

SAGICOR FINANCIAL CORPORATION LIMITED

Interim Financial Statements

Three-months ended March 31, 2018

CHAIRMAN'S REVIEW

The Sagicor Group recorded another solid performance for the first three months to March 31, 2018. Group net income closed the period at US \$38.9 million against a prior year result of US \$27.0 million. Net income attributable to shareholders was US \$19.9 million compared to the prior year result of US \$16.7 million, an increase of 19%.

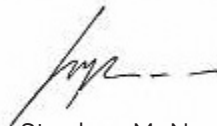
During the first three months of the year Sagicor Group adopted two new accounting standards which became effective from January 1, 2018. IFRS 15, Revenue from Contracts with Customers was adopted, and affects how income is recognised on contracts by companies. IFRS 9, Financial instruments, was also 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. There was no significant impact on the implementation of both standards on the net assets of the Company.

Total revenue for the Group amounted to US \$296.6 million, against a prior year amount of US \$282.5 million, an increase of 5%. Revenue included a one-time gain of US \$5.3 million on the acquisition of the British American insurance portfolio from the Government of Barbados. Benefits were US \$132.1 million, compared to US \$138.4 million for the previous year, a reduction of 5%. Expenses were US \$117.6 million, compared to US \$115.1 million for the same period in the prior year, an increase of 2%.

Group comprehensive income was US \$17.0 million, compared to US \$32.2 million for the prior year. Shareholder comprehensive income was US \$5.8 million, compared to US \$20.6 million for the prior year. The decline in comprehensive income was mainly due to marked-to-market losses on our international bond portfolio.

In the statement of financial position as at March 31, 2018, assets amounted to US \$6.9 billion, and liabilities amounted to US \$5.9 billion. Group equity was US \$931.7 million, compared to US \$ 939.6 million at December 31, 2017, Shareholders' equity was US \$622.9 million, compared to US \$626.9 million at December 31, 2017. The Group's debt was US \$407.1 million with a debt to capital ratio of 30.4%, compared to 30.7% at December 31, 2017.

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



Stephen McNamara
 Chairman
 May 15, 2018

| FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i> | Three months ended MARCH 31 | |
|---|--|-------------------------|
| | 2018 | 2017 restated |
| Total revenue | \$296.6m | \$282.5m |
| Overall Group net income | \$38.9m | \$27.0m |
| Overall Shareholders' net income | \$19.9m | \$16.7m |
| Net income allocated to non-controlling interests | \$10.8m | \$10.6m |
| Total equity | \$931.7m | \$827.5m |
| Book Value per share | \$2.03 | \$1.82 |
| Ratio of Debt to Capital | 30.4% | 32.9% |
| Earnings per common share | 6.5¢ | 5.5¢ |
| Annualised return on common shareholders' equity | 12.7% | 9.2% |

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <u>Amounts in US \$000</u> | As of March 31, 2018 (unaudited) | As of December 31, 2017 Restated (audited) | As of December 31, 2016 Restated (audited) |
|---|--|--|--|
| ASSETS | | | |
| Investment property | 78,342 | 80,816 | 80,662 |
| Property, plant and equipment | 164,380 | 165,560 | 167,723 |
| Associates and joint ventures | 98,619 | 97,223 | 87,293 |
| Intangible assets | 79,625 | 81,714 | 83,487 |
| Financial investments (note 8) | 5,021,369 | 4,953,241 | 4,813,748 |
| Reinsurance assets | 787,066 | 797,391 | 777,344 |
| Income tax assets | 48,815 | 39,980 | 59,575 |
| Miscellaneous assets and receivables | 262,780 | 228,543 | 183,018 |
| Cash resources | 314,361 | 360,064 | 279,070 |
| Assets of the discontinued operation | 10,502 | 10,110 | - |
| Total assets | 6,865,859 | 6,814,642 | 6,531,920 |
| LIABILITIES | | | |
| Actuarial liabilities | 2,947,572 | 2,941,750 | 2,768,547 |
| Other insurance liabilities | 228,450 | 224,159 | 207,122 |
| Investment contract liabilities (note 9) | 375,340 | 379,018 | 377,576 |
| Total policy liabilities | 3,551,362 | 3,544,927 | 3,353,245 |
| Notes and loans payable (note 10) | 407,114 | 413,805 | 395,213 |
| Deposits and security liabilities (note 11) | 1,613,740 | 1,559,232 | 1,623,325 |
| Provisions | 72,117 | 80,027 | 101,292 |
| Income tax liabilities | 26,727 | 30,122 | 52,225 |
| Accounts payable and accrued liabilities | 263,090 | 246,976 | 204,975 |
| Total liabilities | 5,934,150 | 5,875,089 | 5,730,275 |

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

| <u>Amounts in US \$000</u> | As of March 31, 2018 | As of December 31,2017 | As of December 31,2016 |
|---|---------------------------------|---------------------------------------|-----------------------------------|
| | (unaudited) | Restated (audited) | Restated (audited) |
| EQUITY | | | |
| Share capital | 3,059 | 3,059 | 3,029 |
| Share premium | 300,501 | 300,470 | 297,050 |
| Reserves | (60,638) | (47,388) | (64,798) |
| Retained earnings | 379,968 | 370,781 | 303,929 |
| Shareholders' equity | 622,890 | 626,922 | 539,210 |
| Participating accounts | 6,043 | 865 | 1,291 |
| Non-controlling interests in subsidiaries | 302,776 | 311,766 | 261,144 |
| Total equity | 931,709 | 939,553 | 801,645 |
| Total liabilities and equity | 6,865,859 | 6,814,642 | 6,531,920 |

These financial statements have been approved for issue by the Board of Directors on May 15, 2018.


 Director


 Director

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF INCOME

| <u>Amounts in US \$000</u> | Three months to March 31, 2018 | Three months to March 31, 2017 |
|---|---|---|
| | (unaudited) | Restated (unaudited) |
| REVENUE | | |
| Premium revenue (note 5) | 220,280 | 206,768 |
| Reinsurance premium expense (note 5) | (32,978) | (39,099) |
| Net premium revenue | 187,302 | 167,669 |
| Net gain/(losses) on derecognition of financial assets measured at amortised cost | 32 | - |
| Interest income earned from financial assets measured at amortised cost and FVOCI | 70,174 | - |
| Interest income earned from financial assets measured at fair value through profit and loss | 4,203 | - |
| Other investment income | 4,006 | 91,506 |
| Fees and other revenue | 30,843 | 23,333 |
| Total revenue | 296,560 | 282,508 |
| BENEFITS | | |
| Policy benefits and change in actuarial liabilities (note 6) | 131,762 | 162,931 |
| Policy benefits and change in actuarial liabilities reinsured (note 6) | (12,041) | (38,925) |
| Net policy benefits and change in actuarial liabilities | 119,721 | 124,006 |
| Interest expense | 12,371 | 14,346 |
| Total benefits | 132,092 | 138,352 |
| EXPENSES | | |
| Administrative expenses | 70,040 | 69,674 |
| Commissions and related compensation | 24,824 | 25,385 |
| Premium and asset taxes | 7,118 | 6,307 |
| Finance costs | 8,621 | 8,347 |
| Credit impairment losses | 1,442 | - |
| Depreciation and amortisation | 5,572 | 5,369 |
| Total expenses | 117,617 | 115,082 |
| INCOME BEFORE TAXES | 46,851 | 29,074 |
| Income taxes | (8,381) | (6,404) |
| NET INCOME FROM CONTINUING OPERATIONS | 38,470 | 22,670 |

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

| | Three months to March 31, 2018 | Three months to March 31, 2017 Restated |
|---|---|--|
| <u>Amounts in US \$000</u> | <u>(unaudited)</u> | <u>(unaudited)</u> |
| Net income from continuing operations | 38,470 | 22,670 |
| Net income from discontinued operation (note 7) | 392 | 4,285 |
| NET INCOME FOR THE PERIOD | 38,862 | 26,955 |
| Net income is attributable to: | | |
| Common shareholders: | | |
| From continuing operations | 19,497 | 12,371 |
| From discontinued operation | 392 | 4,285 |
| | <u>19,889</u> | <u>16,656</u> |
| Participating policyholders | 8,187 | (289) |
| Non-controlling interests | 10,786 | 10,588 |
| | <u>38,862</u> | <u>26,955</u> |
| Basic earnings per common share: | | |
| From continuing operations | 6.4 cents | 4.1 cents |
| From discontinued operation | 0.1 cents | 1.4 cents |
| | <u>6.5 cents</u> | <u>5.5 cents</u> |
| Fully diluted earnings per common share: | | |
| From continuing operations | 6.2 cents | 4.0 cents |
| From discontinued operation | 0.1 cents | 1.4 cents |
| | <u>6.3 cents</u> | <u>5.4 cents</u> |

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Three months to March 31, 2018 | Three months to March 31, 2017 |
|--|---|---|
| <u>Amounts in US \$000</u> | <u>(unaudited)</u> | <u>Restated (unaudited)</u> |
| NET INCOME FOR THE PERIOD | 38,862 | 26,955 |
| OTHER COMPREHENSIVE INCOME | | |
| Items net of tax that may be reclassified subsequently to income: | | |
| Available for sale financial assets: | | |
| Gains on revaluation | - | 7,949 |
| Losses / (gains) transferred to income | - | 4,466 |
| Net gains on investments in debt instruments measured at FVOCI | (28,391) | - |
| Net (gain)/loss on financial assets measured at FVOCI reclassified to profit or loss on disposal | (3,637) | - |
| Net change in actuarial liabilities | 13,163 | (8,595) |
| Retranslation of foreign currency operations | (3,041) | (693) |
| Other items | (1) | - |
| | (21,907) | 3,127 |
| Items net of tax that will not be reclassified subsequently to income: | | |
| Losses on revaluation of owner occupied property | - | (26) |
| Net gains on investments in equity instruments designated at fair value through other comprehensive income | 14 | - |
| Gains on defined benefit plans | - | 2,133 |
| | 14 | 2,107 |
| Other comprehensive income / (loss) for the period | (21,893) | 5,234 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 16,969 | 32,189 |
| Total comprehensive income/(loss) is attributable to: | | |
| Common shareholders: | | |
| From continuing operations | 5,381 | 16,299 |
| From discontinued operation | 392 | 4,285 |
| | 5,773 | 20,584 |
| Participating policyholders | 8,160 | (514) |
| Non-controlling interests | 3,036 | 12,119 |
| | 16,969 | 32,189 |

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share Capital | Share Premium | Reserves | Retained earnings | Total Shareholders' Equity |
|--|--------------------------|--------------------------|-----------------|------------------------------|---|
| <u>Amounts in US \$000</u> | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Three months to March 31, 2018 | | | | | |
| Balance at December 31, 2017 | 3,059 | 300,470 | (47,482) | 367,327 | 623,374 |
| Prior year adjustment | - | - | 94 | 3,454 | 3,548 |
| | 3,059 | 300,470 | (47,388) | 370,781 | 626,922 |
| January 2018 adjustment- change on initial application of IFRS 9 | - | - | (217) | (10,442) | (10,659) |
| Balance as restated | 3,059 | 300,470 | (47,605) | 360,339 | 616,263 |
| Total comprehensive income: | | | | | |
| From continuing operations | - | - | (14,116) | 19,497 | 5,381 |
| From discontinued operation | - | - | - | 392 | 392 |
| Transactions with holders of equity instruments: | | | | | |
| Movements in treasury shares | - | 31 | - | - | 31 |
| Changes in reserve for equity compensation benefits | - | - | 1,259 | - | 1,259 |
| Dividends declared | - | - | - | - | - |
| Transfers and other movements | - | - | (176) | (260) | (436) |
| Balance, end of period | 3,059 | 300,501 | (60,638) | 379,968 | 622,890 |

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <u>Amounts in US \$000</u> | Total Shareholders' Equity (unaudited) | Participating Accounts (unaudited) | Non-controlling Interests (unaudited) | Total Equity (unaudited) |
|--|--|--|---|--|
| Three months to March 31, 2018 | | | | |
| Balance at December 31, 2017 | 623,374 | 865 | 308,089 | 932,328 |
| Prior year adjustment | 3,548 | - | 3,677 | 7,225 |
| | 626,922 | 865 | 311,766 | 939,553 |
| January 2018 adjustment-change on initial application of IFRS 9 | (10,659) | (2,930) | (2,352) | (15,941) |
| Balance as restated | 616,263 | (2,065) | 309,414 | 923,612 |
| Total comprehensive income: | | | | |
| From continuing operations | 5,381 | 8,160 | 3,036 | 16,577 |
| From discontinued operation | 392 | - | - | 392 |
| Transactions with holders of equity instruments: | | | | |
| Movements in treasury shares | 31 | - | - | 31 |
| Changes in reserve for equity compensation benefits | 1,259 | - | - | 1,259 |
| Dividends declared | - | - | (10,464) | (10,464) |
| Transfers and other movements | (436) | (52) | 790 | 302 |
| Balance, end of period | 622,890 | 6,043 | 302,776 | 931,709 |

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) |
|---|---------------------------------|---------------------------------|-------------------------|-------------------------------------|---|
| Three months to March 31, 2017 Restated | | | | | |
| Balance, beginning of period | 3,029 | 297,050 | (64,795) | 300,865 | 536,149 |
| Prior period adjustment | - | - | (3) | 3,064 | 3,061 |
| Balance as restated | 3,029 | 297,050 | (64,798) | 303,929 | 539,210 |
| Total comprehensive income: | | | | | |
| From continuing operations | - | - | 1,970 | 14,329 | 16,299 |
| From discontinued operation | - | - | - | 4,285 | 4,285 |
| Transactions with holders of equity instruments: | | | | | |
| Movements in treasury shares | 2 | 225 | - | - | 227 |
| Changes in reserve for equity compensation benefits | - | - | 1,099 | - | 1,099 |
| Dividends declared | - | - | - | (7,576) | (7,576) |
| Transfers and other movements | - | - | 438 | (493) | (55) |
| Balance, end of period | 3,031 | 297,275 | (61,291) | 314,474 | 553,489 |

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

| | Total Shareholders' Equity | Participating Accounts | Non-controlling Interests | Total Equity |
|---|---|-----------------------------------|--------------------------------------|-------------------------|
| <u>Amounts in US \$000</u> | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Three months to March 31, 2017 Restated | | | | |
| Balance, beginning of period | 536,149 | 1,291 | 257,974 | 795,414 |
| Prior period adjustment | 3,061 | - | 3,170 | 6,231 |
| Balance as restated | 539,210 | 1,291 | 261,144 | 801,645 |
| Total comprehensive income: | | | | |
| From continuing operations | 16,299 | (514) | 12,119 | 27,904 |
| From discontinued operation | 4,285 | - | - | 4,285 |
| Transactions with holders of equity instruments: | | | | |
| Movements in treasury shares | 227 | - | - | 227 |
| Changes in reserve for equity compensation benefits | 1,099 | - | - | 1,099 |
| Dividends declared | (7,576) | - | - | (7,576) |
| Transfers and other movements | (55) | (54) | 1 | (108) |
| Balance, end of period | 553,489 | 723 | 273,264 | 827,476 |

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Three months to March 31, 2018 | Three months to March 31, 2017 Restated |
|---|---|--|
| <u>Amounts in US \$000</u> | <u>(unaudited)</u> | <u>(unaudited)</u> |
| OPERATING ACTIVITIES | | |
| Income before taxes | 46,851 | 29,074 |
| Adjustments for non-cash items, interest and dividends | (68,404) | (52,614) |
| Interest and dividends received | 76,774 | 71,369 |
| Interest paid | (24,758) | (25,876) |
| Income taxes paid | (11,201) | (16,443) |
| Net increase in investments and operating assets | (76,635) | (56,111) |
| Net change in operating liabilities | 56,947 | 19,083 |
| Net cash flows - operating activities | (426) | (31,518) |
| INVESTING ACTIVITIES | | |
| Property, plant and equipment, net | (3,209) | (5,435) |
| Intangible assets, net | (489) | (2,426) |
| Net cash flows - investing activities | (3,698) | (7,861) |
| FINANCING ACTIVITIES | | |
| Redemption of preference share | (1) | - |
| Shares issued to minority interest | 43 | (410) |
| Notes and loans payable, net | (689) | 15,948 |
| Dividends received from associates and joint ventures | 120 | 120 |
| Dividends paid to common shareholders | (3) | (6) |
| Net cash flows - financing activities | (530) | 15,652 |
| Effect of exchange rate changes | (332) | 897 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS | (4,986) | (22,830) |
| Cash and cash equivalents, beginning of period | 325,726 | 312,106 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 13) | 320,740 | 289,276 |

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

1. ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements as of and for the three months ended March 31, 2018, have been prepared in accordance with IAS 34 'Interim Financial Reporting'. They do not include all of the information required for a full set of financial statements prepared in accordance with international financial reporting standards ("IFRS") and should therefore be read together with the audited consolidated financial statements of SAGICOR FINANCIAL CORPORATION LIMITED (the "Group") as at December 31, 2017 as included in the Annual Report for 2017. All accounting policies adopted and methods of computation applied in the condensed consolidated interim financial statements are the same as those applied in the 2017 audited consolidated financial statements except for IFRS 15 - 'Revenue from contracts with customers' ("IFRS 15"), and IFRS 9 – 'Financial Instruments' ("IFRS 9") as these standards became effective January 1, 2018.

The Group has not early adopted any standard or interpretation which is effective after January 1, 2018.

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

The amounts presented in these condensed consolidated interim financial statements as of and for the three months ended March 31, 2018 (and March 31, 2017) are unaudited.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only also been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures.'

Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

In accordance with the transition provisions in IFRS 15 the new rules have been adopted retrospectively. The Group's primary activities are insurance and banking. Insurance product revenue recognition is defined in IFRS 4 – 'Insurance Contracts'. Banking revenue primarily arises from the recognition of income on financial assets in accordance with the provisions of IFRS 9. There was no significant impact on the Group resulting from IFRS 15.

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

(a) Changes in accounting policies

IFRS 9 replaces IAS 39, and is effective from 1 January 2018.

IFRS 9 introduces key changes in the following areas:

- Classification and measurement - requiring asset classification and measurement based upon both business model and product characteristics.
- Impairment – introducing an expected credit loss model using forward looking information which replaces an incurred loss model.
- Hedge accounting – introducing changes to, and wider eligibility criteria to hedging of financial instruments.

The impact assessments included in this document have been estimated under an interim control environment with models that continue to undergo validation. The implementation of the comprehensive end state control environment will continue as the Group introduces business-as-usual controls throughout 2018.

Classification and measurement

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as solely payment of principal and interest (“SPPI”) and a business model test.

Financial assets that fail the SPPI test will be measured at fair value through the net income.

For assets passing the SPPI test, a business model test assesses the objective of holding the asset. The business model test for financial assets can be summarised as follows:

- Financial assets will be measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows (“Hold to collect” business model).
- Financial assets will be measured at fair value through other comprehensive income if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to collect and sell” business model).
- Financial assets will be measured at fair value through net income if they do not meet the business model criteria of either “Hold to collect” or “Hold to collect and sell”.
- Entities also have the option to designate a financial asset as measured at fair value through net income if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

Impairment

IFRS 9 introduces a new impairment model that requires the recognition of an expected credit losses (“ECL”) on all financial assets measured at amortised cost or at fair value through other comprehensive income (other than equity instruments), lease receivables and certain loan commitments and financial guarantee contracts. The expected credit loss must also consider forward looking information to recognise impairment allowances earlier in the lifecycle of a product. IFRS 9 consequently is likely to increase the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

IFRS 9 introduces a three-stage approach to impairment as follows:

- Stage 1 - the recognition of 12 month expected credit losses, that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

In contrast, the IAS 39 impairment allowance assessment was based on an incurred loss model, and measured on assets where there was objective evidence that loss had been incurred, using information as at the balance sheet date.

2 (a) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

Reclassification

- The Group holds a small portfolio of debt instruments which failed to meet the “solely payments of principal and interest” (SPPI) test requirement for “fair value through other comprehensive income” 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 were classified as “fair value through profit and loss” 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 and measured at “fair value through other comprehensive income” are reclassified to “fair value through profit and loss” under IFRS 9.

2 (b) Impairment of financial assets measured at amortized cost and fair value through other comprehensive income

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (‘12-month ECL’). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment 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.

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognised for financial instruments that remain in stage 1.

Purchased or originated credit-impaired

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 are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions.

The Group uses credit ratings that reflect its assessment of the creditworthiness of a counterparty with respect to its financial obligation.

Where a security carries an external rating, the rating provided by the external rating agency is used. Securities without an external rating are assigned an internal Sagicor Risk Rate (SRR) according to the Company's internal rating model. The Sagicor Risk Rate is mapped to the external agencies and measured on the same scale.

If, at reporting, a financial asset drops out of investment grade, or if the credit rating of an asset which is in non-investment grade drops to a watch or default category from origination it is considered to have experienced a significant increase in credit risk.

Lending

Historically, the probability of default has not been calculated and the internal credit score was not regularly updated. As such there is no reliable internal quantitative measurement available. Externally there's no publication of default rate for lending products in the market. We have relied on other measurements as listed below for this assessment.

Qualitative Test

Management believes that days past due is the most suitable indicator of significant increase in credit risk for its lending portfolio. This is in line with credit management practice and internal reporting. This approach assumes that the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual obligations.

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Qualitative Test (continued)

Apart from days past due status, any qualitative indicator of significant increase in credit risk can trigger stage migration. These include known financial difficulty, credit issue with another account, expected forbearance or restructuring.

Backstop Criteria

30 days past due backstop is used for the lending portfolios.

Credit-impaired (stage 3)

The Group determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether one or more of the following criteria is met:

- There is a missed contractual payment
- The borrower is more than 90 days past due on its contractual payments for issued lending products
- The borrower is unlikely to meet its financial obligation for issued lending products because
 - The borrower is in forbearance
 - The borrower is insolvent
 - The borrower is in breach of financial covenants

The criteria above have been applied to all financial instruments held by the Group and is consistent with the definition of default used for internal credit risk management purposes.

Measurement of ECL – Debt Securities

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

The Group calculates ECL using three main components, a probability of default, a loss given default and the exposure at default ('EAD').

| Model | IFRS 9 |
|-------|---|
| PD | <ul style="list-style-type: none"> • Point in time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD) • Default backstop of 90+ days past due for all portfolios |
| EAD | <ul style="list-style-type: none"> • Amortisation captured for term products |
| LGD | <ul style="list-style-type: none"> • Expected LGD (based on estimate of loss given default including the expected impact of future economic conditions such as changes in value of collateral) • Discounted using the original effective interest rate of the loan • Only costs associated with obtaining/selling collateral included. |
| Other | <ul style="list-style-type: none"> • Discounted back from point of default to balance sheet date. |

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Probability of Default (PD)

The model for developing a PD is based on an external data set which observed defaults over an observed period of time. The historical default analysis from Standard & Poor is used to determine the PD for the financial assets of the Sagicor Group for both corporate and sovereign debt. The data has been modelled to determine a PD based on the external rating or the equivalent internal rating. The transition matrix is then used to derive a cumulative PD.

The model assumes the external rating (or reliable internal rating) is available for borrowers in scope together with sufficient history of observed rating transitions (covering at least one credit cycle). The credit rating assigned to sovereign and corporate debt assumes a direct relationship to the financial asset's risk of default.

Loss Given Default (LGD)

Given the limitations of the in-house default data, the analysis for the LGD is based on recovery reports provided by Moody's which contains default and recovery statistics based on a history of defaults.

Management adjustments are also made in the modelling of the Loss Given Default for sovereign debt to account for factors which were not considered in the general modelling process. Within the report, several recovery rate methods are examined. The LGD used is based on ultimate recovery rates, which is the value creditors realise at the resolution of a default event.

Exposure at Default (EAD)

EAD is expected to be the amortised cost before any interest or principle payment of that period/month since it is expected that a bond holder going into default will unlikely pay the interest and principle due before default. Default is assumed to happen at the end of each period. Effective interest rate is generated from expected future cash flow, which is used to discount the expected credit loss (ECL) calculated.

Forward Looking Information

Credit losses are expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward looking economic scenarios and their associated credit losses, three scenarios are modelled to ensure an unbiased representative sample of the complete distribution when determining the expected loss.

The Oxford Global Economic Model provided the basis for the multi-scenario assessment used and weights of 80:10:10 (baseline, upside, downside respectively) were applied to calculate the weighted average ECL.

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Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate at January 1, 2018 are set out below. The base case, upside and downside were used for all portfolios.

| | | 2018 | 2019 | 2020 |
|----------------------------|----------|-------------|-------------|-------------|
| Unemployment rate (USA) | Base | 4.2% | 4% | 4.5% |
| | Upside | 4.3% | 4% | 4.1% |
| | Downside | 4.5% | 4.7% | 5.0% |
| World GDP | Base | 3.70% | 3.70% | 3.80% |
| | Upside | 5.55% | 5.55% | 5.58% |
| | Downside | 2.75% | 2.75% | 2.77% |
| WTI Oil Prices/10 | Base | 6.25 | 5.84 | 5.51 |
| | Upside | 9.516 | 9.516 | 9.516 |
| | Downside | 1.961 | 1.961 | 1.961 |

Measurement of ECL - Lending financial assets

Three methodologies are used to determine the ECL for lending products – loss rate, cohort analysis and roll rate.

Loss rate method

The loss rate approach is used for portfolios which historically have experienced limited losses or have recorded write-off data rather than default or migration data. There have been regular write-offs each year and both experienced losses and expected losses can be easily determined. The loss rate tracks performing portfolios to see how much loss has been suffered each year.

Cohort analysis

The objective of the cohort analysis is to track the behaviour of performing loans. It takes the data from a given dataset and breaks it down into related groups for analysis. These related groups or cohorts usually share common characteristics or experiences within a defined time-span. This calculates the probability of default (PD)

Where the cohort analysis has been used the loss given default has been calculated based on collateral coverage within the current portfolio and the historical experience of collateral disposal.

Roll Rate Method

The roll rate model is used for portfolios which have limited observation periods and loss data. It measures how accounts are migrating through each delinquency bucket and calculates loss rate when balances reach 180 days past due. It then applies the loss rate to calculate ECL on a portfolio level.

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Forward looking Information

Due to limited observation period and default data available, the scorecard approach was taken to determine the forward-looking factor to be applied to the lending products based on qualitative assessment. The scorecard considers the future state of different macroeconomic indicators and calculates an adjustment factor for ECL. It primarily utilises housing price, unemployment and GDP growth, and the indicators vary by region. They are weighted by their significance and five states are designed to capture a wide range of possible values for the indicators. Three distinct future macroeconomic scenarios are chosen. The base case scenario is assigned a weighting of 80% and represents the most likely outcome, whilst the upside and downside scenarios represent more optimistic and pessimistic outcomes with a weighting of 10% each. Each scenario used includes a projection of all relevant indicators for a 12-month period.

2 (c) Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk.

The expected credit loss allowance recognised in the period is impacted by a variety of factors, as described below:

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

2 (d) Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at the valuation date.

2 (e) Securities purchased for resale

Securities purchased for resale are treated as collateralised financing transactions and are recorded at the amount at which they are acquired. The difference between the purchase and resale price is treated as interest and is accrued over the life of the agreements using the effective yield method.

2 (f) Finance leases

The Group, as lessor, enters into finance leases with third parties to lease assets. Finance leases are leases in which the Group has transferred substantially the risks of ownership to the lessee. The finance lease, net of unearned finance income, is recorded as a receivable and the finance income is recognised over the term of the lease using the effective yield method.

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2 (g) Embedded derivatives

The Group holds certain bonds and preferred equity securities that contain options to convert into common shares of the issuer. These options are considered embedded derivatives.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

Exchange rates

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

| | Closing rate as of March 31, 2018 | Closing rate as of December 31, 2017 | Average rate for the Three months to March 31, 2018 | Average rate for the Three months to March 31, 2017 |
|--------------------------|--|---|--|--|
| Barbados dollar | 2.0000 | 2.0000 | 2.0000 | 2.0000 |
| Eastern Caribbean dollar | 2.7000 | 2.7000 | 2.7000 | 2.7000 |
| Jamaica dollar | 125.6348 | 124.5754 | 125.3592 | 127.9138 |
| Trinidad & Tobago dollar | 6.7344 | 6.7628 | 6.7446 | 6.7408 |
| Pound sterling | 0.71260 | 0.74020 | 0.72304 | 0.80354 |

Restatements

The financial results for the three months ended March 31, 2017 have been restated from the amounts published by the Group in the report for the first quarter of 2017. All material changes are discussed below.

Effective January 1, 2018 the Group implemented a policy to harmonise its actuarial reserving practices across operational segments with respect to the recognition of mortality improvements. This change in policy was a voluntary change and was reflected as a prior period adjustment in accordance with IAS 8. The impact of this change was an increase in equity at December 31, 2016 by US \$6.2 million. Net income for March 31, 2017 was increased by US \$0.2 million.

Net income of the discontinued operation for March 31, 2017 and assets of the discontinued operation were increased by US \$4.3 million to reflect the share of net income for 2017 attributable to the first three months of 2017.

Actuarial reserves (benefits) for the period ending March 31, 2017 was increased by US \$1.6 million along with associated tax reductions of US \$0.5 million. These adjustments related to various actuarial changes identified at December 2017 which were attributable to the period March 31, 2017.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were not significantly different than those made in the 2016 audited consolidated financial statements except for those judgments associated with the implementation of IFRS 9.

This note provides an overview of the areas related to IFRS 9 that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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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 2016.

Segmented financial information is set out in the sections 4.1 to 4.4.

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

| <u>Amounts in US \$000</u> | Sagicor | Sagicor | Sagicor | Head office | Adjust- | Total |
|---|----------------|----------------|-----------------|--------------------|----------------|----------------|
| Three months to March 31, 2018 | Life | Jamaica | Life USA | and other | ments | |
| Net premium revenue | 76,627 | 74,496 | 27,460 | 8,719 | - | 187,302 |
| Net gain/(losses) on derecognition of financial assets measured at amortised cost | - | 32 | - | - | - | 32 |
| Interest income | 19,388 | 40,250 | 12,781 | 1,958 | - | 74,377 |
| Other investment income | 2,287 | 4,241 | (1,726) | 44 | (840) | 4,006 |
| Fees and other revenue | 8,034 | 18,975 | (922) | 4,761 | (5) | 30,843 |
| Inter-segment revenues | 3,693 | - | - | 587 | (4,280) | - |
| Total revenue | 110,029 | 137,994 | 37,593 | 16,069 | (5,125) | 296,560 |
| Net policy benefits | 49,411 | 49,367 | 22,575 | 4,208 | - | 125,561 |
| Net change in actuarial liabilities | (11,637) | (1,090) | 6,887 | - | - | (5,840) |
| Interest expense | 2,524 | 8,548 | 586 | 713 | - | 12,371 |
| Administrative expenses | 17,820 | 33,056 | 7,619 | 11,048 | 497 | 70,040 |
| Commissions and premium and asset taxes | 10,554 | 15,148 | 3,836 | 2,404 | - | 31,942 |
| Finance costs | - | 328 | 47 | (62) | 8,308 | 8,621 |
| Credit impairment losses | (248) | 1,805 | (84) | (31) | - | 1,442 |
| Depreciation and Amortisation | 1,493 | 2,461 | 702 | 916 | - | 5,572 |
| Inter-segment expenses | 1,220 | 502 | (533) | 3,592 | (4,781) | - |
| Total benefits and expenses | 71,137 | 110,125 | 41,635 | 22,788 | 4,024 | 249,709 |
| Segment income before taxes | 38,892 | 27,869 | (4,042) | (6,719) | (9,149) | 46,851 |
| Income taxes | (2,900) | (6,385) | 848 | (226) | 282 | (8,381) |
| Net income - continuing operations | 35,992 | 21,484 | (3,194) | (6,945) | (8,867) | 38,470 |
| Net income / (loss) attributable to shareholders from continuing operations | 27,805 | 10,550 | (3,194) | (15,105) | (559) | 19,497 |
| Total comprehensive income / (loss) attributable to shareholders from continuing operations | 26,199 | 3,002 | (8,554) | (15,455) | 189 | 5,381 |

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

| <u>Amounts in US \$000</u> | | | | | | |
|--|-----------------|--------------------|---------------------|--------------------------|------------------|----------------|
| Three months to March 31, 2017 Restated | Sagicor Life | Sagicor Jamaica | Sagicor Life USA | Head office and other | Adjust- ments | Total |
| Net premium revenue | 73,528 | 66,666 | 19,927 | 7,548 | - | 167,669 |
| Interest income | 18,932 | 39,049 | 11,769 | 2,179 | - | 71,929 |
| Other investment income | 3,175 | 8,762 | 7,155 | 509 | (24) | 19,577 |
| Fees and other revenue | 3,028 | 15,741 | 189 | 4,433 | (58) | 23,333 |
| Inter-segment revenues | 3,176 | - | - | 9,346 | (12,522) | - |
| Total revenue | 101,839 | 130,218 | 39,040 | 24,015 | (12,604) | 282,508 |
| Net policy benefits | 48,532 | 42,568 | 24,455 | 3,808 | - | 119,363 |
| Net change in actuarial liabilities | 4,232 | 1,330 | (919) | - | - | 4,643 |
| Interest expense | 3,513 | 9,655 | 384 | 794 | - | 14,346 |
| Administrative expenses | 16,776 | 35,997 | 7,140 | 9,502 | 259 | 69,674 |
| Commissions and premium and asset taxes | 10,904 | 14,848 | 3,807 | 2,133 | - | 31,692 |
| Finance costs | - | 111 | 11 | (39) | 8,264 | 8,347 |
| Depreciation and Amortisation | 1,644 | 2,184 | 396 | 1,145 | - | 5,369 |
| Inter-segment expenses | 1,194 | 263 | (618) | 3,143 | (3,982) | - |
| Total benefits and expenses | 86,795 | 106,956 | 34,656 | 20,486 | 4,541 | 253,434 |
| Segment income before taxes | 15,044 | 23,262 | 4,384 | 3,529 | (17,145) | 29,074 |
| Income taxes | (2,048) | (2,653) | (1,535) | (163) | (5) | (6,404) |
| Net income - continuing operations | 12,996 | 20,609 | 2,849 | 3,366 | (17,150) | 22,670 |
| Net income / (loss) attributable to shareholders – continuing operations | 13,285 | 10,123 | 2,849 | (5,000) | (8,886) | 12,371 |
| Total comprehensive income / (loss) attributable to shareholders | 15,445 | 11,565 | 5,098 | (5,396) | (10,413) | 16,299 |

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

| <u>Amounts in US \$000</u> | Sagicor Life | Sagicor Jamaica | Sagicor Life USA | Head office and other | Adjust- ments | Total |
|----------------------------------|-------------------------|----------------------------|-----------------------------|----------------------------------|--------------------------|------------------|
| As of March 31, 2018 | | | | | | |
| Financial investments | 1,403,810 | 2,306,064 | 1,161,110 | 150,385 | - | 5,021,369 |
| Other external assets | 368,484 | 518,324 | 839,519 | 176,869 | (69,208) | 1,833,988 |
| Assets of discontinued operation | - | - | - | 10,502 | - | 10,502 |
| Inter-segment assets | 241,587 | 13,459 | 3,717 | 62,318 | (321,081) | - |
| Total assets | 2,013,881 | 2,837,847 | 2,004,346 | 400,074 | (390,289) | 6,865,859 |
| Policy liabilities | 1,334,048 | 741,314 | 1,479,519 | 65,689 | (69,208) | 3,551,362 |
| Other external liabilities | 78,135 | 1,542,542 | 240,915 | 521,196 | - | 2,382,788 |
| Inter-segment liabilities | 28,332 | 4,686 | 51,587 | 236,476 | (321,081) | - |
| Total liabilities | 1,440,515 | 2,288,542 | 1,772,021 | 823,361 | (390,289) | 5,934,150 |
| Net assets | 573,366 | 549,305 | 232,325 | (423,287) | - | 931,709 |
| As of December 31, 2017 | | | | | | |
| Restated | | | | | | |
| Financial investments | 1,386,182 | 2,291,191 | 1,123,623 | 152,245 | - | 4,953,241 |
| Other external assets | 351,871 | 531,671 | 856,271 | 182,468 | (70,990) | 1,851,291 |
| Assets of discontinued operation | - | - | - | 10,110 | - | 10,110 |
| Inter-segment assets | 214,767 | 13,347 | 2,505 | 62,101 | (292,720) | - |
| Total assets | 1,952,820 | 2,836,209 | 1,982,399 | 406,924 | (363,710) | 6,814,642 |
| Policy liabilities | 1,296,525 | 757,480 | 1,495,300 | 66,612 | (70,990) | 3,544,927 |
| Other external liabilities | 89,643 | 1,507,289 | 194,836 | 538,394 | - | 2,330,162 |
| Inter-segment liabilities | 27,285 | 4,098 | 51,587 | 209,750 | (292,720) | - |
| Total liabilities | 1,413,453 | 2,268,867 | 1,741,723 | 814,756 | (363,710) | 5,875,089 |
| Net assets | 539,367 | 567,342 | 240,676 | (407,832) | - | 939,553 |

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4.3 Revenues by products and services

| <u>Amounts in US \$000</u> | Three months to March 31, 2018 (unaudited) | Three months to March 31, 2017 (unaudited) |
|--|---|---|
| Life, health and annuity insurance contracts issued to individuals | 169,515 | 158,034 |
| Life, health and annuity insurance and pension administration contracts issued to groups | 69,816 | 67,459 |
| Property and casualty insurance | 11,586 | 9,430 |
| Banking, investment management and other financial services | 40,001 | 38,867 |
| Farming and unallocated revenues | 5,642 | 8,718 |
| Total revenue | 296,560 | 282,508 |

4.4 Revenues by geographical area

| <u>Amounts in US \$000</u> | Three months to March 31, 2018 (unaudited) | Three months to March 31, 2017 (unaudited) |
|----------------------------|---|---|
| Barbados | 48,538 | 42,526 |
| Jamaica | 131,226 | 121,779 |
| Trinidad and Tobago | 40,788 | 40,626 |
| Other Caribbean | 39,232 | 38,561 |
| USA | 36,776 | 39,016 |
| Total revenue | 296,560 | 282,508 |

5. PREMIUM REVENUE

| <u>Amounts in US \$000</u> | Gross premium | | Ceded to reinsurers | |
|----------------------------------|----------------------|--------------------|----------------------------|--------------------|
| Three months to March 31, | 2018 | 2017 | 2018 | 2017 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Life insurance | 108,432 | 99,597 | 7,719 | 7,455 |
| Annuity | 53,282 | 52,243 | 15,647 | 20,686 |
| Health insurance | 41,515 | 38,328 | 1,244 | 1,242 |
| Property and casualty insurance | 17,051 | 16,600 | 8,368 | 9,716 |
| Total premium revenue | 220,280 | 206,768 | 32,978 | 39,099 |

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6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

| <u>Amounts in US \$000</u> | Gross benefit | | Ceded to reinsurers | |
|---|----------------------|--------------------|----------------------------|--------------------|
| Three months to March 31, | 2018 | 2017 | 2018 | 2017 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Life insurance benefits | 56,340 | 55,469 | 5,242 | 1,585 |
| Annuity benefits | 52,562 | 48,994 | 14,987 | 15,168 |
| Health insurance benefits | 32,006 | 28,371 | (661) | 44 |
| Property and casualty claims | 10,047 | 4,877 | 5,826 | 1,551 |
| Total policy benefits | 150,955 | 137,711 | 25,394 | 18,348 |
| Change in actuarial liabilities | (19,193) | 25,220 | (13,353) | 20,577 |
| Total policy benefits and change in actuarial liabilities | 131,762 | 162,931 | 12,041 | 38,925 |

7. DISCONTINUED OPERATION

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

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

| <u>Amounts in US \$000</u> | Period to March 31, 2018 (unaudited) |
|--|---|
| Liability of discontinued operation: | |
| Estimated amount payable December 31, 2016 | - |
| Estimated experience gain for the three months ended March 2017 | (4,285) |
| Estimated experience gain for the nine months from April 30 to December 31, 2017 | (5,825) |
| Estimated amount receivable December 31, 2017 | (10,110) |
| Experience loss for the three months ended March 31, 2018 | - |
| Net currency movements to March 31, 2018 | (392) |
| Estimated amount receivable March 31, 2018 | (10,502) |

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8. FINANCIAL INVESTMENTS

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

| <u>Amounts in US \$000</u> | March 31, 2018 | | December 31, 2017 | |
|--|-----------------------|-------------------|--------------------------|-------------------|
| | (unaudited) | | | |
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets at fair value through other comprehensive income: | | | | |
| Debt securities | 2,281,712 | 2,281,712 | 2,266,275 | 2,266,275 |
| Equity securities | 806 | 806 | 86,862 | 86,862 |
| | 2,282,518 | 2,282,518 | 2,353,137 | 2,353,137 |
| Financial assets at fair value through profit or loss: | | | | |
| Debt securities | 186,004 | 186,004 | 180,484 | 180,484 |
| Equity securities | 250,811 | 250,811 | 158,621 | 158,621 |
| Derivative financial instruments | 24,401 | 24,401 | 32,477 | 32,477 |
| Mortgage loans | 25,179 | 25,179 | 45,447 | 45,447 |
| | 486,395 | 486,395 | 417,029 | 417,029 |
| Financial assets at amortised cost: | | | | |
| Debt securities | 1,069,168 | 1,169,505 | 1,051,683 | 1,155,331 |
| Mortgage loans | 314,671 | 313,714 | 296,939 | 296,867 |
| Policy loans | 145,672 | 150,357 | 142,132 | 149,995 |
| Finance loans and finance leases | 563,006 | 550,509 | 564,399 | 551,922 |
| Securities purchased for re-sale | 40,557 | 40,557 | 16,518 | 16,518 |
| Deposits | 119,382 | 119,382 | 111,404 | 111,404 |
| | 2,252,456 | 2,344,024 | 2,183,075 | 2,282,037 |
| Total financial investments | 5,021,369 | 5,112,937 | 4,953,241 | 5,052,203 |
| Non-derivative financial assets at fair value through profit or loss: | | | | |
| Designated at fair value upon recognition | 451,834 | 451,834 | 375,917 | 375,917 |
| Assets held for trading | 10,160 | 10,160 | 8,635 | 8,635 |
| | 461,994 | 461,994 | 384,552 | 384,552 |

SAGICOR FINANCIAL CORPORATION LIMITED
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THREE MONTHS ENDED MARCH 31, 2018

9. INVESTMENT CONTRACT LIABILITIES

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

| <u>Amounts in US \$000</u> | March 31, 2018 | | December 31, 2017 | |
|--|---------------------------|-----------------------|---------------------------|-----------------------|
| | (unaudited) | | | |
| | Carrying value | Fair Value | Carrying value | Fair value |
| At amortised cost: | | | | |
| Deposit administration liabilities | 112,779 | 112,779 | 121,483 | 121,483 |
| Other investment contracts | 119,728 | 120,034 | 117,782 | 119,915 |
| | 232,507 | 232,813 | 239,265 | 241,398 |
| At fair value through profit or loss: | | | | |
| Unit linked deposit administration liabilities | 142,833 | 142,833 | 139,753 | 139,753 |
| Total investment contract liabilities | 375,340 | 375,646 | 379,018 | 381,151 |

10. NOTES AND LOANS PAYABLE

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

| <u>Amounts in US \$000</u> | March 31, 2018 | | December 31, 2017 | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| | (unaudited) | | | |
| | Carrying value | Fair value | Carrying value | Fair Value |
| 8.875% senior notes due 2022 | 310,212 | 356,931 | 317,028 | 364,131 |
| 8.25% convertible redeemable preference shares due 2020 | 11,228 | 11,261 | 11,310 | 11,887 |
| 7.75% convertible redeemable preference share due 2018 | 5,153 | 5,200 | 5,181 | 5,433 |
| 4.85% notes due 2019 | 75,853 | 75,512 | 74,929 | 76,199 |
| Finance lease payable | 4,668 | 4,668 | 5,357 | 5,357 |
| Total notes and loans payable | 407,114 | 453,572 | 413,805 | 463,007 |

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THREE MONTHS ENDED MARCH 31, 2018

11. DEPOSIT AND SECURITY LIABILITIES

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

| <u>Amounts in US \$000</u> | March 31, 2018 | | December 31, 2017 | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| | (unaudited) | | | |
| | Carrying value | Fair Value | Carrying value | Fair value |
| At amortised cost: | | | | |
| Other funding instruments | 315,884 | 322,314 | 279,874 | 284,980 |
| Customer deposits | 784,204 | 780,808 | 750,948 | 749,834 |
| Securities sold for re-purchase | 474,714 | 469,474 | 476,034 | 473,771 |
| Bank overdrafts | 3,668 | 3,668 | 2,568 | 2,568 |
| | 1,578,470 | 1,576,264 | 1,509,424 | 1,511,153 |
| At fair value through profit or loss: | | | | |
| Structured products | 34,582 | 34,582 | 47,576 | 47,576 |
| Derivative financial instruments | 688 | 688 | 2,232 | 2,232 |
| | 35,270 | 35,270 | 49,808 | 49,808 |
| Total deposit and security liabilities | 1,613,740 | 1,611,534 | 1,559,232 | 1,560,961 |

SAGICOR FINANCIAL CORPORATION LIMITED
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THREE MONTHS ENDED MARCH 31, 2018

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

12.1 Property

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

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

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

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

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

| <u>Amounts in US \$000</u> | As of March 31, 2018 (unaudited) | As of December 31, 2017 |
|-----------------------------------|---|--|
| | Level 3 | Level 3 |
| Investment property | 78,342 | 80,816 |
| Owner-occupied lands | 35,232 | 35,232 |
| Owner-occupied land and buildings | 77,467 | 78,465 |
| Total properties | 191,041 | 194,513 |

SAGICOR FINANCIAL CORPORATION LIMITED
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THREE MONTHS ENDED MARCH 31, 2018

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

12.1 Property (continued)

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

| <u>Amounts in US \$000</u> | Three months to March 31, (unaudited) | | | December 31, | |
|---|--|-----------------------------|---|----------------|----------------|
| | 2018 | 2018 | 2018 | 2018 | 2017 |
| | 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 | 7 | - | 418 | 425 | 3,175 |
| Transfers in / (out) | - | - | - | - | (1,696) |
| Fair value changes recorded in net investment income | - | - | - | - | 74 |
| Fair value changes recorded in other comprehensive income | - | - | (1,027) | (1,027) | (2,227) |
| Depreciation | (2,500) | - | (280) | (2,780) | (1,098) |
| Effect of exchange rate changes | 19 | - | (109) | (90) | 583 |
| Balance, end of period | 78,342 | 35,232 | 77,467 | 191,041 | 194,513 |

12.2 Financial instruments carried at fair value

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

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

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

SAGICOR FINANCIAL CORPORATION LIMITED

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THREE MONTHS ENDED MARCH 31, 2018

12.2 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 financial assets at fair value through other comprehensive income comprise primarily of corporate and government agency debt instruments issued in the Caribbean, primarily in Jamaica and Trinidad. The fair values of these instruments have been derived from market yields of government instruments of similar durations in the country of issue of the instruments.

Level 3 assets designated fair value through profit or loss 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:

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12.2 Financial instruments carried at fair value (continued)

| <u>Amounts in US \$000</u> | As of March 31, 2018 (unaudited) | | | |
|---|-------------------------------------|------------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income: | | | | |
| Debt securities | 641,436 | 1,637,779 | 2,497 | 2,281,712 |
| Equity securities | 670 | - | 136 | 806 |
| | 642,106 | 1,637,779 | 2,633 | 2,282,518 |
| Investments at fair value through profit or loss: | | | | |
| Debt securities | 20,481 | 66,816 | 98,707 | 186,004 |
| Equity securities | 37,260 | 201,557 | 11,994 | 250,811 |
| Derivative financial instruments | - | 688 | 23,713 | 24,401 |
| Mortgage loans | - | - | 25,179 | 25,179 |
| | 57,741 | 269,061 | 159,593 | 486,395 |
| Total assets | 699,847 | 1,906,840 | 162,226 | 2,768,913 |
| Total assets by percentage | 25% | 69% | 6% | 100% |
| Investment contracts: | | | | |
| Unit linked deposit administration liabilities | - | - | 142,833 | 142,833 |
| Deposit and security liabilities: | | | | |
| Structured products | - | - | 34,582 | 34,582 |
| Derivative financial instruments | - | 688 | - | 688 |
| | - | 688 | 34,582 | 35,270 |
| Total liabilities | - | 688 | 177,415 | 178,103 |
| Total liabilities by percentage | 0% | 0% | 100% | 100% |

Transfers from Level 1 to Level 2 in the three months ended March 31, 2018 - Nil.

SAGICOR FINANCIAL CORPORATION LIMITED
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THREE MONTHS ENDED MARCH 31, 2018

12.2 Financial instruments carried at fair value (continued)

| <u>Amounts in US \$000</u> | As of December 31, 2017 | | | |
|---|--------------------------------|------------------|----------------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through other comprehensive income: | | | | |
| 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 profit or loss: | | | | |
| 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% |

The transfer from Level 1 to Level 2 in 2017 was nil.

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

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

12.2 Financial instruments carried at fair value (continued)

| | Three months to March 31, | | | | December 31, |
|--|--|---|---|-------------------------|-------------------------|
| | 2018 (unaudited) | 2018 (unaudited) | 2018 (unaudited) | 2018 (unaudited) | 2017 |
| <u>Amounts in US \$000</u> | | | | | |
| | Financial assets at fair value through other comprehensive income | Investments at fair value through profit or loss | Derivative financial instruments | Total assets | Total assets |
| Balance, beginning of period | 12,877 | 144,204 | 30,245 | 187,326 | 176,342 |
| Reclassification on initial application of IFRS 9 | (9,036) | (10,641) | - | (19,677) | - |
| Additions | - | 5,190 | 3,986 | 9,176 | 78,882 |
| Fair value changes recorded in net investment income | - | (375) | (1,520) | (1,895) | 21,044 |
| Fair value changes recorded in other comprehensive income | 1 | - | - | 1 | (98) |
| Disposals | (1,207) | (2,860) | (8,998) | (13,065) | (87,814) |
| Transfer (out of) Level 3 classification | - | - | - | - | (16) |
| Effect of exchange rate changes | (2) | 362 | - | 360 | (1,014) |
| Balance, end of period | 2,633 | 135,880 | 23,713 | 162,226 | 187,326 |
| Fair value changes recorded in net investment income for instruments held at the end of the period | - | (355) | (2,028) | (2,383) | 11,587 |

SAGICOR FINANCIAL CORPORATION LIMITED
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THREE MONTHS ENDED MARCH 31, 2018

12.2 Financial instruments carried at fair value (continued)

| | Three months to March 31, | | | December 31, |
|---|---------------------------|----------------------------|--------------------------|--------------------------|
| | 2018 | 2018 | 2018 | 2017 |
| | (unaudited) | (unaudited) | (unaudited) | |
| <u>Amounts in US \$000</u> | Policy liabilities | Structured products | Total liabilities | Total liabilities |
| Balance, beginning of period | 139,753 | 47,576 | 187,329 | 165,447 |
| Issues | 4,553 | - | 4,553 | 44,185 |
| Settlements | (1,743) | (10,267) | (12,010) | (28,256) |
| Fair value changes recorded within interest expense | (326) | - | (326) | 125 |
| Transfers to/(from) instruments carried at amortised cost | - | (2,759) | (2,759) | 3,682 |
| Effect of exchange rate changes | 596 | 32 | 628 | 2,146 |
| Balance, end of period | 142,833 | 34,582 | 177,415 | 187,329 |
| Fair value changes recorded in interest expense for instruments held at the end of the period | (326) | - | (326) | 125 |

13. CASH AND CASH EQUIVALENTS

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

| <u>Amounts in US \$000</u> | March 31, 2018 (unaudited) | March 31, 2017 (unaudited) |
|---|----------------------------------|----------------------------------|
| Cash resources | 219,532 | 227,741 |
| Call deposits and other liquid balances | 125,752 | 117,617 |
| Bank overdrafts | (3,668) | (351) |
| Other short-term borrowings | (20,876) | (55,731) |
| | 320,740 | 289,276 |

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THREE MONTHS ENDED MARCH 31, 2018

14. IMPACT OF NEW STANDARDS AND PRIOR PERIOD ADJUSTMENT ON FINANCIAL STATEMENTS

| <u>Amounts in US \$000</u> | December 31, 2017 as originally Presented (audited) | IAS 8 (unaudited) | December 31, 2017 Restated (unaudited) | IFRS 9 (unaudited) | January 1, 2018 Restated (unaudited) |
|--|---|-----------------------------|--|------------------------------|--|
| 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 8) | 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 the discontinued Operation | 10,110 | | 10,110 | | 10,110 |
| Total assets | 6,814,642 | | 6,814,642 | (15,941) | 6,798,701 |
| LIABILITIES | | | | | |
| Actuarial liabilities | 2,950,820 | (9,070) | 2,941,750 | | 2,941,750 |
| Other insurance liabilities | 224,159 | | 224,159 | | 224,159 |
| Investment contract liabilities (note 9) | 379,018 | | 379,018 | | 379,018 |
| Total policy liabilities | 3,553,997 | (9,070) | 3,544,927 | - | 3,554,927 |
| Notes and loans payable (note 10) | 413,805 | | 413,805 | | 413,805 |
| Deposits and security liabilities (note 11) | 1,559,232 | | 1,559,232 | | 1,559,232 |
| Provisions | 80,027 | | 80,027 | | 80,027 |
| Income tax liabilities | 28,277 | 1,845 | 30,122 | | 30,122 |
| Accounts payable and accrued liabilities | 246,976 | | 246,976 | | 246,976 |
| Total liabilities | 5,882,314 | (7,225) | 5,875,089 | - | 5,875,089 |

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

14. IMPACT OF NEW STANDARDS AND PRIOR PERIOD ADJUSTMENT ON FINANCIAL STATEMENTS
(continued)

| <u>Amounts in US \$000</u> | December 31, 2017 as originally presented (audited) | IAS 8 (unaudited) | December 31, 2017 Restated (unaudited) | IFRS 9 (unaudited) | January 1, 2018 Restated (unaudited) |
|---|---|-----------------------------|--|------------------------------|--|
| EQUITY | | | | | |
| Share capital | 3,059 | | 3,059 | | 3,059 |
| Share premium | 300,470 | | 300,470 | | 300,470 |
| Reserves | (47,482) | 94 | (47,388) | (217) | (47,605) |
| Retained earnings | 367,327 | 3,454 | 370,781 | (10,442) | 360,339 |
| Shareholders' equity | 623,374 | 3,548 | 626,922 | (10,659) | 616,263 |
| Participating accounts | 865 | | 865 | (2,930) | (2,065) |
| Non-controlling interests in subsidiaries | 308,089 | 3,677 | 311,766 | (2,352) | 309,414 |
| Total equity | 932,328 | 7,225 | 939,553 | (15,941) | 923,612 |
| Total liabilities and equity | 6,814,642 | - | 6,814,642 | (15,941) | 6,798,701 |

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THREE MONTHS ENDED MARCH 31, 2018

14. IMPACT OF PRIOR PERIOD ADJUSTMENT ON FINANCIAL STATEMENTS

| <u>Amounts in US \$000</u> | March 31, 2017 as originally presented (unaudited) | IAS 8 (unaudited) | March 31, 2017 Restated (unaudited) |
|---|--|-----------------------------|---|
| REVENUE | | | |
| Premium revenue (note 5) | 206,768 | | 206,768 |
| Reinsurance premium expense (note 5) | (39,099) | | (39,099) |
| Net premium revenue | 167,669 | - | 167,669 |
| Net gain/(losses) on derecognition of financial assets measured at amortised cost | - | | - |
| Interest income earned from financial assets measured at amortised cost and FVOCI | - | | - |
| Interest income earned from financial assets measured at fair value through profit and loss | - | | - |
| Other investment income | 91,506 | | 91,506 |
| Fees and other revenue | 23,333 | | 23,333 |
| Total revenue | 282,508 | - | 282,508 |
| BENEFITS | | | |
| Policy benefits and change in actuarial liabilities (note 6) | 161,759 | 1,172 | 162,931 |
| Policy benefits and change in actuarial liabilities reinsured (note 6) | (38,925) | | (38,925) |
| Net policy benefits and change in actuarial liabilities | 122,834 | 1,172 | 124,006 |
| Interest expense | 14,346 | | 14,346 |
| Total benefits | 137,180 | 1,172 | 138,352 |

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

14. IMPACT OF PRIOR PERIOD ADJUSTMENT ON FINANCIAL STATEMENTS (continued)

| <u>Amounts in US \$000</u> | March 31, 2017 as originally presented (unaudited) | IAS 8 (unaudited) | March 31, 2017 Restated (unaudited) |
|---|---|----------------------|---|
| EXPENSES | | | |
| Administrative expenses | 69,674 | | 69,674 |
| Commissions and related compensation | 25,385 | | 25,385 |
| Premium and asset taxes | 6,307 | | 6,307 |
| Finance costs | 8,347 | | 8,347 |
| Credit impairment losses | - | | - |
| Depreciation and amortisation | 5,369 | | 5,369 |
| Total expenses | 115,082 | - | 115,082 |
| INCOME BEFORE TAXES | 30,246 | (1,172) | 29,074 |
| Income taxes | (6,872) | 468 | (6,404) |
| NET INCOME FROM CONTINUING OPERATIONS | 23,374 | (704) | 22,670 |
| Net income from discontinued operation (note 5) | - | 4,285 | 4,285 |
| NET INCOME FOR THE PERIOD | 23,374 | 3,581 | 26,955 |
| Net income is attributable to: | | | |
| Common shareholders: | | | |
| From continuing operations | 13,256 | (885) | 12,371 |
| From discontinued operation | - | 4,285 | 4,285 |
| | 13,256 | 3,400 | 16,656 |
| Participating policyholders | (289) | - | (289) |
| Non-controlling interests | 10,407 | 181 | 10,588 |
| | 23,374 | 3,581 | 26,955 |

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018

14. IMPACT OF PRIOR PERIOD ADJUSTMENT ON FINANCIAL STATEMENTS

| <u>Amounts in US \$000</u> | December 31, 2016 as originally presented (audited) | IAS 8 (unaudited) | December 31, 2016 Restated (unaudited) |
|--|---|-----------------------------|--|
| ASSETS | | | |
| Investment property | 80,662 | | 80,662 |
| Property, plant and equipment | 167,723 | | 167,723 |
| Associates and joint ventures | 87,293 | | 87,293 |
| Intangible assets | 83,487 | | 83,487 |
| Financial investments | 4,813,748 | | 4,813,748 |
| Reinsurance assets | 777,344 | | 777,344 |
| Income tax assets | 59,575 | | 59,575 |
| Miscellaneous assets and receivables | 183,018 | | 183,018 |
| Cash resources | 279,070 | | 279,070 |
| Assets of the discontinued operation | - | | - |
| Total assets | 6,531,920 | - | 6,531,920 |
| LIABILITIES | | | |
| Actuarial liabilities | 2,776,362 | (7,815) | 2,768,547 |
| Other insurance liabilities | 207,122 | | 207,122 |
| Investment contract liabilities | 377,576 | | 377,576 |
| Total policy liabilities | 3,361,060 | (7,815) | 3,353,245 |
| Notes and loans payable | 395,213 | | 395,213 |
| Deposits and security liabilities | 1,623,325 | | 1,623,325 |
| Provisions | 101,292 | | 101,292 |
| Income tax liabilities | 50,641 | 1,584 | 52,225 |
| Accounts payable and accrued liabilities | 204,975 | | 204,975 |
| Total liabilities | 5,736,506 | (6,231) | 5,730,275 |

SAGICOR FINANCIAL CORPORATION LIMITED
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THREE MONTHS ENDED MARCH 31, 2018

14. IMPACT OF PRIOR PERIOD ADJUSTMENT ON FINANCIAL STATEMENTS (continued)

| <u>Amounts in US \$000</u> | December 31, 2016 as originally presented (audited) | IAS 8 (unaudited) | December 31, 2016 Restated (unaudited) |
|---|--|------------------------------|---|
| EQUITY | | | |
| Share capital | 3,029 | | 3,029 |
| Share premium | 297,050 | | 297,050 |
| Reserves | (64,795) | (3) | (64,798) |
| Retained earnings | 300,865 | 3,064 | 303,929 |
| Shareholders' equity | 536,149 | 3,061 | 539,210 |
| Participating accounts | 1,291 | | 1,291 |
| Non-controlling interests in subsidiaries | 257,974 | 3,170 | 261,144 |
| Total equity | 795,414 | 6,231 | 801,645 |
| Total liabilities and equity | 6,531,920 | - | 6,531,920 |