | 139 | 10,049 |
| | **78,105** | **7,725** | **85,830** | **36,994** | **2,505** | **39,499** |

[(1)] Adjustments apply to gross amounts

[(2)] See note 8

[(3)] In the US segment, actuarial liabilities for the nine months to September 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. In addition, the detailed review of Sagicor USA's actuarial model was completed during the quarter which concluded that the model input was generally appropriate; however certain items have been adjusted in the prior period. The Sagicor Jamaica's adjustment (see note 2.3) reduced net policy benefits and change in actuarial liabilities by $527 and Sagicor USA's adjustment caused an increase of $1,303. These changes had a corresponding change in Income taxes where Sagicor Jamaica's adjustment caused a decrease of $181 and Sagicor USA's adjustment caused an increase of $457.

**17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)**

**STATEMENT OF INCOME (continued)**

| Amounts in US $000 | Nine months to September 30, 2017 | | | Three months to September 30, 2017 | | |
|---|---|---|---|---|---|---|
| **STATEMENT OF INCOME** | **Originally presented** | **Actuarial and other adjust-ment** | **Restated** | **Originally presented** | **Actuarial and other adjustment** | **Restated** |
| **Basic earnings per share** | | | | | | |
| Continuing operations | 15.5 cents | (0.2) cents | 15.3 cents | 9.2 cents | 0.2 cents | 9.4 cents |
| Discontinued operation | 0.0 cents | 2.7 cents | 2.7 cents | 0.0 cents | 0.7 cents | 0.7 cents |
| | 15.5 cents | 2.5 cents | 18.0 cents | 9.2 cents | 0.9 cents | 10.1 cents |
| **Fully diluted earnings per share** | | | | | | |
| Continuing operations | 15.2 cents | (0.2) cents | 15.0 cents | 9.0 cents | 0.2 cents | 9.2 cents |
| Discontinued operation | 0.0 cents | 2.7 cents | 2.7 cents | 0.0 cents | 0.7 cents | 0.7 cents |
| | 15.2 cents | 2.5 cents | 17.7 cents | 9.0 cents | 0.9 cents | 9.9 cents |

## 17. IMPACT OF CHANGES IN ACCOUNTING POLICIES AND OTHER CORRECTIONS TO THE FINANCIAL STATEMENTS (continued)

| Amounts in US $000 | Nine months to September 30, 2017 | | | Three months to September 30, 2017 | | |
|---|---|---|---|---|---|---|
| **STATEMENT OF COMPREHENSIVE INCOME** | **Originally presented** | **Actuarial and other adjust-ment** | **Restated** | **Originally presented** | **Actuarial and other adjust-ment** | **Restated** |
| **NET INCOME** | **78,105** | **7,725** | **85,830** | **36,994** | **2,505** | **39,499** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | |
| Items net of tax that may be reclassified subsequently to income: | | | | | | |
| Available for sale financial assets: | | | | | | |
| Unrealised on revaluation | 36,670 | - | 36,670 | 14,983 | - | 14,983 |
| Losses / (gains) transferred to income | 6,052 | - | 6,052 | (1,159) | - | (1,159) |
| Net change in actuarial liabilities (1) | (9,630) | (7,565) | (17,195) | 3,285 | (7,565) | (4,280) |
| Retranslation of foreign currency operations | (5,148) | (69) | (5,217) | (3,302) | (58) | (3,360) |
| | 27,944 | (7,634) | 20,310 | 13,807 | (7,623) | 6,184 |
| Items net of tax that will not be reclassified subsequently to income | | | | | | |
| Gains on defined benefit plans | 2,227 | - | 2,227 | 94 | - | 94 |
| **Other comprehensive income** | **30,171** | **(7,634)** | **22,537** | **13,901** | **(7,623)** | **6,278** |
| **TOTAL COMPREHENSIVE INCOME** | **108,276** | **91** | **108,367** | **50,895** | **(5,118)** | **45,777** |
| **Total comprehensive income is attributable to:** | | | | | | |
| Shareholders - continuing operations | 70,222 | (8,309) | 61,913 | 37,557 | (7,274) | 30,283 |
| Shareholders - discontinued operation | - | 8,225 | 8,225 | - | 2,017 | 2,017 |
| | 70,222 | (84) | 70,138 | 37,557 | (5,257) | 32,300 |
| Participating policyholders | (492) | - | (492) | (328) | - | (328) |
| Non-controlling interests | 38,546 | 175 | 38,721 | 13,666 | 139 | 13,805 |
| | **108,276** | **91** | **108,367** | **50,895** | **(5,118)** | **45,777** |

(1) Actuarial liabilities at September 2017 were increased with a corresponding adjustment to actuarial liability fair value reserves in comprehensive income, reduced to reflect fair value movements on available for sale assets.

**17. 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** | 368,451 |
| 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 | (48) |
| 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 | 125 |
| Total transition adjustments | (10,442) |
| **Balance as of January 1, 2018** | 358,009 |

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 have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for miscellaneous receivables:

| 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 | - |
| Amounts restated through opening retained earnings | (48) |
| As of January 1, 2018 - calculated under IFRS 9 | **(48)** |

## 18. SUBSEQUENT EVENTS

On November 27, 2018, Sagicor Financial Corporation Limited (“Sagicor”), entered into a definitive arrangement agreement (“Arrangement Agreement”) with Alignvest Acquisition II Corporation (“Alignvest”) pursuant to which Alignvest will acquire all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated. Closing is expected in early 2019, and is subject to regulatory approval and certain conditions being met by both Alignvest and Sagicor.

Sagicor also announced that Sagicor and Alignvest will acquire Scotiabank’s life insurance operations in Jamaica and in Trinidad & Tobago and will also enter into a 20-year exclusive agreement where Sagicor will provide insurance solutions to Scotiabank’s clients in Jamaica and Trinidad & Tobago. The completion of the acquisition is dependent on the completion of the acquisition of Sagicor as outlined above. Closing is expected in late 2019 or early 2020, subject to regulatory approval and certain conditions being met.