

# **SAGICOR FINANCIAL CORPORATION LIMITED**

Interim Financial Statements

Nine-months ended September 30, 2019

#### CHAIRMAN'S REVIEW

The Sagicor Group maintained a solid performance for the nine months to September 30, 2019. Group net income closed the period at US \$79.5 million against a prior year result of US \$59.0 million. Net income attributable to shareholders from continuing operations was US \$32.5 million compared to the prior year result of US \$28.5 million. Net income to shareholders from continuing operations in 2018 included the impact of a provision on the Government of Barbados Debt and was partially offset by certain one-time positive earnings releases.

Total revenue for the Group amounted to US \$1,399.0 million, against a prior year amount of US \$1,063.4 million, an increase of US \$335.6 million or 32%. Revenue growth was driven primarily by the USA business segment which generated premium growth, amplified by our strategic decision to cease reinsuring its premiums to third parties. Revenues continue to grow year over year in the Sagicor Jamaica and Sagicor Life business segments as well.

Benefits including change in actuarial liabilities for future benefits were US \$888.0 million, compared to US \$537.4 million for the previous year and was consistent with the growth in premium income. Expenses including credit impairment losses were US \$393.8 million, compared to US \$443.0 million for the same period in the prior year, a decrease of 11%. Expenses in the prior year included credit impairment losses of US \$96.0 million, largely related to the impairment of the Government of Barbados debt. Current year expenses include the impact of higher commissions related to sales growth in the USA segment.

Our operating segments continued to perform well. The Sagicor Life segment reflected robust organic growth, with net income amplified by comparison to Q3 2018 which included certain debt restructuring provisions on GoB debt. Sagicor Jamaica reflected continued robust growth and profitability across the segment. Sagicor Life USA segment reflected slowing growth in net premiums, as the segment scaled back new business production in the quarter, in response to relative net interest margins. Net income in the Sagicor Life USA segment declined relative to a prior year comparable quarter that included certain positive provisions.

Group comprehensive income was US \$115.9 million, compared to a loss of US \$6.6 million for the prior year. Shareholder comprehensive income from continuing operations was US \$62.4 million, compared to a loss of US \$10.0 million for the prior year. The Group continues to benefit from significant net gains on investments measured at Fair Value through Other Comprehensive Income. Losses incurred on the retranslation of foreign currency operations reduced this year when compared to the previous year.

Results for the third quarter of 2019 reflected moderate aggregate growth in our core operating segments, offset by losses in non-core segments. Group net income from continuing operations closed the three-month period to September 30, 2019 at US \$21.1 million compared to US \$19.6 million for the same period in 2018; an increase of US \$1.5 million (7.7%). Net income to shareholders from continuing operations was US \$6.3 million compared to US \$7.0 million in Q3 2018. During Q3 2019, Sagicor took a provision of \$2.5 million, representing our maximum potential impact from Hurricane Dorian. During Q3 2018, the Group increased its provisions on the Government of Barbados (GoB) debt; net impact on the net income was US \$16.4 million. Net income from continuing operations in 2018, also benefitted from certain one-time positive earnings releases that did not recur in 2019.

In the statement of financial position as at September 30, 2019, assets amounted to US \$8.1 billion, and liabilities amounted to US \$6.8 billion. Group equity was US \$1,248.8 million, compared to US \$1,135.5 million at December 31, 2018. Shareholders' equity was US \$660.4 million, compared to US \$600.9 million at December 31, 2018. The Group's debt was US \$512.4 million with a debt to capital ratio of 29.1%, compared to 30.2% at December 31, 2018.

On June 4, our shareholders overwhelmingly approved the previously announced transaction with Alignvest Acquisition II Corporation ("AQY"), with 99.5% of shares voting in favour of the transaction. Our shareholders showed further support by electing to receive an aggregate of approximately US \$20 million in cash consideration out of the maximum available US \$205 million we offered to them. As a result, the vast majority of Sagicor's shareholders will continue to retain their investment in Sagicor post the transaction.

Following completion of the Transaction, which is expected to close in the fourth quarter of 2019 subject to customary regulatory approvals, it is expected that Sagicor will retain over

US \$420 million of net cash from the transaction, leaving our company exceptionally well capitalized for future growth.

Effective 30 September 2019, the group acquired 60% of the share capital of Advantage General Insurance Company Limited domiciled in Jamaica for a purchase consideration of US \$31.4 million. The acquired business had no impact on the results for the nine months ended September 2019.

On October 18, 2019 the Government of Barbados (GOB) announced agreement in principle with the External Creditor Committee for the restructuring of its US dollar denominated commercial debt. In consideration of the recently released terms for the restructure of the US dollar denominated commercial debt, management believes that it has fully provided for this exposure.

Sagicor had announced its intention in November 2018 to acquire Scotia Jamaica Life Insurance Company Limited ("Scotiabank Insurance Jamaica") and ScotiaLife Trinidad and Tobago Limited ("Scotiabank Insurance Trinidad and Tobago"). Sagicor and The Bank of Nova Scotia Jamaica Limited have mutually agreed not to proceed with the 20-year distribution agreement for insurance products and solutions in Jamaica. As a result, Sagicor will not proceed with the acquisition of Scotiabank Insurance Jamaica at this time. Sagicor, Alignvest Acquisition II Corporation and Scotiabank Trinidad and Tobago Limited remain parties to a share purchase agreement dated November 27, 2018 (the "Trinidad SPA") pursuant to which Sagicor agreed to establish a 20-year distribution agreement for insurance products and solutions in Trinidad and Tobago, and acquire all of the issued and outstanding shares in the capital of Scotiabank Insurance Trinidad and Tobago, subject to the satisfaction of certain conditions precedent. Sagicor continues to pursue the transactions contemplated in the Trinidad SPA.

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



Stephen McNamara  
Chairman  
November 12, 2019

#### FINANCIAL HIGHLIGHTS

(in US Currency except percentages)

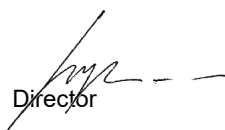
Nine months ended  
SEPTEMBER 30

	2019	2018
Total revenue	\$1,399.0 m	\$1,063.4 m
Overall Group net income	\$79.5 m	\$59.0 m
Overall shareholders' net income	\$33.0 m	\$31.7 m
Net income allocated to non-controlling interests	\$47.3 m	\$35.0 m
Total equity	\$1,248.8 m	\$895.9 m
Book Value per share	\$2.16	\$1.96
Ratio of Debt to Capital	29.1%	31.1%
Earnings per common share	10.6¢	9.3¢
Annualised return to common shareholders' equity	7.1%	6.4%

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<u>Amounts in US \$000</u>	<b>As of September 30, 2019</b> (unaudited)	<b>As of December 31, 2018</b> (audited)
<b>ASSETS</b>		
Investment property	96,160	93,494
Property, plant and equipment	278,981	262,288
Associates and joint ventures	244,000	236,132
Intangible assets	107,995	97,312
Financial investments (note 8)	6,052,166	5,347,663
Reinsurance assets	723,344	714,597
Income tax assets	31,104	54,365
Miscellaneous assets and receivables	193,881	143,647
Cash resources	328,813	358,687
Assets of discontinued operation (note 7)	-	17,239
<b>Total assets</b>	<b>8,056,444</b>	<b>7,325,424</b>
<b>LIABILITIES</b>		
Actuarial liabilities	3,530,701	3,024,464
Other insurance liabilities	300,167	247,577
Investment contract liabilities (note 9)	419,865	390,397
Total policy liabilities	4,250,733	3,662,438
Notes and loans payable (note 10)	512,430	490,275
Lease liabilities (note 15)	17,916	-
Deposits and security liabilities (note 11)	1,728,921	1,674,033
Provisions	67,815	74,287
Income tax liabilities	45,283	48,236
Accounts payable and accrued liabilities	184,540	240,694
<b>Total liabilities</b>	<b>6,807,638</b>	<b>6,189,963</b>
<b>EQUITY</b>		
Share capital	3,064	3,061
Share premium	300,859	300,665
Reserves	(41,277)	(76,995)
Retained earnings	397,724	374,138
Total shareholders' equity	660,370	600,869
Participating accounts	3,423	4,078
Non-controlling interests in subsidiaries	585,013	530,514
<b>Total equity</b>	<b>1,248,806</b>	<b>1,135,461</b>
<b>Total liabilities and equity</b>	<b>8,056,444</b>	<b>7,325,424</b>

These financial statements have been approved for issue by the Board of Directors on November 12, 2019.

  
 Director

  
 Director

The accompanying notes form an integral part of these financial statements.

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

	Nine months to September 30, 2019 (unaudited)	Nine months to September 30, 2018 (unaudited)	Three months to September 30, 2019 (unaudited)	Three months to September 30, 2018 (unaudited)
<u>Amounts in US \$000</u>				
<b>REVENUE</b>				
Premium revenue (note 4)	997,486	789,117	282,073	327,790
Reinsurance premium expense (note 4)	(56,397)	(69,117)	(18,754)	(17,820)
Net premium revenue	941,089	720,000	263,319	309,970
Gain on derecognition of amortised cost investments	2,894	2,747	1,231	651
Gain on derecognition of assets carried at FVOCI	10,472	-	6,942	-
Net investment income (note 5)	320,875	256,680	95,331	91,680
Fees and other revenue	123,644	84,010	39,328	27,857
<b>Total revenue</b>	<b>1,398,974</b>	<b>1,063,437</b>	<b>406,151</b>	<b>430,158</b>
<b>BENEFITS</b>				
Policy benefits and change in actuarial liabilities (note 6)	936,089	519,647	249,364	193,840
Policy benefits and change in actuarial liabilities reinsured (note 6)	(89,528)	(19,807)	(13,501)	33,644
Net policy benefits and change in actuarial liabilities	846,561	499,840	235,863	227,484
Interest costs	41,434	37,541	12,432	11,481
<b>Total benefits</b>	<b>887,995</b>	<b>537,381</b>	<b>248,295</b>	<b>238,965</b>
<b>EXPENSES</b>				
Administrative expenses	242,149	212,579	81,129	73,600
Commissions and related compensation	87,739	79,370	27,443	27,792
Premium and asset taxes	12,335	11,681	2,550	1,865
Finance costs	31,280	26,412	11,287	8,928
Credit impairment losses	(5,529)	96,010	(5,510)	38,183
Depreciation and amortisation	25,833	16,906	8,588	5,672
<b>Total expenses</b>	<b>393,807</b>	<b>442,958</b>	<b>125,487</b>	<b>156,040</b>
(Loss) / gain arising on business combinations, acquisitions and divestitures	(478)	5,267	(131)	(13)
<b>INCOME BEFORE TAXES</b>	<b>116,694</b>	<b>88,365</b>	<b>32,238</b>	<b>35,140</b>
Income taxes	(37,670)	(32,591)	(11,096)	(15,396)
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>79,024</b>	<b>55,774</b>	<b>21,142</b>	<b>19,744</b>

The accompanying notes form an integral part of these financial statements.

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

<u>Amounts in US \$000</u>	<b>Nine months to September 30, 2019</b> (unaudited)	<b>Nine months to September 30, 2018</b> (unaudited)	<b>Three months to September 30, 2019</b> (unaudited)	<b>Three months to September 30, 2018</b> (unaudited)
<b>Net income from continuing operations</b>	79,024	55,774	21,142	19,744
Net income / (loss) from discontinued operation (note 7)	517	3,191	-	(166)
<b>NET INCOME FOR THE PERIOD</b>	<b>79,541</b>	<b>58,965</b>	<b>21,142</b>	<b>19,578</b>
<b>Net income / (loss) is attributable to:</b>				
Common shareholders:				
From continuing operations	32,506	28,541	6,312	6,998
From discontinued operation (note 7)	517	3,191	-	(166)
	33,023	31,732	6,312	6,832
Participating policyholders	(804)	(7,722)	(1,509)	588
Non-controlling interests	47,322	34,955	16,339	12,158
	<b>79,541</b>	<b>58,965</b>	<b>21,142</b>	<b>19,578</b>
<b>Basic earnings per common share:</b>				
From continuing operations	10.6 cents	9.3 cents	2.1 cents	2.3 cents
From discontinued operation	0.2 cents	1.0 cents	0.0 cents	(0.1) cents
	10.8 cents	10.3 cents	2.1 cents	2.2 cents
<b>Fully diluted earnings per common share:</b>				
From continuing operations	10.3 cents	9.1 cents	2.0 cents	2.2 cents
From discontinued operation	0.2 cents	1.0 cents	0.0 cents	(0.1) cents
	10.5 cents	10.1 cents	2.0 cents	2.1 cents

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**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Nine months to September 30, 2019 (unaudited)	Nine months to September 30, 2018 (unaudited)	Three months to September 30, 2019 (unaudited)	Three months to September 30, 2018 (unaudited)
<u>Amounts in US \$000</u>				
<b>NET INCOME FOR THE PERIOD</b>	<b>79,541</b>	<b>58,965</b>	<b>21,142</b>	<b>19,578</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
<b>Items net of tax that may be reclassified subsequently to income:</b>				
Financial assets measured at fair value through other comprehensive income:				
Gains / (losses) on revaluation	151,001	(57,623)	31,550	7,490
(Gains) / losses transferred to income	(6,683)	(964)	(5,578)	785
Net change in actuarial liabilities	(84,294)	27,297	(20,188)	(2,577)
Retranslation of foreign currency operations	(21,267)	(34,946)	(13,614)	(17,164)
	<b>38,757</b>	<b>(66,236)</b>	<b>(7,830)</b>	<b>(11,466)</b>
<b>Items net of tax that will not be reclassified subsequently to income:</b>				
(Losses)/gains arising on revaluation of owner occupied property				
	(2,423)	816	541	(16)
Net gains on equity securities designated at fair value through other comprehensive income				
	18	(173)	-	(200)
Losses on defined benefit plans				
	13	-	13	2,500
	(2,392)	643	554	2,284
<b>Other comprehensive income/(loss) from continuing operations</b>	<b>36,365</b>	<b>(65,593)</b>	<b>(7,276)</b>	<b>(9,182)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>	<b>115,906</b>	<b>(6,628)</b>	<b>13,866</b>	<b>10,396</b>
<b>Total comprehensive income / (loss) is attributable to:</b>				
Common shareholders:				
From continuing operations	62,429	(10,035)	4,976	2,941
From discontinued operation	517	3,191	-	(166)
	62,946	(6,844)	4,976	2,775
Participating policyholders	(505)	(8,307)	(1,830)	754
Non-controlling interests	53,465	8,523	10,720	6,867
	<b>115,906</b>	<b>(6,628)</b>	<b>13,866</b>	<b>10,396</b>

The accompanying notes form an integral part of these financial statements.

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<u>Amounts in US \$000</u>	<b>Share Capital</b> (unaudited)	<b>Share Premium</b> (unaudited)	<b>Reserves</b> (unaudited)	<b>Retained earnings</b> (unaudited)	<b>Total Shareholders' Equity</b> (unaudited)
<b>Nine months to September 30, 2019</b>					
Balance as of December 31, 2018	3,061	300,665	(76,995)	374,138	600,869
Total comprehensive income:					
From continuing operations	-	-	29,913	32,516	62,429
From discontinued operation	-	-	-	517	517
Transactions with holders of equity instruments:					
Movements in treasury shares	3	194	-	-	197
Changes in reserve for equity compensation benefits	-	-	5,303	-	5,303
Acquisition/disposal of subsidiary and insurance business	-	-	-	-	-
Dividends declared	-	-	-	(7,658)	(7,658)
Transfers and other movements	-	-	502	(1,789)	(1,287)
Balance as of September 30, 2019	<b>3,064</b>	<b>300,859</b>	<b>(41,277)</b>	<b>397,724</b>	<b>660,370</b>

The accompanying notes form an integral part of these financial statements.

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<u>Amounts in US \$000</u>	<b>Total Shareholders' Equity</b> (unaudited)	<b>Participating Accounts</b> (unaudited)	<b>Non-controlling interests</b> (unaudited)	<b>Total Equity</b> (unaudited)
<b>Nine months to September 30, 2019</b>				
Balance as of December 31, 2018	600,869	4,078	530,514	1,135,461
Total comprehensive income:				
From continuing operations	62,429	(505)	53,465	115,389
From discontinued operation	517	-	-	517
Transactions with holders of equity instruments:				
Movements in treasury shares	197	-	-	197
Changes in reserve for equity compensation benefits	5,303	-	-	5,303
Acquisition/disposal of subsidiary and insurance business	-	-	14,911	14,911
Dividends declared	(7,658)	-	(11,915)	(19,573)
Transfers and other movements	(1,287)	(150)	(1,962)	(3,399)
Balance as of September 30, 2019	<b>660,370</b>	<b>3,423</b>	<b>585,013</b>	<b>1,248,806</b>

The accompanying notes form an integral part of these financial statements.



**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total Shareholders' Equity</b>
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Nine months to September 30, 2018</b>					
Balance as of December 31, 2017	3,059	300,470	(47,482)	367,327	623,374
Prior period adjustment to actuarial liabilities	-	-	94	1,124	1,218
Transition adjustment on adoption of IFRS 9	-	-	(217)	(10,442)	(10,659)
Balance as restated	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	<b>3,059</b>	<b>300,471</b>	<b>(87,911)</b>	<b>382,488</b>	<b>598,107</b>

The accompanying notes form an integral part of these financial statements.

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Total Shareholders' Equity</b> (unaudited)	<b>Participating Accounts</b> (unaudited)	<b>Non-controlling Interests</b> (unaudited)	<b>Total Equity</b> (unaudited)
<u>Amounts in US \$000</u>				
<b>Nine months to September 30, 2018</b>				
Balance as of December 31, 2017	623,374	865	308,089	932,328
Prior period adjustment to actuarial liabilities	1,218	-	3,677	4,895
Transition adjustment on adoption of IFRS 9	(10,659)	(2,930)	(2,352)	(15,941)
Balance as restated	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	<b>598,107</b>	<b>(10,528)</b>	<b>308,274</b>	<b>895,853</b>

The accompanying notes form an integral part of these financial statements.

**SAGICOR FINANCIAL CORPORATION LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<u>Amounts in US \$000</u>	<b>Nine months to September 30, 2019</b> (unaudited)	<b>Nine months to September 30, 2018</b> (unaudited)
<b>OPERATING ACTIVITIES</b>		
Income before taxes	116,694	88,365
Adjustments for non-cash items, interest and dividends (note 14)	179,051	(90)
Interest and dividends received	244,997	229,450
Interest paid	(77,620)	(60,108)
Income taxes paid	(43,513)	(23,446)
Net change in investments and operating assets (note 14)	(465,327)	(304,492)
Net change in operating liabilities (note 14)	61,181	156,746
<b>Net cash flows - operating activities</b>	<b>15,463</b>	<b>86,425</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment, net (note 14)	(6,746)	(7,748)
Associates and joint ventures, net	-	(146)
Dividends received from associates and joint ventures	480	440
Purchase of intangible assets	(2,574)	(2,817)
Acquisition of subsidiaries, net of cash and cash equivalents	(30,020)	(2,697)
Sale of subsidiaries	-	(14,109)
<b>Net cash flows - investing activities</b>	<b>(38,860)</b>	<b>(27,077)</b>
<b>FINANCING ACTIVITIES</b>		
Movement in treasury shares	(371)	-
Redemption of SFC preference share	-	(1)
Shares (purchased from) / issued to non-controlling interest	(2,676)	2,056
Notes and loans payable, net (note 14)	33,241	(6,386)
Principal elements of lease payments	(5,478)	-
Dividends paid to common shareholders	(7,519)	(7,491)
Dividends paid to non-controlling interest	(11,915)	(10,237)
<b>Net cash flows - financing activities</b>	<b>5,282</b>	<b>(22,059)</b>
<b>Effect of exchange rate changes</b>	<b>(7,411)</b>	<b>(8,490)</b>
<b>Net change in cash and cash equivalents - continuing operations</b>	<b>(25,526)</b>	<b>28,799</b>
Net change in cash and cash equivalents – discontinued operation	17,756	-
Cash and cash equivalents, beginning of period	321,561	338,349
<b>Cash and cash equivalents, end of period</b>	<b>313,791</b>	<b>367,148</b>

The accompanying notes form an integral part of these financial statements.

## SAGICOR FINANCIAL CORPORATION LIMITED

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

#### 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 2018 annual consolidated financial statements and the accompanying notes included in pages 96 to 243 of the Annual Report for 2018. 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 2018 annual consolidated financial statements. The principle accounting policies are described in note 2 of those annual consolidated financial statements.

##### 2.1 Adoption of IFRS 16 Leases

Effective January 1, 2019, the Sagicor Group adopted IFRS 16. The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Reclassifications and adjustments arising from the new leasing rules are therefore recognised on January 1, 2019 (see note 15).

This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The Group has adopted the following accounting policies in accordance with the requirements of the new standard.

##### (a) Leases held as lessor

The Group holds 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. Impairment of finance lease receivables is measured in accordance with the requirements for amortised cost debt instruments.

The Group holds operating leases primarily for the rental of investment property and certain owner-occupied property. The Group recognises revenue from these activities on a straight-line basis or on another systematic basis if that basis is more representative of the pattern of use of the underlying asset.

##### (b) Leases held as lessee

At the inception of a rental contract for office space or a contract for the use of an asset, the Group assess whether the contract contains a lease. A contract is, or contains, a lease if it conveys to the Group the right to control the use of the office space or asset for a time period in exchange for consideration. The Group has elected to use the exemption for lease periods with a term of 12 months or less, or those whose underlying asset has a low value, in which case the lease payments are recognised in administrative expenses.

**SAGICOR FINANCIAL CORPORATION LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**2. ACCOUNTING POLICIES (continued)**

**2.1 Adoption of IFRS 16 Leases (continued)**

For a contract that is, or contains, a lease, the Group accounts for the lease component separately from the non-lease component. As a practical expedient, the Group elected, by class of underlying asset, not to separate the non-lease and lease components, and instead account for the contract as a lease.

As of the date the asset is available for use by the Group (the commencement date), a right-of-use asset and a lease liability are recognised.

The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Group recognises the costs described in paragraph(d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

Right-of-use assets are presented within property, plant and equipment and are subsequently measured at cost less depreciation.

At the commencement date, the Group measures the lease liability as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group company uses its incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments, less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the lease liability is measured by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect reassessment or lease modifications, or to reflect revised fixed lease payments.

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**2. ACCOUNTING POLICIES (continued)**

**2.1 Adoption of IFRS 16 Leases (continued)**

The Group recognises interest on the lease liability in each accounting period during the lease term which is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Lease liabilities are included in lease liabilities in the condensed consolidated statement of financial position. The associated interest is included in finance costs in the condensed consolidated statement of income. Leases give rise to lease liability principal payments and interest payments in the condensed consolidated statement of cash flows.

**2.2 Exchange rates**

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

	<b>Closing rates as of September 30, 2019</b>	<b>Closing rates as of December 31, 2018</b>	<b>Average rates for the nine months to September 30, 2019</b>	<b>Average rates for the three months to September 30, 2019</b>	<b>Average rates for the nine months to September 30, 2018</b>	<b>Average rates for the three months to September 2018</b>
Barbados dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	134.4584	127.3996	131.7810	134.4420	128.1390	133.3262
Trinidad & Tobago dollar	6.7328	6.7804	6.7526	6.7424	6.7442	6.7484
Pound sterling	0.81170	0.78310	0.78294	0.80770	0.73872	0.76310

**SAGICOR FINANCIAL CORPORATION LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**3. 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, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands and Costa Rica.
- 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 2018. Segmented financial information is set out in the sections 3.1 to 3.5.

**3.1 Statement of income from continuing operations by reportable operating segment**

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Nine months to September 30, 2019</b>						
Net premium revenue	283,195	256,446	373,755	27,693	-	941,089
Net gain/(losses) on derecognition of amortised cost investments	(23)	2,947	(30)	-	-	2,894
Net gains/(losses) on derecognition of assets carried at FVOCI	3,262	6,160	1,043	-	7	10,472
Interest income	58,686	121,501	54,440	2,702	-	237,329
Other investment income	6,894	46,523	30,752	(378)	(245)	83,546
Fees and other revenue	6,087	109,183	(1,484)	11,345	(1,487)	123,644
Inter-segment revenues	14,830	-	-	23,175	(38,005)	-
<b>Total revenue</b>	<b>372,931</b>	<b>542,760</b>	<b>458,476</b>	<b>64,537</b>	<b>(39,730)</b>	<b>1,398,974</b>
Net policy benefits	165,311	160,711	82,890	18,617	-	427,529
Net change in actuarial liabilities	59,559	59,332	295,591	-	4,550	419,032
Interest costs	11,888	23,845	5,322	379	-	41,434
Administrative expenses	57,203	127,614	25,232	30,296	1,804	242,149
Commissions and premium and asset taxes	34,508	37,036	20,886	7,644	-	100,074
Finance costs	58	5,090	380	(36)	25,788	31,280
Credit impairment losses	(1,804)	(3,388)	(137)	(200)	-	(5,529)
Depreciation and amortisation	5,273	14,864	3,466	2,230	-	25,833
Inter-segment expenses	3,663	1,552	893	14,316	(20,424)	-
<b>Total benefits and expenses</b>	<b>335,659</b>	<b>426,656</b>	<b>434,523</b>	<b>73,246</b>	<b>11,718</b>	<b>1,281,802</b>
Loss arising on business combinations and acquisitions	(478)	-	-	-	-	(478)
Segment income / (loss) before taxes	<b>36,794</b>	<b>116,104</b>	<b>23,953</b>	<b>(8,709)</b>	<b>(51,448)</b>	<b>116,694</b>
Income taxes	(6,098)	(24,899)	(5,030)	(1,698)	55	(37,670)
<b>Net income - continuing operations</b>	<b>30,696</b>	<b>91,205</b>	<b>18,923</b>	<b>(10,407)</b>	<b>(51,393)</b>	<b>79,024</b>
Net income / (loss) attributable to shareholders from continuing operations	31,500	43,153	18,923	(35,465)	(25,605)	32,506
Total comprehensive income / (loss) attributable to shareholders from continuing operations	40,454	49,443	31,549	(33,804)	(25,213)	62,429

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FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

3. SEGMENTS (continued)

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

<u>Amounts in US \$000</u>						
Nine months to September 30, 2018	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	230,768	224,397	238,525	26,310	-	720,000
Net gain/(losses) on derecognition of amortised cost investments	-	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	7,476	71,000	(8,482)	13,868	148	84,010
Inter-segment revenues	11,349	-	-	39,045	(50,394)	-
<b>Total revenue</b>	<b>312,594</b>	<b>437,684</b>	<b>278,259</b>	<b>85,809</b>	<b>(50,909)</b>	<b>1,063,437</b>
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 costs	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	1,415	478	10,908	(14,694)	-
<b>Total benefits and expenses</b>	<b>284,353</b>	<b>345,465</b>	<b>263,449</b>	<b>73,296</b>	<b>13,776</b>	<b>980,339</b>
Gain arising on business combinations and acquisitions	5,738	-	-	(471)	-	5,267
<b>Segment income/(loss) before taxes</b>	<b>33,979</b>	<b>92,219</b>	<b>14,810</b>	<b>12,042</b>	<b>(64,685)</b>	<b>88,365</b>
Income taxes	(7,584)	(21,297)	(3,111)	(797)	198	(32,591)
<b>Net income - continuing operations</b>	<b>26,395</b>	<b>70,922</b>	<b>11,699</b>	<b>11,245</b>	<b>(64,487)</b>	<b>55,774</b>
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)



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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

3. SEGMENTS (continued)

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

<u>Amounts in US \$000</u>						
Three months to September 30, 2019	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	94,190	94,912	65,036	9,181	-	263,319
Net gain/(losses) on derecognition of amortised cost investments	(65)	1,311	(15)	-	-	1,231
Net gain/(losses) on derecognition of assets carried at FVOCI	2,763	3,912	268	-	(1)	6,942
Interest income	19,415	40,873	18,355	721	-	79,364
Other investment income	1,882	12,558	2,766	(1,069)	(170)	15,967
Fees and other revenue	3,038	35,531	(433)	3,000	(1,808)	39,328
Inter-segment revenues	5,176	-	-	1,688	(6,864)	-
<b>Total revenue</b>	<b>126,399</b>	<b>189,097</b>	<b>85,977</b>	<b>13,521</b>	<b>(8,843)</b>	<b>406,151</b>
Net policy benefits	57,046	60,066	26,904	8,215	-	152,231
Net change in actuarial liabilities	19,175	22,397	37,510	-	4,550	83,632
Interest costs	4,007	7,004	1,292	129	-	12,432
Administrative expenses	19,686	42,721	7,780	10,477	465	81,129
Commissions and premium and asset taxes	12,827	10,093	4,800	2,273	-	29,993
Finance costs	36	2,322	112	(30)	8,847	11,287
Credit impairment losses	(735)	(4,226)	(426)	(123)	-	(5,510)
Depreciation and amortisation	1,720	5,005	1,125	738	-	8,588
Inter-segment expenses	2,615	494	(753)	4,940	(7,296)	-
<b>Total benefits and expenses</b>	<b>116,377</b>	<b>145,876</b>	<b>78,344</b>	<b>26,619</b>	<b>6,566</b>	<b>373,782</b>
Loss arising on business combinations and acquisitions	(131)	-	-	-	-	(131)
Segment income/(loss) before taxes	<b>9,891</b>	<b>43,221</b>	<b>7,633</b>	<b>(13,098)</b>	<b>(15,409)</b>	<b>32,238</b>
Income taxes	(893)	(8,070)	(1,603)	(579)	49	(11,096)
<b>Net income - continuing operations</b>	<b>8,998</b>	<b>35,151</b>	<b>6,030</b>	<b>(13,677)</b>	<b>(15,360)</b>	<b>21,142</b>
Net income / (loss) attributable to shareholders from continuing operations	10,507	18,416	6,030	(22,130)	(6,511)	6,312
Total comprehensive income / (loss) attributable to shareholders from continuing operations	12,907	12,863	6,339	(20,884)	(6,249)	4,976

SAGICOR FINANCIAL CORPORATION LIMITED

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

3. SEGMENTS (continued)

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

<u>Amounts in US \$000</u>						
Three months to September 30, 2018	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
Net premium revenue	77,080	77,432	146,448	9,010	-	309,970
Net gain/(losses) on derecognition of amortised cost investments	-	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
Inter-segment revenues	3,875	-	-	866	(4,741)	-
<b>Total revenue</b>	<b>102,869</b>	<b>152,303</b>	<b>163,045</b>	<b>16,215</b>	<b>(4,274)</b>	<b>430,158</b>
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 costs	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)	508	1,048	3,611	(4,989)	-
<b>Total benefits and expenses</b>	<b>99,215</b>	<b>117,343</b>	<b>147,712</b>	<b>24,954</b>	<b>5,781</b>	<b>395,005</b>
Gain arising on business combinations and acquisitions	458	-	-	(471)	-	(13)
<b>Segment income/(loss) before taxes</b>	<b>4,112</b>	<b>34,960</b>	<b>15,333</b>	<b>(9,210)</b>	<b>(10,055)</b>	<b>35,140</b>
Income taxes	(2,446)	(9,280)	(3,221)	(380)	(69)	(15,396)
<b>Net income - continuing operations</b>	<b>1,666</b>	<b>25,680</b>	<b>12,112</b>	<b>(9,590)</b>	<b>(10,124)</b>	<b>19,744</b>
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

**SAGICOR FINANCIAL CORPORATION LIMITED**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**3. SEGMENTS (continued)**

**3.2 Statement of financial position by reportable operating segment**

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>As of September 30, 2019</b>						
Financial investments	1,396,401	2,627,660	1,950,328	77,777	-	6,052,166
Other external assets	331,744	769,826	721,436	181,272	-	2,004,278
Inter-segment assets	313,325	14,696	61,987	131,853	(521,861)	-
<b>Total assets</b>	<b>2,041,470</b>	<b>3,412,182</b>	<b>2,733,751</b>	<b>390,902</b>	<b>(521,861)</b>	<b>8,056,444</b>
Policy liabilities	1,335,573	863,766	1,974,344	77,050	-	4,250,733
Other external liabilities	72,609	1,632,438	379,661	472,197	-	2,556,905
Inter-segment liabilities	117,196	5,257	100,835	298,573	(521,861)	-
<b>Total liabilities</b>	<b>1,525,378</b>	<b>2,501,461</b>	<b>2,454,840</b>	<b>847,820</b>	<b>(521,861)</b>	<b>6,807,638</b>
<b>Net assets</b>	<b>516,092</b>	<b>910,721</b>	<b>278,911</b>	<b>(456,918)</b>	<b>-</b>	<b>1,248,806</b>

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>As of December 31, 2018</b>						
Financial investments	1,418,031	2,344,113	1,499,927	85,592	-	5,347,663
Other external assets	324,345	745,357	727,401	163,419	-	1,960,522
Assets of discontinued operation	-	-	-	17,239	-	17,239
Inter-segment assets	266,094	14,976	65,754	109,595	(456,419)	-
<b>Total assets</b>	<b>2,008,470</b>	<b>3,104,446</b>	<b>2,293,082</b>	<b>375,845</b>	<b>(456,419)</b>	<b>7,325,424</b>
Policy liabilities	1,235,415	753,793	1,602,601	70,629	-	3,662,438
Other external liabilities	160,824	1,526,230	373,901	466,570	-	2,527,525
Inter-segment liabilities	124,122	5,617	70,085	256,595	(456,419)	-
<b>Total liabilities</b>	<b>1,520,361</b>	<b>2,285,640</b>	<b>2,046,587</b>	<b>793,794</b>	<b>(456,419)</b>	<b>6,189,963</b>
<b>Net assets</b>	<b>488,109</b>	<b>818,806</b>	<b>246,495</b>	<b>(417,949)</b>	<b>-</b>	<b>1,135,461</b>

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	Nine months to September 30, 2019	Nine months to September 30, 2018	Three months to September 30, 2019	Three months to September 30, 2018
Life, health and annuity insurance contracts issued to individuals	924,978	669,307	247,042	299,460
Life, health and annuity insurance and pension administration contracts issued to groups	238,819	210,171	91,009	70,608
Property and casualty insurance	38,283	34,706	11,661	11,211
Banking, investment management and other financial services	134,756	127,162	44,013	41,833
Hotel, farming and unallocated revenues	62,138	22,091	12,426	7,046
<b>Total revenue</b>	<b>1,398,974</b>	<b>1,063,437</b>	<b>406,151</b>	<b>430,158</b>

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Nine months to September 30, 2019	Nine months to September 30, 2018	Three months to September 30, 2019	Three months to September 30, 2018
Barbados	128,945	129,781	42,258	43,348
Jamaica	487,233	415,532	171,889	142,944
Trinidad and Tobago	151,101	122,845	56,331	39,452
Other Caribbean	144,061	117,657	41,926	41,201
USA	487,634	277,622	93,747	163,213
<b>Total revenue</b>	<b>1,398,974</b>	<b>1,063,437</b>	<b>406,151</b>	<b>430,158</b>

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. SEGMENTS (continued)**

**3.5 Revenues from service contracts with customers**

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

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Nine months to September 30, 2019</b>						
Revenue from contracts with customers:						
Products transferred at a point in time	-	44,415	162	-	-	44,577
Products and services transferred over time	5,894	52,820	-	-	-	58,714
<b>Total included in fees and other revenue</b>	<b>5,894</b>	<b>97,235</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>103,291</b>
<b>Nine months to September 30, 2018</b>						
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
<b>Total included in fees and other revenue</b>	<b>5,748</b>	<b>50,967</b>	<b>175</b>	<b>(7)</b>	<b>-</b>	<b>56,883</b>

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**3. SEGMENTS (continued)**

**3.5 Revenues from service contracts with customers (continued)**

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

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Three months to September 30, 2019</b>						
Revenue from contracts with customers:						
Products transferred at a point in time	-	16,320	51	-	-	16,371
Products and services transferred over time	1,849	16,296	-	-	-	18,145
Total included in fees and other revenue	1,849	32,616	51	-	-	34,516
<b>Three months to September 30, 2018</b>						
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

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**4. PREMIUM REVENUE**

<u>Amounts in US \$000</u>	<b>Gross premium</b>		<b>Ceded to reinsurers</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Nine months to September 30,</b>				
Life insurance	340,926	325,608	22,084	23,501
Annuity	466,773	285,034	182	15,824
Health insurance	132,671	125,702	4,697	3,350
Property and casualty insurance	57,116	52,773	29,434	26,442
<b>Total premium revenue</b>	<b>997,486</b>	<b>789,117</b>	<b>56,397</b>	<b>69,117</b>
<u>Amounts in US \$000</u>	<b>Gross premium</b>		<b>Ceded to reinsurers</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Three months to September 30,</b>				
Life insurance	116,645	107,710	7,231	7,789
Annuity	103,004	159,820	119	63
Health insurance	43,242	42,108	1,393	821
Property and casualty insurance	19,182	18,152	10,011	9,147
<b>Total premium revenue</b>	<b>282,073</b>	<b>327,790</b>	<b>18,754</b>	<b>17,820</b>

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**5. NET INVESTMENT INCOME**

<u>Amounts in US \$000</u>	<b>Nine months to September 30, 2019</b>	<b>Nine months to September 30, 2018</b>	<b>Three months to September 30, 2019</b>	<b>Three months to September 30, 2018</b>
<b>Income from financial investments</b>				
Interest income (amortised cost):				
Debt securities	61,063	61,163	20,691	20,726
Mortgage loans	15,335	13,065	5,456	4,258
Policy loans	7,853	7,457	2,668	2,505
Finance loans and finance leases	45,754	46,531	15,090	14,434
Securities purchased for resale	169	1,040	60	323
Deposits	1,026	1,901	219	554
	<b>131,200</b>	<b>131,157</b>	<b>44,184</b>	<b>42,800</b>
Interest Income (FVOCI): Debt Securities	96,874	84,202	31,821	28,425
FVTPL investments:				
Fair value changes and interest income from debt securities	18,843	11,128	6,046	7,287
Fair value changes and dividend income from equity securities	42,471	18,981	13,263	10,395
Fair value changes and interest income from mortgage securities	1,996	183	491	(585)
Fair value changes and income from other items	21,747	8,642	136	6,235
	<b>85,057</b>	<b>38,934</b>	<b>19,936</b>	<b>23,332</b>
<b>Total income from financial investments</b>	<b>313,131</b>	<b>254,293</b>	<b>95,941</b>	<b>94,557</b>
Investment property income and fair value gains / (losses)	6,586	3,746	1,380	833
Share of operating income of associates and joint venture	8,796	1,499	100	(2,135)
Other investment income	618	277	576	82
	<b>329,131</b>	<b>259,815</b>	<b>97,997</b>	<b>93,337</b>
<b>Investment expenses:</b>				
Direct operating expenses of investment property	6,841	1,567	2,244	625
Other direct investment expenses	1,415	1,568	422	1,032
	<b>8,256</b>	<b>3,135</b>	<b>2,666</b>	<b>1,657</b>
<b>Net Investment income</b>	<b>320,875</b>	<b>256,680</b>	<b>95,331</b>	<b>91,680</b>



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**6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES**

<u>Amounts in US \$000</u>	<b>Gross benefit</b>		<b>Ceded to reinsurers</b>	
<b>Nine months to September 30,</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Life insurance benefits	176,169	180,121	8,794	13,841
Annuity benefits	200,636	176,985	61,333	52,812
Health insurance benefits	105,011	96,811	2,777	2,656
Property and casualty claims	21,503	19,188	2,886	6,049
<b>Total policy benefits</b>	<b>503,319</b>	<b>473,105</b>	<b>75,790</b>	<b>75,358</b>
Change in actuarial liabilities	432,770	46,542	13,738	(55,551)
<b>Total policy benefits and change in actuarial liabilities</b>	<b>936,089</b>	<b>519,647</b>	<b>89,528</b>	<b>19,807</b>

<u>Amounts in US \$000</u>	<b>Gross benefit</b>		<b>Ceded to reinsurers</b>	
<b>Three months to September 30,</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Life insurance benefits	58,248	64,422	(632)	3,881
Annuity benefits	69,332	64,096	19,179	19,462
Health insurance benefits	36,094	31,495	1,110	2,724
Property and casualty claims	8,399	5,630	185	863
<b>Total policy benefits</b>	<b>172,073</b>	<b>165,643</b>	<b>19,842</b>	<b>26,930</b>
Change in actuarial liabilities	77,291	28,197	(6,341)	(60,574)
<b>Total policy benefits and change in actuarial liabilities</b>	<b>249,364</b>	<b>193,840</b>	<b>13,501</b>	<b>(33,644)</b>

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

The movement in price adjustments were as follows:

<u>Amounts in US \$000</u>	<b>Period to September 30, 2019</b>
<b>Liability of discontinued operation:</b>	
Estimated amount receivable December 31, 2017	(10,110)
Experience gain for the nine months to September 30, 2018	(3,586)
Net currency movements for nine months to September 30, 2018	395
Estimated receivable September 30, 2018	(13,301)
Experience gain for the three months to December 31, 2018	(4,215)
Net currency movements to December 31, 2018	277
Estimated amount receivable December 31, 2018	(17,239)
Experience loss for the nine months to September 30, 2019	-
Final payment received	17,756
Net currency movements to September 30, 2019	(517)
Estimated amount receivable September 30, 2019	-

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8. FINANCIAL INVESTMENTS

Analysis of financial investments

<u>Amounts in US \$000</u>	September 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets at fair value through other comprehensive income</b>				
Debt securities	3,114,039	3,114,039	2,633,633	2,633,633
Equity securities	45	45	271	271
	<b>3,114,084</b>	<b>3,114,084</b>	<b>2,633,904</b>	<b>2,633,904</b>
<b>Financial assets at fair value through profit and loss</b>				
Debt securities	234,283	234,283	198,807	198,807
Equity securities	334,925	334,925	267,234	267,234
Derivative financial instruments	30,141	30,141	7,696	7,696
Mortgage loans	29,710	29,710	30,143	30,143
Deposits	-	-	8	8
	<b>629,059</b>	<b>629,059</b>	<b>503,888</b>	<b>503,888</b>
<b>Investments at amortised cost (loans and receivables):</b>				
Debt securities	1,142,376	1,307,524	1,097,041	1,219,042
Mortgage loans	352,194	352,548	337,020	336,873
Policy loans	150,336	176,668	147,046	171,421
Finance loans and finance leases	562,857	564,408	514,486	500,261
Securities purchased for re-sale	24,106	24,106	7,170	7,170
Deposits	77,154	77,154	107,108	107,108
	<b>2,309,023</b>	<b>2,502,408</b>	<b>2,209,871</b>	<b>2,341,875</b>
<b>Total financial investments</b>	<b>6,052,166</b>	<b>6,245,551</b>	<b>5,347,663</b>	<b>5,479,667</b>
<b>Non-derivative financial assets at fair value through profit or loss:</b>				
Assets designated at fair value upon initial recognition	595,300	595,300	488,557	488,557
Assets held for trading	3,618	3,618	7,635	7,635
	<b>598,918</b>	<b>598,918</b>	<b>496,192</b>	<b>496,192</b>

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**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>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>At amortised cost:</b>				
Deposit administration liabilities	114,244	114,244	110,585	110,585
Other investment contracts	143,790	143,790	130,670	130,669
	258,034	258,034	241,255	241,254
<b>At fair value through income:</b>				
Unit linked deposit administration liabilities	161,831	161,831	149,142	149,142
<b>Total investment contract liabilities</b>	<b>419,865</b>	<b>419,865</b>	<b>390,397</b>	<b>390,396</b>

**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>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair Value</b>
<b>Liabilities at amortised cost:</b>				
8.875% senior notes due 2022	313,444	334,670	318,910	334,625
8.25% convertible redeemable preference shares due 2020 (a)	-	-	11,115	11,105
5.10% unsecured bond due 2020 (b)	33,633	34,042	-	-
5.95% unsecured bond due 2020 (c)	42,116	44,398	-	-
4.85% notes due 2019 (d)	-	-	75,039	74,124
5.00% notes due 2020 (e)	16,615	16,615	-	-
6.75% notes due 2024 (e)	16,351	16,351	-	-
Mortgage loans	75,506	77,671	76,952	76,952
Bank loans and other funding instruments (f)	14,765	14,765	8,259	8,259
	<b>512,430</b>	<b>538,512</b>	<b>490,275</b>	<b>505,065</b>

(a) On March 2, 2017, Sagicor Bank Jamaica Limited issued cumulative redeemable preference shares with a tenor of three (3) years at 8.25% interest per annum. These were redeemed June 3, 2019.

(b) On September 18 and 26, 2019, Sagicor Financial Corporation Limited issued US\$30.6 million and US\$3.4 million notes respectively, carrying an annual rate of 5.10% with a maturity date of October 26, 2020.

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**10. NOTES AND LOANS PAYABLE (continued)**

- (c) On September 26, 2019, Sagicor Financial Corporation Limited issued Jamaican \$ notes in the amount of J\$5,731,140,000.00 carrying an annual interest rate of 5.95% per annum with a maturity date of October 26, 2020.
- (d) On August 12, 2019, Sagicor Financial Corporation Limited entered into a US\$76.0 million bridging loan carrying an annual interest rate of 5.1% per annum, this loan was repaid from the proceeds of the notes in (b) and (c) above. Also on August 12, 2019, Sagicor Financial Corporation Limited used the bridging loan to repay the US\$75 million 4.85% notes which were due to mature on August 14, 2019.
- (e) On August 16, 2019, Sagicor Investments Jamaica Limited issued J\$4.4 billion in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying an annual rate of 5.00% and 6.75% with a maturity date of September 16, 2020 and August 16, 2024 respectively.
- (f) On May 24, 2019 Sagicor General Insurance Inc entered into a US\$12 million loan agreement. The interest rate is 3.50% per annum and matures on July 31, 2024.

<b>Movement for the nine months to September 30,</b>	<b>2019</b>	<b>2018</b>
<u>Amounts in US \$000</u>		
Balance, beginning of year	490,275	413,805
Additions:		
Gross Principal	121,389	553
less Expenses	(967)	-
	120,422	553
Repayments:		
Principal	(87,181)	(6,939)
Interest	(34,611)	(31,162)
	(121,792)	(38,101)
Finance leases reclassified to lease liabilities	(4,255)	-
Transfer from related party	-	2,713
Amortisation during the year	1,931	1,625
Accrued Interest	27,927	24,742
Effects of exchange rate changes	(2,078)	(984)
Balance, end of the period	<b>512,430</b>	<b>404,353</b>

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**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>	<b>September 30, 2019</b>		<b>December 31, 2018</b>	
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>At amortised cost:</b>				
Other funding instruments	370,133	370,288	461,572	462,223
Customer deposits	764,517	749,366	721,634	726,136
Securities sold for re-purchase	563,954	562,953	423,772	423,790
Bank overdrafts	5,316	5,316	2,158	2,158
	<b>1,703,920</b>	<b>1,687,923</b>	<b>1,609,136</b>	<b>1,614,307</b>
<b>At fair value through income:</b>				
Structured products	24,692	24,692	64,650	64,650
Derivative financial instruments	309	309	247	247
	<b>25,001</b>	<b>25,001</b>	<b>64,897</b>	<b>64,897</b>
<b>Total deposit and security liabilities</b>	<b>1,728,921</b>	<b>1,712,924</b>	<b>1,674,033</b>	<b>1,679,204</b>

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**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>	<u>As of September 30, 2019</u>	<u>As of December 31, 2018</u>
	<u>Level 3</u>	<u>Level 3</u>
Investment property	96,160	93,494
Owner-occupied lands	35,232	35,232
Owner-occupied land and buildings	172,427	168,371
<b>Total properties</b>	<b>303,819</b>	<b>297,097</b>

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**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 period.

<u>Amounts in US \$000</u>	Nine months to September 30, 2019			December 31, 2018	
	Investment property	Owner- occupied lands	Owner- occupied land and buildings	Total	Total
Balance, beginning of period	93,494	35,232	168,371	297,097	194,513
Additions	59	-	706	765	2,566
Assumed on acquisition	5,576	-	6,645	12,221	119,627
Transfers in / (out)	-	-	-	-	(125)
Fair value changes recorded in net investment income	(1,910)	-	-	(1,910)	(1,090)
Fair value changes recorded in other comprehensive income	-	-	-	-	(226)
Depreciation	-	-	(2,600)	(2,600)	(1,879)
Disposals and divestitures	-	-	(142)	(142)	(11,899)
Effect of exchange rate changes	(1,059)	-	(553)	(1,612)	(4,390)
Balance, end of period	<b>96,160</b>	<b>35,232</b>	<b>172,427</b>	<b>303,819</b>	297,097

**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.



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

**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, a credit 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 estimated using inputs that are not based on observable market data.

Level 3 fair value through other comprehensive income securities include 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 and loss include mortgage loans, 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.

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

**12.2 Financial instruments carried at fair value (continued)**

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:

<u>Amounts in US \$000</u>	<b>As of September 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through other comprehensive income:</b>				
Debt securities	503,756	2,610,283	-	3,114,039
Equity securities	-	-	45	45
	503,756	2,610,283	45	3,114,084
<b>Financial assets at fair value through profit and loss:</b>				
Debt securities	21,146	97,784	115,353	234,283
Equity securities	54,439	256,173	24,313	334,925
Derivative financial instruments	-	309	29,832	30,141
Mortgage loans	-	-	29,710	29,710
	75,585	354,266	199,208	629,059
<b>Total assets</b>	<b>579,341</b>	<b>2,964,549</b>	<b>199,253</b>	<b>3,743,143</b>
<b>Total assets by percentage</b>	16%	79%	5%	100%
<b>Investment contracts:</b>				
Unit linked deposit administration liabilities	-	-	161,831	161,831
	-	-	161,831	161,831
<b>Deposit and security liabilities:</b>				
Structured products	-	-	24,692	24,692
Derivative financial instruments	-	309	-	309
	-	309	24,692	25,001
<b>Total liabilities</b>	<b>-</b>	<b>309</b>	<b>186,523</b>	<b>186,832</b>
<b>Total liabilities by percentage</b>	0%	0%	100%	100%

Transfers from Level 1 to Level 2 in the nine months to September 30, 2019 – Nil.

Transfers from Level 2 to Level 1 in the nine months to September 30, 2019 – Nil.

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

**12.2 Financial instruments carried at fair value (continued)**

<u>Amounts in US \$000</u>	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>FVOCI securities:</b>				
Debt securities	646,960	1,986,673	-	2,633,633
Equity securities	223	-	48	271
	647,183	1,986,673	48	2,633,904
<b>FVTPL investments:</b>				
Debt securities	15,949	104,332	78,526	198,807
Equity securities	32,677	210,290	24,267	267,234
Derivative financial instruments	-	247	7,449	7,696
Mortgage loans	-	-	30,143	30,143
Deposits	-	8	-	8
	48,626	314,877	140,385	503,888
<b>Total assets</b>	<b>695,809</b>	<b>2,301,550</b>	<b>140,433</b>	<b>3,137,792</b>
<b>Total assets by percentage</b>	23%	73%	4%	100%
<b>Investment contracts:</b>				
Unit linked deposit administration liabilities	-	-	149,142	149,142
<b>Deposit and security liabilities:</b>				
Structured products	-	-	64,650	64,650
Derivative financial instruments	-	247	-	247
	-	247	64,650	64,897
<b>Total liabilities</b>	-	<b>247</b>	<b>213,792</b>	<b>214,039</b>
<b>Total liabilities by percentage</b>	0%	0%	100%	100%

Transfers from Level 1 to Level 2 in 2018 – Nil.

Transfers from Level 2 to Level 1 2018 – Nil.

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

**12.2 Financial instruments carried at fair value (continued)**

**Movements in Level 3 Instruments**

The following tables present to movements in Level 3 Instruments for the period:

<u>Amounts in US \$000</u>	Nine months to September 30, 2019				December 31, 2018
	Investments at FVOCI	Investments at FVTPL	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	48	132,936	7,449	140,433	187,326
Reclassifications on adoption of IFRS 9	-	-	-	-	(17,187)
Additions	-	43,105	17,729	60,834	65,117
Fair value changes recorded in investment income	-	2,146	21,239	23,385	(7,338)
Fair value changes recorded in other comprehensive income	-	-	-	-	(75)
Disposals	-	(8,878)	(16,585)	(25,463)	(90,704)
Transfers (out of) Level 3 classification	-	-	-	-	(10)
Transfers to instruments carried at amortised cost	-	(2)	-	(2)	-
Effect of exchange rate changes	(3)	69	-	66	3,304
Balance, end of period	<b>45</b>	<b>169,376</b>	<b>29,832</b>	<b>199,253</b>	<b>140,433</b>
Fair value changes recorded in investment income for instruments held at the end of the period	-	2,029	8,634	10,663	(9,746)

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

**12.2 Financial instruments carried at fair value (continued)**

<u>Amounts in US \$000</u>	Nine months to September 30, 2019			December 31, 2018	
	Investment contracts	Structured products	Total liabilities	Total liabilities	
Balance, beginning of period	149,142	64,650	213,792	187,329	
Gains (losses) recorded in interest costs	2,268	2,105	4,373	-	(1,121)
Issues	15,480	-	15,480	77,358	
Settlements	(5,707)	(42,320)	(48,027)	(51,882)	
Transfers (to)/from instruments carried at amortised cost	-	-	-	4,078	
Effect of exchange rate changes	648	257	905	(1,970)	
Balance, end of period	<b>161,831</b>	<b>24,692</b>	<b>186,523</b>	<b>213,792</b>	
Fair value changes recorded in interest expense for instruments held at the end of the period	2,268	-	2,268	(1,121)	

**13. CREDIT RISK**

**13.1 Credit risk exposure – financial investments subject to impairment**

The following tables analyse 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.

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Debt securities – amortised cost</b>						
Credit grade:						
Investment	224,487	-	-	-	224,487	213,821
Non-investment	756,554	1,433	-	151,493	909,480	875,938
Watch	745	4,471	-	5,865	11,081	10,350
Default	-	-	249	-	249	788
Unrated	567	-	-	24	591	-
Gross carrying amount	982,353	5,904	249	157,382	1,145,888	1,100,897
Loss allowance	(2,166)	(886)	-	(460)	(3,512)	(3,856)
Carrying amount	980,187	5,018	249	156,922	1,142,376	1,097,041

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13. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Mortgage loans – amortised cost</b>						
Credit grade:						
Investment	217,841	5,347	441	-	223,629	220,586
Non-investment	85,778	14,058	670	-	100,506	94,385
Watch	198	6,088	13,374	-	19,660	13,190
Default	-	-	10,866	-	10,866	11,239
Gross carrying amount	303,817	25,493	25,351	-	354,661	339,400
Loss allowance	(667)	(268)	(1,532)	-	(2,467)	(2,380)
Carrying amount	303,150	25,225	23,819	-	352,194	337,020

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Finance loans and leases – amortised cost</b>						
Credit grade:						
Investment	1,499	-	-	-	1,499	1,519
Non-investment	533,519	22,765	-	-	556,284	507,871
Watch	-	3,106	-	-	3,106	2,942
Default	-	-	12,445	-	12,445	15,522
Gross carrying amount	535,018	25,871	12,445	-	573,334	527,854
Loss allowance	(3,793)	(1,005)	(5,679)	-	(10,477)	(13,368)
Carrying amount	531,225	24,866	6,766	-	562,857	514,486

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**13. CREDIT RISK (continued)**

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

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	ECL Staging			Purchased credit-impaired	Total	Total
<b>Securities purchased for resale – amortised cost</b>	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Non-investment	24,106	-	-	-	24,106	7,170
Gross carrying amount	24,106	-	-	-	24,106	7,170
Loss allowance	-	-	-	-	-	-
Carrying amount	24,106	-	-	-	24,106	7,170

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	ECL Staging			Purchased credit-impaired	Total	Total
<b>Deposits – amortised cost</b>	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	47,464	-	-	-	47,464	72,335
Non-investment	25,382	245	-	-	25,627	34,170
Watch	3,189	370	-	-	3,559	592
Unrated	803	-	-	-	803	430
Gross carrying amount	76,838	615	-	-	77,453	107,527
Loss allowance	(248)	(51)	-	-	(299)	(419)
Carrying amount	76,590	564	-	-	77,154	107,108

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**13. CREDIT RISK (continued)**

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

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	ECL Staging				Total	Total
<b>Debt securities – FVOCI</b>	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
Credit grade:						
Investment	2,251,989	3,658	-	-	2,255,647	2,128,635
Non-investment	654,795	72,696	-	-	727,491	565,586
Default	-	-	38,455	-	38,455	23,467
Gross carrying amount	2,906,784	76,354	38,455	-	3,021,593	2,717,688
Loss allowance	(1,868)	(5,456)	(13,588)	-	(20,912)	(29,212)
Carrying amount	2,904,916	70,898	24,867	-	3,000,681	2,688,476

<u>Amounts in US \$000</u>	September 30, 2019				December 31, 2018	
	ECL Staging				Total	Total
<b>Policy loans – Amortised cost</b>	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
Credit grade:						
Investment	73,745	-	-	-	73,745	79,658
Non-investment	76,767	-	-	-	76,767	67,498
Gross carrying amount	150,512	-	-	-	150,512	147,156
Loss allowance	(176)	-	-	-	(176)	(110)
Carrying amount	150,336	-	-	-	150,336	147,046



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**13. CREDIT RISK (continued)**

**13.2 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 analysis of the movement of loss allowances in respect of financial investments subject to impairment.

**DEBT SECURITIES - FVOCI**

<u>Amounts in US \$000</u>	<b>ECL staging</b>				<b>Total</b>
	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL</b>	<b>Stage 3 Lifetime ECL</b>	<b>Purchased credit- impaired</b>	
<b>Nine months ended September 30, 2019</b>					
Loss Allowance as at January 1, 2019	1,646	8,011	19,555	-	<b>29,212</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(7)	7	-	-	-
Transfer from Stage 2 to Stage 1	38	(38)	-	-	-
Transfer from Stage 2 to Stage 3	-	(368)	368	-	-
New financial assets originated or purchased	873	85	-	-	<b>958</b>
Financial assets fully derecognised during the period	(549)	(2,278)	(6,569)	-	<b>(9,396)</b>
Changes in models/assumptions used in ECL calculation	(6)	-	-	-	<b>(6)</b>
Changes to inputs used in ECL calculation	(88)	93	441	-	<b>446</b>
Foreign exchange adjustment	(39)	(56)	(207)	-	<b>(302)</b>
<b>Loss Allowance as at September 30, 2019</b>	<b>1,868</b>	<b>5,456</b>	<b>13,588</b>	<b>-</b>	<b>20,912</b>
<b>Nine months ended September 30, 2018</b>					
Loss Allowance as at January 1, 2018	2,780	8,863	95	-	<b>11,738</b>
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	-	-	-	<b>346</b>
Financial assets fully derecognised during the period	(498)	(1,048)	(92)	-	<b>(1,638)</b>
Changes in models/assumptions used in ECL calculation	(6)	-	-	-	<b>(6)</b>
Changes to inputs used in ECL calculation	(935)	2,695	15,554	-	<b>17,314</b>
Foreign exchange adjustment	(71)	26	113	-	<b>68</b>
<b>Loss Allowance as at September 30, 2018</b>	<b>1,539</b>	<b>8,750</b>	<b>17,533</b>	<b>-</b>	<b>27,822</b>

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13. CREDIT RISK (continued)

13.2 Loss allowances (continued)

DEBT SECURITIES – AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Loss Allowance as at January 1, 2019	1,855	1,228	161	612	<b>3,856</b>
New financial assets originated or purchased	672	-	-	9	<b>681</b>
Financial assets fully derecognised during the period	(316)	-	(111)	(1)	<b>(428)</b>
Changes in models/assumptions used in ECL calculation	-	(1)	-	-	<b>(1)</b>
Changes to inputs used in ECL calculation	(6)	(341)	(50)	(160)	<b>(557)</b>
Foreign exchange adjustment	(39)	-	-	-	<b>(39)</b>
<b>Loss Allowance as at September 30, 2019</b>	<b>2,166</b>	<b>886</b>	<b>-</b>	<b>460</b>	<b>3,512</b>
<b>Nine months ended September 30, 2018</b>					
Loss Allowance as at January 1, 2018	1,928	8,581	-	917	<b>11,426</b>
Transfers:					
Transfer from Stage 1 to Stage 3	(271)	-	271	-	-
Transfer from Stage 2 to Stage 3	-	(8,535)	8,535	-	-
New debt securities originated or purchased	2,024	-	-	187	<b>2,211</b>
Financial assets fully derecognised during the period	(204)	(39)	(906)	(54)	<b>(1,203)</b>
Changes in models/assumptions used in ECL calculation	(8)	8	1,429	30	<b>1,459</b>
Changes to inputs used in ECL calculation	(157)	(1)	71,748	(46)	<b>71,544</b>
Foreign exchange adjustment	(57)	-	3	-	<b>(54)</b>
<b>Loss Allowance as at September 30, 2018</b>	<b>3,255</b>	<b>14</b>	<b>81,080</b>	<b>1,034</b>	<b>85,383</b>

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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

**MORTGAGE LOANS - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Loss Allowance as at January 1, 2019	625	283	1,472	-	<b>2,380</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(28)	28	-	-	-
Transfer from Stage 1 to Stage 3	(10)	-	10	-	-
Transfer from Stage 2 to Stage 1	83	(83)	-	-	-
Transfer from Stage 2 to Stage 3	-	(44)	44	-	-
Transfer from Stage 3 to Stage 2	-	121	(121)	-	-
Transfer from Stage 3 to Stage 1	76	-	(76)	-	-
New financial assets originated or purchased	130	35	226	-	<b>391</b>
Financial assets fully derecognised during the period	(30)	(39)	(560)	-	<b>(629)</b>
Changes in models/assumptions used in ECL calculation	(3)	(26)	-	-	<b>(29)</b>
Changes to inputs used in ECL calculation	(171)	(4)	577	-	<b>402</b>
Foreign exchange adjustment	(5)	(3)	(40)	-	<b>(48)</b>
<b>Loss Allowance as at September 30, 2019</b>	<b>667</b>	<b>268</b>	<b>1,532</b>	<b>-</b>	<b>2,467</b>
<b>Nine months ended September 30, 2018</b>					
Loss Allowance as at January 01, 2018	941	309	1,149	-	<b>2,399</b>
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	-	-	-	<b>53</b>
Financial assets fully derecognised during the period	(131)	(47)	(3)	-	<b>(181)</b>
Changes to inputs used in ECL calculation	(94)	(44)	323	-	<b>185</b>
Foreign exchange adjustments	(1)	2	(2)	-	<b>(1)</b>
<b>Loss Allowance as at September 30, 2018</b>	<b>571</b>	<b>156</b>	<b>1,728</b>	<b>-</b>	<b>2,455</b>

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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

**FINANCE LOANS AND FINANCE LEASES - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Loss Allowance as at January 1, 2019	4,441	1,196	7,731	-	<b>13,368</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(121)	121	-	-	-
Transfer from Stage 1 to Stage 3	(2)	-	2	-	-
Transfer from Stage 2 to Stage 1	339	(339)	-	-	-
Transfer from Stage 3 to Stage 1	1,690	-	(1,690)	-	-
New financial assets originated or purchased	1,116	326	405	-	<b>1,847</b>
Financial assets fully derecognised during the period	(667)	(343)	(2,472)	-	<b>(3,482)</b>
Changes in models/assumptions used in ECL calculation	(36)	(28)	-	-	<b>(64)</b>
Changes to inputs used in ECL calculation	(2,786)	108	2,035	-	<b>(643)</b>
Foreign exchange adjustment	(181)	(36)	(332)	-	<b>(549)</b>
<b>Loss Allowance as at September 30, 2019</b>	<b>3,793</b>	<b>1,005</b>	<b>5,679</b>	<b>-</b>	<b>10,477</b>
<b>Nine months ended September 30, 2018</b>					
Loss Allowance as at January 01, 2018	6,114	1,427	8,294	-	<b>15,835</b>
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	-	<b>2,034</b>
Financial assets fully derecognised during the period	(1,454)	(654)	(1,433)	-	<b>(3,541)</b>
Changes to inputs used in ECL calculation	(518)	790	1,715	-	<b>1,987</b>
Foreign exchange adjustment	(333)	(47)	(561)	-	<b>(941)</b>
<b>Loss Allowance as at September 30, 2018</b>	<b>5,639</b>	<b>1,197</b>	<b>8,538</b>	<b>-</b>	<b>15,374</b>

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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

**DEPOSITS - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Loss Allowance as at January 1, 2019	355	64	-	-	<b>419</b>
New financial assets originated or purchased	186	-	-	-	<b>186</b>
Financial assets fully derecognised during the period	(127)	-	-	-	<b>(127)</b>
Changes to inputs used in ECL calculation	(166)	(13)	-	-	<b>(179)</b>
<b>Loss Allowance as at September 30, 2019</b>	<b>248</b>	<b>51</b>	<b>-</b>	<b>-</b>	<b>299</b>
<b>Nine months ended September 30, 2018</b>					
Loss Allowance as at January 01, 2018	506	51	-	-	<b>557</b>
New financial assets originated or purchased	153	-	-	-	<b>153</b>
Financial assets fully derecognised during the period	(97)	-	-	-	<b>(97)</b>
Changes to inputs used in ECL calculation	(208)	(1)	-	-	<b>(209)</b>
Foreign exchange adjustment	1	-	-	-	<b>1</b>
<b>Loss Allowance as at September 30, 2018</b>	<b>355</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>405</b>

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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

**POLICY LOANS - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2019					
Loss Allowance as at January 1, 2019	110	-	-	-	<b>110</b>
Changes in models/assumptions used in ECL calculation	73	-	-	-	<b>73</b>
Changes to inputs used in ECL calculation	(7)	-	-	-	<b>(7)</b>
<b>Loss Allowance as at September 30, 2019</b>	<b>176</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176</b>

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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

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

**Economic variable assumptions**

Sagicor has selected seven economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

		<b>As of September 30, 2019</b>		
		<b>2020</b>	<b>2021</b>	<b>2022</b>
GDP Growth (USA)	Base	1.52%	1.58%	1.78%
	Upside	2.00%	1.95%	2.23%
	Downside	1.05%	1.52%	1.73%
World GDP	Base	3.52%	3.60%	3.60%
	Upside	5.21%	5.33%	5.33%
	Downside	2.62%	2.68%	2.68%
WTI Oil Prices/10	Base	\$5.45	\$5.21	\$5.13
	Upside	\$9.47	\$9.47	\$9.47
	Downside	\$3.35	\$3.20	\$3.15
DOW Jones Industrial Average Index - EPS	Base	\$1,706.59	\$1,875.22	\$1,910.58
	Upside	\$2,412.44	\$2,650.82	\$2,700.81
	Downside	\$1,028.72	\$1,130.36	\$1,151.68
S&P 500 Financial Index – EPS	Base	\$38.67	\$41.66	\$42.47
	Upside	\$54.60	\$58.83	\$59.98
	Downside	\$25.56	\$27.54	\$28.07
GBP/USD	Base	\$1.23	\$1.24	\$1.25
	Upside	\$1.37	\$1.44	\$1.49
	Downside	\$1.09	\$1.04	\$1.00
NZD/USD	Base	\$0.64	\$0.64	\$0.64
	Upside	\$0.70	\$0.73	\$0.75
	Downside	\$0.58	\$0.55	\$0.52

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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

**Economic variable assumptions (continued)**

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.

<b>Barbados</b>	<b>Expected state for the next 12 months</b>	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative
<b>Trinidad &amp; Tobago</b>	<b>Expected state for the next 12 months</b>	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Positive
	Downside	Negative
<b>Jamaica</b>	<b>Expected state for the next 12 months</b>	
Interest rate	Base	Positive
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Positive
	Upside	Super Positive
	Downside	Negative



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**13. CREDIT RISK (continued)**

**13.2 Loss allowances (continued)**

**Amounts in US \$000**

**Significant increase in credit risk (SICR)**

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Debt securities	2-notch downgrade since origination	1-notch downgrade since origination	\$633

The staging for lending products is primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

**Loss Given Default**

	Actual rate applied	Change in rate	ECL impact of	
			Increase in value	Decrease in value
Debt securities				
Corporate	52%	( - /+ 5 ) %	\$885	(\$853)
Sovereign (excluding Government of Barbados and Government of Jamaica)	35%	( - /+ 5 ) %	\$319	(\$319)
Sovereign (Government of Barbados - external)	36%	( - /+ 5 ) %	\$1,819	(\$1,819)
Sovereign (Government of Barbados - BAICO Bonds*)	17%	( - /+ 5 ) %	\$25	(25)
Sovereign (Government of Jamaica)	15%	( - /+ 5 ) %	\$218	(\$218)

**Scenario design**

The weightings assigned to each economic scenario as at January 1 and September 30, 2019 are set out in the following table.

	Base	Upside	Downside
Sagicor Life portfolios	80%	10%	10%
Sagicor Jamaica portfolios	80%	10%	10%
Sagicor Life USA	80%	10%	10%

The results of varying the upside and downside scenarios are as follows.

	Base – 80% Upside – 5% Downside – 15%	Base – 80% Upside – 15% Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$270	(\$270)
Lending products	\$183	(\$179)

\*As part of the acquisition of the British American Insurance Company (BAICO) portfolio the Group 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.

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**13. CREDIT RISK (continued)**

**13.3 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.

**DEBT SECURITIES - FVOCI**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	2,566,176	97,233	54,279	-	2,717,688
Transfers:					
Transfer from Stage 1 to Stage 2	(6,735)	6,735	-	-	-
Transfer from Stage 2 to Stage 1	377	(377)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,260)	1,260	-	-
New financial assets originated or purchased	1,072,089	1,055	-	-	1,073,144
Financial assets fully derecognised during the period	(645,427)	(23,396)	(18,246)	-	(687,069)
Changes in principal and interest	(41,474)	(3,061)	1,749	-	(42,786)
Foreign exchange adjustment	(38,222)	(575)	(587)	-	(39,384)
<b>Gross carrying amount as at September 30, 2019</b>	<b>2,906,784</b>	<b>76,354</b>	<b>38,455</b>	<b>-</b>	<b>3,021,593</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 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 principal and interest	(22,378)	(739)	797	-	(22,320)
Foreign exchange adjustment	(30,000)	(13)	365	-	(29,648)
<b>Gross carrying amount as at September 30, 2018</b>	<b>2,352,686</b>	<b>100,556</b>	<b>53,633</b>	<b>-</b>	<b>2,506,875</b>

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**13. CREDIT RISK (continued)**

**13.3 IFRS 9 Carrying Values (continued)**

**DEBT SECURITIES - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	931,848	12,152	798	156,099	<b>1,100,897</b>
New financial assets originated or purchased	254,039	-	-	111	<b>254,150</b>
Financial assets fully derecognised during the period	(173,304)	(5,629)	(560)	(83)	<b>(179,576)</b>
Changes in principal and interest	(10,323)	(619)	11	1,255	<b>(9,676)</b>
Foreign exchange adjustment	(19,907)	-	-	-	<b>(19,907)</b>
<b>Gross carrying amount as at September 30, 2019</b>	<b>982,353</b>	<b>5,904</b>	<b>249</b>	<b>157,382</b>	<b>1,145,888</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 2018	813,354	225,621	-	12,708	<b>1,051,683</b>
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	<b>224,462</b>
Financial assets fully derecognised during the period	(107,175)	(1,847)	(3,997)	(809)	<b>(113,828)</b>
Changes in principal and interest	(2,242)	(2,838)	463	104	<b>(4,513)</b>
Foreign exchange adjustment	(22,244)	(2)	-	-	<b>(22,246)</b>
<b>Gross carrying amount as at September 30, 2018</b>	<b>885,271</b>	<b>7,374</b>	<b>230,156</b>	<b>12,757</b>	<b>1,135,558</b>

**SAGICOR FINANCIAL CORPORATION LIMITED**

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**FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**13. CREDIT RISK (continued)**

**13.3 IFRS 9 Carrying Values (continued)**

**MORTGAGE LOANS - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	297,646	17,079	24,675	-	<b>339,400</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(17,109)	17,109	-	-	-
Transfer from Stage 1 to Stage 3	(3,499)	-	3,499	-	-
Transfer from Stage 2 to Stage 1	5,677	(5,677)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,135)	4,135	-	-
Transfer from Stage 3 to Stage 2	-	1,000	(1,000)	-	-
Transfer from Stage 3 to Stage 1	1,280	-	(1,280)	-	-
New financial assets originated or purchased	47,832	1,585	882	-	<b>50,299</b>
Financial assets fully derecognised during the period	(13,188)	(1,217)	(3,738)	-	<b>(18,143)</b>
Changes in principal and interest	(11,662)	(137)	(1,450)	-	<b>(13,249)</b>
Foreign exchange adjustment	(3,160)	(114)	(372)	-	<b>(3,646)</b>
Gross carrying amount as at September 30, 2019	<b>303,817</b>	<b>25,493</b>	<b>25,351</b>	-	<b>354,661</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 2018	270,719	17,567	29,934	-	<b>318,220</b>
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	-	<b>27,638</b>
Financial assets fully derecognised during the period	(25,127)	(3,548)	(7,229)	-	<b>(35,904)</b>
Write-offs	-	-	(10)	-	<b>(10)</b>
Changes in principal and interest	(7,446)	(1,675)	(1,385)	-	<b>(10,506)</b>
Foreign exchange adjustment	(4,247)	14	(358)	-	<b>(4,591)</b>
<b>Gross carrying amount as at 30 September, 2018</b>	<b>256,918</b>	<b>13,355</b>	<b>24,574</b>	-	<b>294,847</b>

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**13. CREDIT RISK (continued)**

**13.3 IFRS 9 Carrying Values (continued)**

**FINANCE LOANS AND FINANCE LEASES - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	497,099	15,233	15,522	-	527,854
Transfers:					
Transfer from Stage 1 to Stage 2	(13,942)	13,942	-	-	-
Transfer from Stage 1 to Stage 3	(301)	-	301	-	-
Transfer from Stage 2 to Stage 1	4,541	(4,541)	-	-	-
Transfer from Stage 2 to Stage 3	-	(111)	111	-	-
Transfer from Stage 3 to Stage 1	3,101	-	(3,101)	-	-
New financial assets originated or purchased	157,926	7,975	894	-	166,795
Financial assets fully derecognised during the period	(75,826)	(3,868)	(4,581)	-	(84,275)
Write-offs	(76)	(6)	(34)	-	(116)
Changes in principal and interest	(16,306)	(2,342)	3,941	-	(14,707)
Foreign exchange adjustment	(21,198)	(411)	(608)	-	(22,217)
<b>Gross carrying amount as at September 30, 2019</b>	<b>535,018</b>	<b>25,871</b>	<b>12,445</b>	<b>-</b>	<b>573,334</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 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 principal and interest	(17,976)	3,003	3,004	-	(11,969)
Foreign exchange adjustment	(29,071)	(338)	(1,017)	-	(30,426)
<b>Gross carrying amount as at 30 September, 2018</b>	<b>497,760</b>	<b>18,123</b>	<b>16,767</b>	<b>-</b>	<b>532,650</b>

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**13. CREDIT RISK (continued)**

**13.3 IFRS 9 Carrying Values (continued)**

**SECURITIES PURCHASED FOR RESALE - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	7,170	-	-	-	7,170
New financial assets originated or purchased	1,127,078	-	-	-	1,127,078
Financial assets fully derecognised during the period	(1,109,361)	-	-	-	(1,109,361)
Changes in principal and interest	(155)	-	-	-	(155)
Foreign exchange adjustment	(626)	-	-	-	(626)
<b>Gross carrying amount as at September 30, 2019</b>	<b>24,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,106</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 2018	16,518	-	-	-	16,518
New financial assets originated or purchased	15,615	-	-	-	15,615
Foreign exchange adjustment	(1,967)	-	-	-	(1,967)
<b>Gross carrying amount as at 30 September, 2018</b>	<b>30,166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,166</b>

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**13. CREDIT RISK (continued)**

**13.3 IFRS 9 Carrying Values (continued)**

**DEPOSITS - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	107,156	371	-	-	<b>107,527</b>
New financial assets originated or purchased	39,579	244	-	-	<b>39,823</b>
Financial assets fully derecognised during the period	(68,085)	-	-	-	<b>(68,085)</b>
Changes in principal and interest	(1,399)	-	-	-	<b>(1,399)</b>
Foreign exchange adjustment	(413)	-	-	-	<b>(413)</b>
<b>Gross carrying amount as at September 30, 2019</b>	<b>76,838</b>	<b>615</b>	<b>-</b>	<b>-</b>	<b>77,453</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 2018	111,034	370	-	-	<b>111,404</b>
New financial assets originated or purchased	32,924	1	-	-	<b>32,925</b>
Financial assets fully derecognised during the period	(34,321)	-	-	-	<b>(34,321)</b>
Changes in principal and interest	(3,567)	1	-	-	<b>(3,566)</b>
Foreign exchange adjustment	(3,140)	-	-	-	<b>(3,140)</b>
<b>Gross carrying amount as at September 30, 2018</b>	<b>102,930</b>	<b>372</b>	<b>-</b>	<b>-</b>	<b>103,302</b>

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**13. CREDIT RISK (continued)**

**13.3 IFRS 9 Carrying Values (continued)**

**POLICY LOANS - AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Nine months ended September 30, 2019</b>					
Gross carrying amount as at January 1, 2019	147,156	-	-	-	147,156
New financial assets originated or purchased	2,589	-	-	-	2,589
Financial assets fully derecognised during the period	(1,071)	-	-	-	(1,071)
Changes in principal and interest	1,935	-	-	-	1,935
Foreign exchange adjustment	(97)	-	-	-	(97)
<b>Gross carrying amount as at September 30, 2019</b>	<b>150,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,512</b>
<b>Nine months ended September 30, 2018</b>					
Gross carrying amount as at January 1, 2018	142,132	-	-	-	142,132
New financial assets originated or purchased	4,490	-	-	-	4,490
Financial assets fully derecognised during the period	(1,213)	-	-	-	(1,213)
Changes in principal and interest	196	-	-	-	196
Foreign exchange adjustment	(570)	-	-	-	(570)
<b>Gross carrying amount as at September 30, 2018</b>	<b>145,035</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,035</b>



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**14. CASH FLOWS**

Amounts in US \$000

	<b>September 30, 2019</b>	<b>September 30, 2018</b>
<b>Adjustments for non-cash items, interest and dividends:</b>		
Income from financial investments	(316,025)	(254,293)
Loss from disposal of interests in subsidiaries and associates	478	13
Net increase in actuarial liabilities	419,032	102,093
Gain on acquisition on insurance portfolio	-	(5,280)
Interest cost and finance cost	72,714	63,953
Credit impairment losses	(5,529)	96,010
Depreciation and amortisation	25,833	16,906
Increase in provision for unearned premiums	(4,518)	3,482
Other items	(12,934)	(22,974)
	<b>179,051</b>	<b>(90)</b>
<b>Net increase in investments and operating assets:</b>		
Investment property	(59)	2,491
Debt securities	(324,951)	(363,753)
Equity securities	(39,149)	(3,801)
Mortgage loans	(3,893)	2,450
Policy loans	(3,317)	(2,952)
Finance loans and finance leases	(82,067)	(41,966)
Securities purchased for re-sale	6,838	(8,513)
Deposits	11,487	(3,437)
Other assets and receivables	(30,216)	114,989
	<b>(465,327)</b>	<b>(304,492)</b>

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**14. CASH FLOWS (continued)**

<u>Amounts in US \$000</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
<b>Investment property:</b>		
Disbursements	(59)	(9)
Disposal proceeds	-	2,500
	<u>(59)</u>	<u>2,491</u>
<b>Debt securities:</b>		
Disbursements	(2,052,779)	(1,105,209)
Disposal proceeds	1,727,828	741,456
	<u>(324,951)</u>	<u>(363,753)</u>
<b>Equity securities:</b>		
Disbursements	(145,483)	(35,299)
Disposal proceeds	106,334	31,498
	<u>(39,149)</u>	<u>(3,801)</u>
<b>Net increase in operating liabilities:</b>		
Insurance liabilities	3,544	3,474
Investment contract liabilities	32,785	4,268
Other funding instruments	(94,802)	103,338
Deposits	22,253	86,625
Securities sold for re-purchase	162,872	8,279
Other liabilities and payables	(65,471)	(49,238)
	<u>61,181</u>	<u>156,746</u>

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**14. CASH FLOWS (continued)**

<u>Amounts in US \$000</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
<b>Property, plant and equipment:</b>		
Purchases	(7,307)	(9,943)
Disposal proceeds	561	2,195
	<u>(6,746)</u>	<u>(7,748)</u>
<b>Financing activities</b>		
<b>Notes and loans payable (note 10):</b>		
Proceeds	120,422	553
Repayments	(87,181)	(6,939)
	<u>33,241</u>	<u>(6,386)</u>
<b>Cash and cash equivalents</b>		
Cash resources	244,102	269,698
Call deposits and other liquid balances	75,005	98,233
Bank overdrafts	(5,316)	(783)
	<u>313,791</u>	<u>367,148</u>
	<b><u>January 1, 2019</u></b>	<b><u>January 1, 2018</u></b>
<b>Cash and cash equivalents</b>		
Cash resources	261,899	268,402
Call deposits and other liquid balances	61,820	72,515
Bank overdrafts	(2,158)	(2,568)
	<u>321,561</u>	<u>338,349</u>

**SAGICOR FINANCIAL CORPORATION LIMITED**

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**15. LEASES**

The Group leases various office space, equipment and motor vehicles. Rental contracts are typically made for periods ranging from 1.5 to 12 years and these may be fixed term or have the option to be renewed or extended. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until December 31, 2018, leases of property, plant and equipment were classified as 'operating leases' under the principles of IAS 17 - Leases. Payments made under these operating leases were charged to the condensed consolidated statement of income within administrative expenses, on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The liability is measured as the present value of the remaining lease payments discounted using the lessee's weighted average incremental borrowing rate of 7.36% as of January 1, 2019. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term and the asset is assessed for impairment periodically.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

	<b>2019</b>
Operating lease commitments as at December 31, 2018	<u><b>27,325</b></u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	24,244
Add: finance lease liabilities recognised as at December 31, 2018	4,255
(Less): short-term leases recognised on a straight-line basis as expense	(325)
(Less): low-value leases recognised on a straight-line basis as expense	(33)
Add/(less): adjustments as a result of a different treatment of extension and termination options	<u>(33)</u>
<b>Lease liability recognised as at January 1, 2019</b>	<u><b>28,108</b></u>
Of which are:	
Current lease liabilities	7,844
Non-current lease liabilities	<u>20,264</u>
	<u><b>28,108</b></u>
Lease liability recognised at September 30, 2019	
Current lease liabilities <sup>(1)</sup>	3,592
Non-current lease liabilities	<u>17,916</u>
	<u><b>21,508</b></u>

<sup>(1)</sup>Included in accounts payable and accrued liabilities

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

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**15. LEASES (continued)**

The recognised right-of-use assets relate to the following types of assets:

	<b>September 30, 2019</b>	<b>January 1, 2019</b>
Land & buildings	18,266	23,434
Office furnishing, equipment & vehicles	338	419
<b>Total right-of-use assets<sup>(2)</sup></b>	<b>18,604</b>	<b>23,853</b>

<sup>(2)</sup>Included in property, plant and equipment

**The change in accounting policy affected the following items in the balance sheet on January 1, 2019:**

	<b>Increase/ (Decrease)</b>
Property, plant and equipment	23,853
Current lease liabilities	5,365
Lease liabilities	18,488
The net impact on retained earnings on January 1, 2019	-

**Impact on segment disclosures and earnings per share**

Adjusted EBITDA, segment assets and segment liabilities for September 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	<b>Adjusted EBITDA</b>	<b>Assets</b>	<b>Liabilities<sup>(1)</sup></b>
Life, health and annuity insurance contracts issued to individuals	3,623	7,050	7,078
Property and casualty insurance	37	4,809	4,927
Banking, investment management and other financial services	1,333	6,669	6,893
Hotel, farming and unallocated revenues	19	76	76
	<b>5,012</b>	<b>18,604</b>	<b>18,974</b>

Earnings per share decreased by 1.63¢ per share for the nine months to September 30, 2019 as a result of the adoption of IFRS 16.

<sup>(1)</sup> The impact due to finance lease liabilities existing at December 31, 2018 is \$2,534.

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**15. LEASES (continued)**

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The extension and termination options need to be approved by Lessor. There are no variable lease payments and there were no residual value guarantees on leases.

**Transitions**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (a) the use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
- (b) reliance on previous assessments on whether leases are onerous;
- (c) the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- (d) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- (e) the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

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**16. CHANGES IN SUBSIDIARY HOLDINGS**

**Acquisition of Advantage General Insurance Company Limited (AGI)**

Effective September 30, 2019, the Group acquired 60% of the share capital of Advantage General Insurance Company Limited.

The acquired business had no impact on the results for the nine months ended September 2019.

Details of the net assets acquired, purchase consideration and goodwill, determined on a provisional basis, were as follows:

	<u>Fair Value</u>
<b>Net assets acquired:</b>	
Investment property	5,576
Property, plant and equipment	7,952
Intangible assets	7,491
Financial investments	63,331
Income tax assets	3,452
Miscellaneous assets and receivables	16,172
Cash resources	1,418
Actuarial liabilities	(50,703)
Other insurance liabilities	(4,977)
Deposit and security liabilities	(5,611)
Income tax liabilities	(380)
Accounts payable and accrued liabilities	(6,442)
Total net assets	<u>37,279</u>
Share of net assets acquired	22,367
Purchase consideration	<u>31,438</u>
Goodwill arising on acquisition	<u>9,071</u>

The acquiree's net income and total revenue are as follows:

	<u>Total Revenue</u>	<u>Net Income</u>
For the nine months to September 30, 2019	30,691	2,684

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**17. SUBSEQUENT EVENTS**

**Government of Barbados Debt**

On October 18, 2019, the Government of Barbados (GoB) announced agreement in principle with the External Creditor Committee for the restructuring of its US dollar denominated commercial debt. On November 5, the GoB launched its exchange offer for its US \$ denominated commercial debt. The exchange offer will expire on November 22, 2019 unless extended by GoB.

The agreement in principle includes a reduction of 26.3% in the aggregate sum of the original principal amount of the debt obligations and past due and accrued interest as of October 1, 2019.

The new bonds will have the following key terms:

- A final maturity of October 1, 2029;
- Five year grace period on repayments of original principal;
- A debt management provision through October 2024;
- Equal semi-annual principal amortisations commencing in April 2025 through the remaining term of the bonds;
- A fixed annual coupon of 6.50%;

During 2018 Sagicor updated its provisions and determined the maximum expected impairment with respect to its GOB domestic and external debt following the GOB announcement of its debt restructuring programme, together with the economic recovery plan and IMF programme.

In consideration of the recently released terms for the restructure of the US dollar denominated commercial debt, management believes that it has fully provided for this exposure.

**Dividends Declared**

On October 8, 2019, the Board of Directors declared a dividend of US\$0.025 per share, on issued and outstanding common shares held by registered holders on record at the close of business on October 18, 2019.

**Alignvest Agreement**

On November 27, 2018, Sagicor Financial Corporation Limited (“Sagicor”) entered into a definitive 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. At the Scheme Meeting held on June 4, 2019, the shareholders of Sagicor approved the Scheme. Closing is expected in 2019, and completion is subject to regulatory approval and certain conditions being met by both Alignvest and Sagicor. Until such time that the transaction is either completed or the agreement terminated, Sagicor has agreed that it shall make all commercially reasonable efforts to present intact its current business organisation, key employees, material business relationships and operations.



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**17. SUBSEQUENT EVENTS (continued)**

**Alignvest Agreement (continued)**

Sagicor had announced its intention in November 2018 to acquire Scotia Jamaica Life Insurance Company Limited (“Scotiabank Insurance Jamaica”) and ScotiaLife Trinidad and Tobago Limited (“Scotiabank Insurance Trinidad and Tobago”). On November 1, 2019, Sagicor and The Bank of Nova Scotia Jamaica Limited announced that they have mutually agreed not to proceed with the 20-year distribution agreement for insurance products and solutions in Jamaica. As a result, Sagicor will not proceed with the acquisition of Scotiabank Insurance Jamaica at this time. Sagicor, Alignvest Acquisition II Corporation and Scotiabank Trinidad and Tobago Limited remain parties to a share purchase agreement dated November 27, 2018 (the “Trinidad SPA”) pursuant to which Sagicor agreed to establish a 20-year distribution agreement for insurance products and solutions in Trinidad and Tobago, and acquire all of the issued and outstanding shares in the capital of Scotiabank Insurance Trinidad and Tobago, subject to the satisfaction of certain conditions precedent. Sagicor continues to pursue the transactions contemplated in the Trinidad SPA.