

SAGICOR FINANCIAL CORPORATION LIMITED

Interim Financial Statements

Three-months ended March 31, 2017

CHAIRMAN'S REVIEW

The Sagicor Group recorded a solid performance for the first three months to March 31, 2017. Group net income was US \$23.4 million for the period, compared to the prior year result of US \$22.3 million.

Net income attributable to shareholders was US \$13.3 million, compared to the prior year result of US \$13.9 million. Earnings per common share was US 4.4 cents, compared to the prior year result of US 4.6 cents.

Total revenue amounted to US \$282.5 million, compared to US \$264.4 million for the corresponding period in 2016, an increase of US \$18.1 million. Net premium revenue stood at US \$167.7 million, and exceeded the prior year amount of US \$157.3 million, an increase of US \$10.4 million. Net investment income and other income closed at US \$114.8 million and exceeded the prior year amount of US \$107.0 million.

Benefits closed at US \$137.2 million for the period, compared to US \$134.0 million for the previous year, a marginal increase of US \$3.2 million.

Expenses amounted to US \$115.1 million, compared to US \$101.4 million for the same period in the prior year. Higher administration costs were incurred as a result of the expansion of cards and payments business in our Jamaica segment, along with the incurrence of some non-recurring costs also relating to our Jamaica segment.

Total comprehensive income closed the period at US \$28.6 million, compared to US \$19.9 million for the same period in the prior year. Included in comprehensive income were net gains on financial assets of US \$7.9 million. Retranslation losses amounted to US \$0.7 million, compared to US \$6.4 million reported in the prior year, and resulted from

declines in the Jamaica dollar and the Trinidad dollar, when compared to the United States dollar.

In the statement of financial position as at March 31, 2017, assets amounted to US \$6.6 billion, and liabilities totalled US \$5.8 billion. Sagicor's Group equity totalled US \$817.7 million. The Group's debt, which is included in other liabilities, was US \$405.3 million. The debt to capital ratio was 33.1%.

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



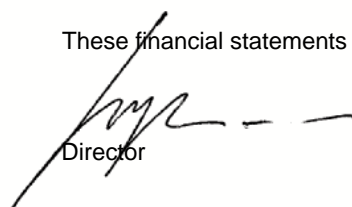
Stephen McNamara
 Chairman
 May 11, 2017

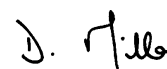
FINANCIAL HIGHLIGHTS <i>(in US currency except percentages)</i>	Three months ended MARCH 31	
	2017	2016
Total revenue	\$282.5m	\$264.4m
Overall Group net income	\$23.4m	\$22.3m
Overall Shareholders' net income	\$13.3m	\$13.9m
Net income allocated to non-controlling interests	\$10.4m	\$8.1m
Total equity	\$817.7m	\$747.0m
Ratio of Debt to Capital (2016 adjusted for the redemption of preference shares)	33.1%	33.9%
Earnings per common share	4.4¢	4.6¢
Annualised return on common shareholders' equity	9.9%	11.1%

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of March 31, 2017	As of December 31, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(audited)</u>
ASSETS		
Investment property	80,656	80,662
Property, plant and equipment	169,939	167,723
Associates and joint ventures	89,046	87,293
Intangible assets	83,649	83,487
Financial investments (note 6)	4,908,430	4,813,748
Reinsurance assets	788,268	777,344
Income tax assets	54,157	59,575
Miscellaneous assets and receivables	188,666	183,018
Cash resources	227,741	279,070
Total assets	6,590,552	6,531,920
LIABILITIES		
Actuarial liabilities	2,812,144	2,776,362
Other insurance liabilities	204,279	207,122
Investment contract liabilities (note 7)	378,707	377,576
Total policy liabilities	3,395,130	3,361,060
Notes and loans payable (note 8)	405,344	395,213
Deposits and security liabilities (note 9)	1,606,572	1,623,325
Provisions	98,746	101,292
Income tax liabilities	43,518	50,641
Accounts payable and accrued liabilities	223,578	204,975
Total liabilities	5,772,888	5,736,506
EQUITY		
Share capital	3,031	3,029
Share premium	297,275	297,050
Reserves	(61,463)	(64,795)
Retained earnings	308,185	300,865
Shareholders' equity	547,028	536,149
Participating accounts	723	1,291
Non-controlling interests in subsidiaries	269,913	257,974
Total equity	817,664	795,414
Total liabilities and equity	6,590,552	6,531,920

These financial statements have been approved for issue by the Board of Directors on May 11, 2017.


 Director


 Director

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three months to March 31, 2017	Three months to March 31, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
REVENUE		
Premium revenue (note 3)	206,768	199,691
Reinsurance premium expense (note 3)	(39,099)	(42,357)
Net premium revenue	167,669	157,334
Net investment income	91,506	79,115
Fees and other revenue	23,333	27,930
Total revenue	282,508	264,379
BENEFITS		
Policy benefits and change in actuarial liabilities (note 4)	161,759	153,400
Policy benefits and change in actuarial liabilities reinsured (note 4)	(38,925)	(33,870)
Net policy benefits and change in actuarial liabilities	122,834	119,530
Interest expense	14,346	14,442
Total benefits	137,180	133,972
EXPENSES		
Administrative expenses	69,674	57,226
Commissions and related compensation	25,385	22,728
Premium and asset taxes	6,307	6,183
Finance costs	8,347	10,244
Depreciation and amortisation	5,369	5,059
Total expenses	115,082	101,440
INCOME BEFORE TAXES	30,246	28,967
Income taxes	(6,872)	(8,601)
NET INCOME FROM CONTINUING OPERATIONS	23,374	20,366

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

	Three months to March 31, 2017	Three months to March 31, 2016
<u>Amounts in US \$000</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Net income from continuing operations	23,374	20,366
Net income from discontinued operation (note 5)	-	1,897
NET INCOME FOR THE PERIOD	23,374	22,263
 Net income is attributable to:		
Common shareholders:		
From continuing operations	13,256	11,954
From discontinued operation	-	1,897
	<u>13,256</u>	<u>13,851</u>
Participating policyholders	(289)	273
Non-controlling interests	10,407	8,139
	<u>23,374</u>	<u>22,263</u>
 Basic earnings per common share:		
From continuing operations	4.4 cents	3.9 cents
From discontinued operation	0.0 cents	0.7 cents
	<u>4.4 cents</u>	<u>4.6 cents</u>
 Fully diluted earnings per common share:		
From continuing operations	4.3 cents	3.8 cents
From discontinued operation	0.0 cents	0.5 cents
	<u>4.3 cents</u>	<u>4.3 cents</u>

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months to March 31, 2017	Three months to March 31, 2016
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)
NET INCOME FOR THE PERIOD	23,374	22,263
OTHER COMPREHENSIVE INCOME		
Items net of tax that may be reclassified subsequently to income:		
Available for sale financial assets:		
Gains on revaluation	7,949	12,256
Losses / (gains) transferred to income	4,466	(1,628)
Net change in actuarial liabilities	(8,595)	(6,576)
Retranslation of foreign currency operations	(693)	(6,388)
	3,127	(2,336)
Items net of tax that will not be reclassified subsequently to income:		
Losses on revaluation of owner occupied property	(26)	-
Gains on defined benefit plans	2,133	-
	2,107	-
	5,234	(2,336)
Other comprehensive income / (loss) for the period	5,234	(2,336)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	28,608	19,927
Total comprehensive income/(loss) is attributable to:		
Common shareholders:		
From continuing operations	17,184	10,301
From discontinued operation	-	1,897
	17,184	12,198
Participating policyholders	(514)	171
Non-controlling interests	11,938	7,558
	28,608	19,927

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<u>Amounts in US \$000</u>	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2017					
Balance, beginning of period	3,029	297,050	(64,795)	300,865	536,149
Total comprehensive income:					
From continuing operations	-	-	1,795	15,389	17,184
Transactions with holders of equity instruments:					
Movements in treasury shares	2	225	-	-	227
Changes in reserve for equity compensation benefits	-	-	1,099	-	1,099
Dividends declared	-	-	-	(7,576)	(7,576)
Transfers and other movements	-	-	438	(493)	(55)
Balance, end of period	3,031	297,275	(61,463)	308,185	547,028
Three months to March 31, 2016					
Balance, beginning of period	299,320	-	(59,688)	266,414	506,046
Total comprehensive income:					
From continuing operations	-	-	(1,653)	11,954	10,301
From discontinued operation	-	-	-	1,897	1,897
Transactions with holders of equity instruments:					
Movements in treasury shares	422	-	-	-	422
Changes in reserve for equity compensation benefits	-	-	153	-	153
Transfers and other movements	-	-	(208)	95	(113)
Balance, end of period	299,742	-	(61,396)	280,360	518,706

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

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling Interests (unaudited)	Total Equity (unaudited)
Three months to March 31, 2017				
Balance, beginning of period	536,149	1,291	257,974	795,414
Total comprehensive income:				
From continuing operations	17,184	(514)	11,938	28,608
Transactions with holders of equity instruments:				
Movements in treasury shares	227	-	-	227
Changes in reserve for equity compensation benefits	1,099	-	-	1,099
Dividends declared	(7,576)	-	-	(7,576)
Transfers and other movements	(55)	(54)	1	(108)
Balance, end of period	547,028	723	269,913	817,664
Three months to March 31, 2016				
Balance, beginning of period	506,046	1,383	231,735	739,164
Total comprehensive income:				
From continuing operations	10,301	171	7,558	18,030
From discontinued operation	1,897	-	-	1,897
Transactions with holders of equity instruments:				
Movements in treasury shares	422	-	-	422
Changes in reserve for equity compensation benefits	153	-	-	153
Dividends declared	-	-	(10,853)	(10,853)
Transfers and other movements	(113)	(56)	(1,675)	(1,844)
Balance, end of period	518,706	1,498	226,765	746,969

SAGICOR FINANCIAL CORPORATION LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Three months to March 31, 2017 (unaudited)	Three months to March 31, 2016 (unaudited)
OPERATING ACTIVITIES		
Income before taxes	30,246	28,967
Adjustments for non-cash items, interest and dividends	(53,786)	(46,714)
Interest and dividends received	71,369	70,570
Interest paid	(25,876)	(27,833)
Income taxes paid	(16,443)	(12,824)
Net increase in investments and operating assets	(56,111)	(73,860)
Net change in operating liabilities	19,083	118,860
Net cash flows - operating activities	(31,518)	57,166
INVESTING ACTIVITIES		
Property, plant and equipment, net	(5,435)	(2,900)
Intangible assets, net	(2,426)	(515)
Net cash flows - investing activities	(7,861)	(3,415)
FINANCING ACTIVITIES		
Shares issued to minority interest	(410)	(1,675)
Notes and loans payable, net	15,948	30,978
Dividends received from associates and joint ventures	120	-
Dividends paid to common shareholders	(6)	(3)
Dividends paid to minority interests	-	(83)
Net cash flows - financing activities	15,652	29,217
Effect of exchange rate changes	897	(1,757)
NET CHANGE IN CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	(22,830)	81,211
Net change in cash and cash equivalents of discontinued operation	-	(44,613)
Cash and cash equivalents, beginning of period	312,106	384,879
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 11)	289,276	421,477

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

1. ACCOUNTING POLICIES

Basis of preparation

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

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

The amounts presented in these condensed consolidated interim financial statements as of and for the three months ended March 31, 2017 (and March 31, 2016) are unaudited.

All accounting policies adopted in the preparation of these and methods of computation applied in the condensed consolidated interim financial statements are the same as those applied in the 2016 audited consolidated financial statements.

Amendments to IFRS

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

- IFRS 15 – Revenue from contracts with customers
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses.

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

Critical accounting estimates and judgements

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

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

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

Exchange rates

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

	Closing rate as of March 31, 2017	Closing rate as of December 31, 2016	Average rate for the Three months to March 31, 2017	Average rate for the Three months to March 31, 2016
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	128.1348	127.9824	127.9138	120.8672
Trinidad & Tobago dollar	6.7464	6.7458	6.7408	6.4636
Pound sterling	0.79960	0.81280	0.80354	0.69920

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

2. SEGMENTS

The Group conducts its business through three reportable operating segments.

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

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

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

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

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor	Head office	Adjust-	Total
Three months to March 31, 2017	Life	Jamaica	Life USA	and other	ments	
Net premium revenue	73,528	66,666	19,927	7,548	-	167,669
Interest income	18,932	39,049	11,769	2,179	-	71,929
Other investment income	3,175	8,762	7,155	509	(24)	19,577
Fees and other revenue	3,028	15,741	189	4,433	(58)	23,333
Inter-segment revenues	3,176	-	-	9,346	(12,522)	-
Total revenue	101,839	130,218	39,040	24,015	(12,604)	282,508
Net policy benefits	48,532	42,568	24,455	3,808	-	119,363
Net change in actuarial liabilities	4,232	1,788	(2,549)	-	-	3,471
Interest expense	3,513	9,655	384	794	-	14,346
Administrative expenses	16,776	35,997	7,140	9,502	259	69,674
Commissions and premium and asset taxes	10,904	14,848	3,807	2,133	-	31,692
Finance costs	-	111	11	(39)	8,264	8,347
Depreciation and Amortisation	1,644	2,184	396	1,145	-	5,369
Inter-segment expenses	1,194	263	(618)	3,143	(3,982)	-
Total benefits and expenses	86,795	107,414	33,026	20,486	4,541	252,262
Segment income before taxes	15,044	22,804	6,014	3,529	(17,145)	30,246
Income taxes	(2,048)	(2,551)	(2,105)	(163)	(5)	(6,872)
Net income - continuing operations	12,996	20,253	3,909	3,366	(17,150)	23,374
Net income / (loss) attributable to shareholders from continuing operations	13,285	9,948	3,909	(5,000)	(8,886)	13,256
Total comprehensive income / (loss) attributable to shareholders from continuing operations	15,445	11,390	6,158	(5,396)	(10,413)	17,184

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

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

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor	Head office	Adjust-	Total
Three months to March 31, 2016	Life	Jamaica	Life USA	and other	ments	
Net premium revenue	70,561	63,766	17,426	5,581	-	157,334
Interest income	19,111	40,028	12,093	2,448	-	73,680
Other investment income	1,596	8,714	(4,930)	55	-	5,435
Fees and other revenue	5,531	12,467	5,071	4,906	(45)	27,930
Inter-segment revenues	2,904	-	-	8,117	(11,021)	-
Total revenue	99,703	124,975	29,660	21,107	(11,066)	264,379
Net policy benefits	47,697	41,542	18,470	2,630	-	110,339
Net change in actuarial liabilities	3,275	12,088	(6,172)	-	-	9,191
Interest expense	2,834	10,082	560	966	-	14,442
Administrative expenses	15,249	25,738	7,660	8,476	103	57,226
Commissions and premium and asset taxes	10,034	12,839	3,927	2,111	-	28,911
Finance costs	-	-	18	(22)	10,248	10,244
Depreciation and Amortisation	1,556	1,944	349	1,210	-	5,059
Inter-segment expenses	91	131	271	2,994	(3,487)	-
Total benefits and expenses	80,736	104,364	25,083	18,365	6,864	235,412
Segment income before taxes	18,967	20,611	4,577	2,742	(17,930)	28,967
Income taxes	(1,915)	(4,876)	(1,602)	(208)	-	(8,601)
Net income - continuing operations	17,052	15,735	2,975	2,534	(17,930)	20,366
Net income / (loss) attributable to shareholders – continuing operations	16,779	7,730	2,975	(7,848)	(7,682)	11,954
Total comprehensive income / (loss) attributable to shareholders	14,686	7,053	4,168	(7,876)	(7,730)	10,301

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

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

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
As of March 31, 2017						
Financial investments	1,422,430	2,220,791	1,135,627	129,582	-	4,908,430
Other external assets	303,468	420,728	857,454	175,297	(74,825)	1,682,122
Inter-segment assets	209,433	11,652	3,345	61,766	(286,196)	-
Total assets	1,935,331	2,653,171	1,996,426	366,645	(361,021)	6,590,552
Policy liabilities	1,281,838	678,349	1,457,185	52,583	(74,825)	3,395,130
Other external liabilities	85,472	1,497,564	262,778	531,944	-	2,377,758
Inter-segment liabilities	35,624	4,044	51,595	194,933	(286,196)	-
Total liabilities	1,402,934	2,179,957	1,771,558	779,460	(361,021)	5,772,888
Net assets	532,397	473,214	224,868	(412,815)	-	817,664
As of December 31, 2016						
Financial investments	1,403,870	2,212,153	1,068,244	129,481	-	4,813,748
Other external assets	324,570	450,104	829,889	189,807	(76,198)	1,718,172
Inter-segment assets	199,858	11,555	2,759	54,006	(268,178)	-
Total assets	1,928,298	2,673,812	1,900,892	373,294	(344,376)	6,531,920
Policy liabilities	1,272,500	675,019	1,434,678	55,061	(76,198)	3,361,060
Other external liabilities	86,871	1,544,651	203,929	539,995	-	2,375,446
Inter-segment liabilities	39,434	3,715	43,838	181,191	(268,178)	-
Total liabilities	1,398,805	2,223,385	1,682,445	776,247	(344,376)	5,736,506
Net assets	529,493	450,427	218,447	(402,953)	-	795,414

SAGICOR FINANCIAL CORPORATION LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2017

2.3 Revenues by products and services

<u>Amounts in US \$000</u>	Three months to March 31, 2017 (unaudited)	Three months to March 31, 2016 (unaudited)
Life, health and annuity insurance contracts issued to individuals	158,034	146,277
Life, health and annuity insurance and pension administration contracts issued to groups	67,459	65,283
Property and casualty insurance	9,430	8,270
Banking, investment management and other financial services	38,867	35,867
Farming and unallocated revenues	8,718	8,682
Total revenue	282,508	264,379

2.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Three months to March 31, 2017 (unaudited)	Three months to March 31, 2016 (unaudited)
Barbados	42,526	40,242
Jamaica	121,779	117,204
Trinidad and Tobago	40,626	40,354
Other Caribbean	38,561	36,918
USA	39,016	29,661
Total revenue	282,508	264,379

3. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
Three months to March 31,	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Life insurance	99,597	95,315	7,455	8,198
Annuity	52,243	48,300	20,686	21,239
Health insurance	38,328	39,447	1,242	1,025
Property and casualty insurance	16,600	16,629	9,716	11,895
Total premium revenue	206,768	199,691	39,099	42,357

SAGICOR FINANCIAL CORPORATION LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2017

4. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
	2017	2016	2017	2016
Three months to March 31,	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Life insurance benefits	55,469	51,152	1,585	3,877
Annuity benefits	48,994	45,331	15,168	13,779
Health insurance benefits	28,371	30,164	44	729
Property and casualty claims	4,877	4,471	1,551	2,394
Total policy benefits	137,711	131,118	18,348	20,779
Change in actuarial liabilities	24,048	22,282	20,577	13,091
Total policy benefits and change in actuarial liabilities	161,759	153,400	38,925	33,870

5. DISCONTINUED OPERATION

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

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

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

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6. FINANCIAL INVESTMENTS

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

<u>Amounts in US \$000</u>	March 31, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair value	Carrying value	Fair value
Held to maturity securities:				
Debt securities	20,154	21,136	20,665	21,688
Available for sale securities:				
Debt securities	2,265,897	2,265,897	2,271,020	2,271,020
Equity securities	90,659	90,659	96,684	96,684
	2,356,556	2,356,556	2,367,704	2,367,704
Financial assets at fair value through profit or loss:				
Debt securities	158,938	158,938	164,005	164,005
Equity securities	135,871	135,871	123,524	123,524
Derivative financial instruments	30,042	30,042	28,980	28,980
Mortgage loans	40,090	40,090	40,347	40,347
	364,941	364,941	356,856	356,856
Loans and receivables:				
Debt securities	1,019,444	1,074,762	985,664	1,042,108
Mortgage loans	295,019	294,758	291,419	291,154
Policy loans	138,697	144,905	137,940	148,141
Finance loans and finance leases	536,473	522,990	508,975	491,131
Securities purchased for re-sale	2,347	2,347	5,227	5,227
Deposits	174,799	174,799	139,298	139,298
	2,166,779	2,214,561	2,068,523	2,117,059
Total financial investments	4,908,430	4,957,194	4,813,748	4,863,307
Non-derivative financial assets at fair value through profit or loss:				
Designated at fair value upon recognition	330,109	330,109	316,700	316,700
Assets held for trading	4,790	4,790	11,176	11,176
	334,899	334,899	327,876	327,876

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7. INVESTMENT CONTRACT LIABILITIES

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

<u>Amounts in US \$000</u>	March 31, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Deposit administration liabilities	129,238	129,238	128,345	128,345
Other investment contracts	115,469	117,827	118,563	121,051
	244,707	247,065	246,908	249,396
At fair value through profit or loss:				
Unit linked deposit administration liabilities	134,000	134,000	130,668	130,668
Total investment contract liabilities	378,707	381,065	377,576	380,064

8. NOTES AND LOANS PAYABLE

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

<u>Amounts in US \$000</u>	March 31, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair value	Carrying value	Fair Value
8.875% senior notes due 2022	308,562	357,734	315,383	364,095
8.25% convertible redeemable preference shares due 2020	11,118	11,118	-	-
7.75% convertible redeemable preference share due 2018	5,081	5,081	-	-
4.85% notes due 2019	75,747	75,818	74,825	75,491
Finance lease payable	4,836	4,836	5,005	5,005
Total notes and loans payable	405,344	454,587	395,213	444,591

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9. DEPOSIT AND SECURITY LIABILITIES

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

<u>Amounts in US \$000</u>	March 31, 2017		December 31, 2016	
	(unaudited)			
	Carrying value	Fair Value	Carrying value	Fair value
At amortised cost:				
Other funding instruments	388,627	394,622	349,514	346,216
Customer deposits	915,041	914,904	915,155	915,419
Securities sold for re-purchase	265,665	265,665	320,574	320,574
Bank overdrafts	351	351	1,939	1,939
	1,569,684	1,575,542	1,587,182	1,584,148
At fair value through profit or loss:				
Structured products	35,422	35,422	34,779	34,779
Derivative financial instruments	1,466	1,466	1,364	1,364
	36,888	36,888	36,143	36,143
Total deposit and security liabilities	1,606,572	1,612,430	1,623,325	1,620,291

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

10.1 Property

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

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

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

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

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

<u>Amounts in US \$000</u>	As of March 31, 2017 (unaudited)	As of December 31, 2016
	Level 3	Level 3
Investment property	80,656	80,662
Owner-occupied lands	37,185	37,185
Owner-occupied land and buildings	79,459	77,855
Total properties	197,300	195,702

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

10.1 Property (continued)

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

<u>Amounts in US \$000</u>	Three months to March 31, (unaudited)			December 31,	
	2017	2017	2017	2017	2016
	Investment property	Owner- occupied lands	Owner- occupied land and buildings	Total	Total
Balance, beginning of period	80,662	37,185	77,855	195,702	197,897
Additions	-	-	1,886	1,886	2,687
Transfers in / (out)	-	-	-	-	555
Fair value changes recorded in net investment income	-	-	-	-	1,847
Fair value changes recorded in other comprehensive income	-	-	-	-	(1,583)
Depreciation	-	-	(261)	(261)	(1,105)
Disposals and divestitures	-	-	-	-	(1,578)
Effect of exchange rate changes	(6)	-	(21)	(27)	(3,018)
Balance, end of period	80,656	37,185	79,459	197,300	195,702

10.2 Financial instruments carried at fair value

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

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

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

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10.2 Financial instruments carried at fair value (continued)

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

A financial instrument is classified as Level 2 if:

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

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

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

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

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

A financial instrument is classified as Level 3 if:

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

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

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

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

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

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10.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	As of March 31, 2017 (unaudited)			
	Level 1	Level 2	Level 3	Total
Available for sale securities:				
Debt securities	598,883	1,664,017	2,997	2,265,897
Equity securities	31,560	46,438	12,661	90,659
	630,443	1,710,455	15,658	2,356,556
Investments at fair value through profit or loss:				
Debt securities	13,867	43,939	101,132	158,938
Equity securities	12,086	123,785	-	135,871
Derivative financial instruments	-	1,466	28,576	30,042
Mortgage loans	-	-	40,090	40,090
	25,953	169,190	169,798	364,941
Total assets	656,396	1,879,645	185,456	2,721,497
Total assets by percentage	24%	69%	7%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	134,000	134,000
Deposit and security liabilities:				
Structured products	-	-	35,422	35,422
Derivative financial instruments	-	1,466	-	1,466
	-	1,466	35,422	36,888
Total liabilities	-	1,466	169,422	170,888
Total liabilities by percentage	0%	1%	99%	100%

Transfers from Level 1 to Level 2 in the three months ended March 31, 2017 - Nil.

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10.2 Financial instruments carried at fair value (continued)

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

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

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

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10.2 Financial instruments carried at fair value (continued)

	Three months to March 30,				December 31,
	2017 (unaudited)	2017 (unaudited)	2017 (unaudited)	2017 (unaudited)	2016
	Investments				
<u>Amounts in US \$000</u>	Available for sale securities	at fair value through profit or loss	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	12,530	136,196	27,616	176,342	189,936
Additions	3,130	17,322	4,115	24,567	44,262
Transfers to/(from) Level 3 classification	-	(2)	-	(2)	76
Fair value changes recorded in net investment income	1	732	5,902	6,635	8,135
Fair value changes recorded in other comprehensive income	42	-	-	42	(308)
Disposals	(49)	(13,060)	(9,057)	(22,166)	(58,148)
Effect of exchange rate changes	4	34	-	38	(7,611)
Balance, end of period	15,658	141,222	28,576	185,456	176,342
Fair value changes recorded in net investment income for instruments held at the end of the period	-	732	5,337	6,069	10,067

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10.2 Financial instruments carried at fair value (continued)

	Three months to March 31,			December 31,
	2017	2017	2017	2016
	(unaudited)	(unaudited)	(unaudited)	
<u>Amounts in US \$000</u>	Policy liabilities	Structured products	Total liabilities	Total liabilities
Balance, beginning of period	130,668	34,779	165,447	160,289
Gains recorded in interest expense	51	-	51	188
Issues	2,931	-	2,931	35,664
Settlements	(1,391)	-	(1,391)	(22,751)
Transfers to/(from) instruments carried at amortised cost	-	685	685	(252)
Effect of exchange rate changes	1,741	(42)	1,699	(7,691)
Balance, end of period	134,000	35,422	169,422	165,447
Fair value changes recorded in interest expense for instruments held at the end of the period	-	-	-	188

11. CASH AND CASH EQUIVALENTS

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

<u>Amounts in US \$000</u>	March 31, 2017 (unaudited)	March 31, 2016 (unaudited)
Cash resources	227,741	285,837
Call deposits and other liquid balances	117,617	193,730
Bank overdrafts	(351)	(6,094)
Other short-term borrowings	(55,731)	(51,996)
	289,276	421,477