

SAGICOR FINANCIAL COMPANY LTD.

Condensed Consolidated Financial Statements

Three-months ended March 31, 2022

SAGICOR FINANCIAL COMPANY LTD.

ACRONYMS

Certain acronyms have been used throughout the financial statements and notes thereto to substitute phrases.

The more frequent acronyms and associated phrases are set out below.

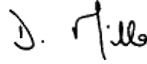
Acronym	Phrase
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
OCI	Other Comprehensive Income
IAS	International Accounting Standards

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>Amounts in US \$000</u>	As of March 31, 2022 (unaudited)	As of December 31, 2021 (audited)
ASSETS		
Investment property	76,169	75,954
Property, plant and equipment	263,769	266,781
Associates and joint ventures (note 19)	57,256	55,261
Intangible assets	87,306	89,101
Financial investments (note 7)	7,992,398	7,889,752
Financial investments repledged (note 7)	606,523	608,343
Reinsurance assets	614,820	630,717
Income tax assets	56,397	47,161
Miscellaneous assets and receivables	274,640	276,752
Cash	402,911	359,975
Restricted cash	81,216	78,135
Total assets	10,513,405	10,377,932
LIABILITIES		
Actuarial liabilities (note 14)	4,885,129	4,792,627
Other policy liabilities	361,632	341,441
Investment contract liabilities (note 8)	472,608	468,094
Total policy liabilities	5,719,369	5,602,162
Notes and loans payable (note 9)	684,709	683,388
Lease liabilities (note 15)	31,130	32,836
Deposit and security liabilities (note 10)	1,974,383	1,996,373
Other liabilities / retirement benefit liabilities	82,040	81,513
Income tax liabilities	61,388	61,926
Accounts payable and accrued liabilities	307,549	253,521
Total liabilities	8,860,568	8,711,719
EQUITY		
Share capital	1,428	1,431
Share premium	735,703	737,114
Reserves	(101,834)	(60,472)
Retained earnings	490,355	455,897
Total shareholders' equity	1,125,652	1,133,970
Participating accounts	23	581
Non-controlling interests	527,162	531,662
Total equity	1,652,837	1,666,213
Total liabilities and equity	10,513,405	10,377,932

These financial statements have been approved for issue by the Board of Directors on May 12, 2022.


 Director


 Director

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three months to March 31, 2022 (unaudited)	Three months to March 31, 2021 (unaudited)
<u>Amounts in US \$000</u>		
REVENUE		
Premium revenue (note 4)	581,830	299,758
Reinsurance premium expense (note 4)	(25,430)	(23,686)
Net premium revenue	556,400	276,072
Gain on derecognition of amortised cost investments	965	1,808
Gain on derecognition of assets carried at FVOCI	1,068	4,719
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	91,945	80,266
Other investment (loss) / income (note 5)	(7,253)	30,850
Credit impairment losses	(441)	456
Fees and other revenue	37,919	37,281
Total revenue, net	680,603	431,452
BENEFITS		
Policy benefits and change in actuarial liabilities (note 6)	444,578	241,796
Policy benefits and change in actuarial liabilities reinsured (note 6)	(3,479)	2,657
Net policy benefits and change in actuarial liabilities	441,099	244,453
Interest costs	12,377	10,991
Total benefits	453,476	255,444
EXPENSES		
Administrative expenses	90,689	82,914
Commissions and related compensation	37,334	26,719
Premium and asset taxes	8,527	8,106
Finance costs	10,038	10,154
Depreciation and amortisation	7,773	8,765
Total expenses	154,361	136,658
OTHER		
Gain arising on business combinations, acquisitions and divestitures (note 19)	-	10,679
Share of operating income of associates and joint ventures	2,281	2,417
Total other income	2,281	13,096
INCOME BEFORE TAXES	75,047	52,446
Income taxes	(19,121)	(10,846)
NET INCOME FOR THE PERIOD	55,926	41,600

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

<u>Amounts in US \$000</u>	Three months to March 31, 2022 (unaudited)	Three months to March 31, 2021 (unaudited)
	55,926	41,600
NET INCOME FOR THE PERIOD		
Net income is attributable to:		
Common shareholders:	41,814	31,472
Participating policyholders	(191)	(54)
Non-controlling interests	14,303	10,182
	55,926	41,600
Earnings per common share (note 16):		
Basic earnings per common share	29.2 cents	21.5 cents
Fully diluted earnings per common share	28.9 cents	21.3 cents

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<u>Amounts in US \$000</u>	Three months to March 31, 2022 (unaudited)	Three months to March 31, 2021 (unaudited)
NET INCOME FOR THE PERIOD	55,926	41,600
OTHER COMPREHENSIVE INCOME:		
Items net of tax that may be reclassified subsequently to income:		
Financial assets measured at FVOCI:		
Losses on revaluation	(173,911)	(67,816)
Gains transferred to income	(824)	(4,647)
Net change in actuarial liabilities	113,664	34,990
Cash flow hedges	-	3,510
Retranslation of foreign currency operations	3,000	(33,581)
Other items	15	-
	(58,056)	(67,544)
Items net of tax that will not be reclassified subsequently to income:		
Gains on revaluation of owner-occupied property and owner-managed property	23	1,808
Gains on defined benefit plans	-	4
	23	1,812
Other comprehensive loss	(58,033)	(65,732)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(2,107)	(24,132)
Total comprehensive loss is attributable to:		
Common shareholders	(486)	(1,603)
Participating policyholders	(514)	(163)
Non-controlling interests	(1,107)	(22,366)
	(2,107)	(24,132)

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2022					
Balance as of December 31, 2021	1,431	737,114	(60,472)	455,897	1,133,970
Total comprehensive (loss) / income	-	-	(42,300)	41,814	(486)
Transactions with holders of equity instruments:					
Allotment of common shares	-	113	-	-	113
Repurchase of shares (note 17)	(3)	(1,464)	-	21	(1,446)
Movement in treasury shares	-	(60)	-	-	(60)
Changes in reserve for equity compensation benefits	-	-	1,246	-	1,246
Disposal of interest in subsidiaries	-	-	-	395	395
Dividends declared	-	-	-	(8,036)	(8,036)
Transfers and other movements	-	-	(308)	264	(44)
Balance as of March 31, 2022	1,428	735,703	(101,834)	490,355	1,125,652

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non- controlling interests (unaudited)	Total Equity (unaudited)
Three months to March 31, 2022				
Balance as of December 31, 2021	1,133,970	581	531,662	1,666,213
Total comprehensive loss	(486)	(514)	(1,107)	(2,107)
Transactions with holders of equity instruments:				
Allotment of common shares	113	-	-	113
Repurchase of shares (note 17)	(1,446)	-	-	(1,446)
Movement in treasury shares	(60)	-	-	(60)
Changes in reserve for equity compensation benefits	1,246	-	-	1,246
Disposal of interest in subsidiaries (note 21)	395	-	9,876	10,271
Dividends declared	(8,036)	-	(13,634)	(21,670)
Transfers and other movements	(44)	(44)	365	277
Balance as of March 31, 2022	1,125,652	23	527,162	1,652,837

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2021					
Balance as of December 31, 2020	1,463	753,490	(14,868)	369,695	1,109,780
Total comprehensive (loss) / income	-	-	(33,079)	31,476	(1,603)
Transactions with holders of equity instruments:					
Allotment of common shares	3	1,539	-	-	1,542
Repurchase of shares (note 17)	(3)	(1,373)	-	55	(1,321)
Movement in treasury shares	-	(4)	-	-	(4)
Changes in reserve for equity compensation benefits	-	-	(74)	238	164
Dividends declared	-	-	-	(8,234)	(8,234)
Transfers and other movements	-	-	314	(153)	161
Balance as of March 31, 2021	1,463	753,652	(47,707)	393,077	1,100,485

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling interests (unaudited)	Total Equity (unaudited)
Three months to March 31, 2021				
Balance as of December 31, 2020	1,109,780	1,607	546,823	1,658,210
Total comprehensive loss	(1,603)	(163)	(22,366)	(24,132)
Transactions with holders of equity instruments:				
Allotment of common shares	1,542	-	-	1,542
Repurchase of shares (note 17)	(1,321)	-	-	(1,321)
Movement in treasury shares	(4)	-	-	(4)
Changes in reserve for equity compensation benefits	164	-	-	164
Dividends declared	(8,234)	-	(3,806)	(12,040)
Transfers and other movements	161	(46)	(77)	38
Balance as of March 31, 2021	1,100,485	1,398	520,574	1,622,457

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Three months to March 31, 2022 (unaudited)	Three months to March 31, 2021 (unaudited)
OPERATING ACTIVITIES		
Income before taxes	75,047	52,446
Adjustments for non-cash items, interest and dividends (note 13)	202,274	(22,079)
Interest and dividends received	97,672	103,862
Interest paid	(12,997)	(28,586)
Income taxes paid	(12,856)	(26,139)
Net change in investments and operating assets (note 13)	(646,055)	(136,425)
Net change in operating liabilities (note 13)	29,341	33,816
Net cash flows - operating activities	(267,574)	(23,105)
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(2,868)	(2,246)
Associates and joint ventures	-	51,668
Dividends received from associates and joint ventures	200	160
Purchase of intangible assets	(451)	(379)
Net cash flows - investing activities	(3,119)	49,203
FINANCING ACTIVITIES		
Repurchase of common shares (note 17)	(1,446)	(1,321)
Movement in treasury shares	(60)	(3)
Shares issued to non-controlling interests	309	-
Issuance of notes and loans payable (note 13)	1,293	-
Repayment of notes and loans payable (note 13)	(845)	(3,677)
Lease liability principal paid (note 13)	(1,963)	(1,957)
Dividends paid to common shareholders	(1)	(2)
Dividends paid to non-controlling interests	-	(3,807)
Proceeds on disposal of interest in subsidiary (note 21)	10,271	-
Net cash flows - financing activities	7,558	(10,767)
Effect of exchange rate changes	20	(2,978)
Net change in cash and cash equivalents	(263,115)	12,353
Cash and cash equivalents, beginning of period	836,791	547,208
Cash and cash equivalents, end of period (note 13)	573,676	559,561

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements (“condensed financial statements”) of Sagicor Financial Company Ltd. and its subsidiaries (the “Group”), (“Sagicor”) are presented in compliance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The common shares and warrants of Sagicor are listed on the Toronto Stock Exchange and are traded under the symbols “SFC” and “SFC.WT”, respectively. 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 2021 annual consolidated financial statements and the accompanying notes included in pages 126 to 293 of the Annual Report for 2021. 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.

Effective January 1, 2022, Sagicor Life Inc executed a reinsurance arrangement with Sagicor Reinsurance Bermuda Limited (“SRBL”), the Bermuda reinsurance subsidiary of Sagicor Financial Corporation Limited, through a segregated account established and managed by SRBL, and owned by Sagicor Financial Company Ltd. Through this arrangement, SLI has transferred the insurance risks associated with certain life and annuity products relating to its Trinidad & Tobago business to SRBL for a ceding commission. Inter-entity balances have been appropriately eliminated in these financial statements.

2. ACCOUNTING POLICIES

These condensed financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2021 annual consolidated financial statements. The principal accounting policies are described in note 2 of those annual consolidated financial statements.

2.1 Exchange rates

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

	Closing rates as of March 31, 2022	Closing rates as of December 31, 2021	Average rates for the three months to March 31, 2022	Average rates for the three months to March 31, 2021
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	153.3058	153.9200	154.8606	147.1138
Trinidad & Tobago dollar	6.7544	6.7626	6.7432	6.7416
Pound sterling	0.75980	0.74080	0.74376	0.72554

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS

The Group conducts its business through three reportable operating segments, as follows:

- Sagicor Life: Engages in life and health insurance, annuities and pension administration in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panama and Trinidad & Tobago and, through a segregated account, transfers insurance risks associated with certain life and annuity products relating to Trinidad & Tobago business to Sagicor Reinsurance Bermuda Ltd.
- 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, Costa Rica and USA.
- Sagicor Life USA: Engages in life insurance and annuities in certain states of the USA and, through a segregated account, transfers insurance risks associated with certain life and annuity products, and financial instruments supporting those liabilities, to Sagicor Reinsurance Bermuda Ltd.

There have been no changes in the reportable operating segments from 2021. Segmented financial information is set out in the sections 3.1 to 3.5.

3.1 Statement of income by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor	Head office	Adjust-	Total
Three months to March 31, 2022	Life	Jamaica	Life USA	and other	ments	
Net premium revenue	92,122	84,727	370,305	9,246	-	556,400
Gain / (loss) on derecognition of amortised cost investments	-	973	-	(8)	-	965
Gain / (loss) on derecognition of assets carried at FVOCI	48	485	546	(11)	-	1,068
Interest income earned from financial assets measured at amortised cost and FVOCI	21,156	40,600	28,067	2,122	-	91,945
Other investment income / (loss)	2,070	(1,120)	(21,790)	13,609	(22)	(7,253)
Credit impairment losses	989	(1,277)	(127)	(26)	-	(441)
Fees and other revenue	1,750	37,357	(4,735)	3,728	(181)	37,919
Inter-segment revenue	6,071	-	-	2,465	(8,536)	-
Total revenue, net	124,206	161,745	372,266	31,125	(8,739)	680,603
Net policy benefits	70,000	58,559	50,313	4,298	-	183,170
Net change in actuarial liabilities	11,192	(12,651)	259,388	-	-	257,929
Interest costs	3,371	7,230	974	802	-	12,377
Administrative expenses	18,809	48,898	11,399	11,533	50	90,689
Commissions and premium and asset taxes	11,463	18,288	13,487	2,623	-	45,861
Finance costs	15	1,102	77	8,844	-	10,038
Depreciation and amortisation	1,702	4,410	1,027	634	-	7,773
Inter-segment expenses	(320)	340	2,987	5,927	(8,934)	-
Total benefits and expenses	116,232	126,176	339,652	34,661	(8,884)	607,837
Share of operating income of associates and joint ventures	901	1,380	-	-	-	2,281
Segment income / (loss) before taxes	8,875	36,949	32,614	(3,536)	145	75,047
Income taxes	(2,025)	(9,903)	(6,862)	(352)	21	(19,121)
Segment net income / (loss)	6,850	27,046	25,752	(3,888)	166	55,926
Net income / (loss) attributable to non-controlling interests	-	14,405	-	(102)	-	14,303
Net income / (loss) attributable to shareholders	7,041	12,641	25,752	(3,786)	166	41,814
Total comprehensive income / (loss) attributable to shareholders	1,663	(2,436)	3,106	(3,488)	669	(486)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.1 Statement of income by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor Life	Head office	Adjust-	Total
Three months to March 31, 2021	Life	Jamaica	USA	and other	ments	
Net premium revenue	94,898	85,102	86,821	9,251	-	276,072
(Loss) / gain on derecognition of amortised cost investments	(10)	1,876	-	(58)	-	1,808
Gain on derecognition of assets carried at FVOCI	1,461	3,055	203	-	-	4,719
Interest income earned from financial assets measured at amortised cost and FVOCI	20,653	38,783	19,985	845	-	80,266
Other investment income	3,540	4,238	6,421	16,677	(26)	30,850
Credit impairment losses	578	(408)	221	65	-	456
Fees and other revenue	2,734	32,754	(2,838)	4,814	(183)	37,281
Inter-segment revenue	6,275	-	-	2,297	(8,572)	-
Total revenue, net	130,129	165,400	110,813	33,891	(8,781)	431,452
Net policy benefits	63,917	53,685	42,879	2,624	-	163,105
Net change in actuarial liabilities	18,370	11,043	51,935	-	-	81,348
Interest costs	4,338	6,745	(469)	377	-	10,991
Administrative expenses	17,997	41,610	10,406	11,840	1,061	82,914
Commissions and premium and asset taxes	9,766	17,888	4,752	2,419	-	34,825
Finance costs	17	1,331	83	8,723	-	10,154
Depreciation and amortisation	2,443	4,490	1,158	674	-	8,765
Inter-segment expenses	3,766	470	(1,270)	5,947	(8,913)	-
Total benefits and expenses	120,614	137,262	109,474	32,604	(7,852)	392,102
Gain / (loss) arising on business combinations, acquisitions and divestitures (note 19)	-	(1,584)	-	12,263	-	10,679
Share of operating income of associates and joint ventures	905	1,512	-	-	-	2,417
Segment income / (loss) before taxes	10,420	28,066	1,339	13,550	(929)	52,446
Income taxes	(2,133)	(7,896)	(281)	(534)	(2)	(10,846)
Segment net income / (loss)	8,287	20,170	1,058	13,016	(931)	41,600
Net income attributable to non-controlling interests	-	3,063	-	7,119	-	10,182
Net income attributable to shareholders	8,341	9,917	1,058	13,087	(931)	31,472
Total comprehensive income / (loss) attributable to shareholders	3,809	(10,098)	(6,746)	12,204	(772)	(1,603)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.2 Statement of financial position by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
As of March 31, 2022						
Financial investments	1,634,002	2,781,355	3,681,872	501,692	-	8,598,921
Other external assets	360,250	645,694	688,445	220,095	-	1,914,484
Inter-segment assets	415,654	12,277	45,959	166,681	(640,571)	-
Total assets	2,409,906	3,439,326	4,416,276	888,468	(640,571)	10,513,405
Policy liabilities	1,578,119	817,423	3,249,228	74,599	-	5,719,369
Other external liabilities	92,113	1,710,951	538,029	800,106	-	3,141,199
Inter-segment liabilities	85,353	6,989	164,471	383,758	(640,571)	-
Total liabilities	1,755,585	2,535,363	3,951,728	1,258,463	(640,571)	8,860,568
Net assets	654,321	903,963	464,548	(369,995)	-	1,652,837
Net assets attributable to non-controlling interests	-	514,149	-	13,013	-	527,162

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
As of December 31, 2021						
Financial investments	1,623,497	2,776,290	3,569,298	529,010	-	8,498,095
Other external assets	348,825	654,237	664,938	211,837	-	1,879,837
Inter-segment assets	416,768	12,147	50,081	193,378	(672,374)	-
Total assets	2,389,090	3,442,674	4,284,317	934,225	(672,374)	10,377,932
Policy liabilities	1,560,576	830,180	3,137,460	73,946	-	5,602,162
Other external liabilities	84,616	1,695,864	532,595	796,482	-	3,109,557
Inter-segment liabilities	115,834	1,832	168,163	386,545	(672,374)	-
Total liabilities	1,761,026	2,527,876	3,838,218	1,256,973	(672,374)	8,711,719
Net assets	628,064	914,798	446,099	(322,748)	-	1,666,213
Net assets attributable to non-controlling interests	-	518,569	-	13,093	-	531,662

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	Three months to March 31, 2022	Three months to March 31, 2021
Life, health and annuity insurance contracts issued to individuals	516,275	264,629
Life, health and annuity insurance and pension administration contracts issued to groups	70,081	74,186
Property and casualty insurance	18,303	18,983
Banking, investment management and other financial services	44,584	43,255
Hospitality services	11,459	7,187
Unallocated revenues	19,901	23,212
Total revenue	680,603	431,452

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Three months to March 31, 2022	Three months to March 31, 2021
Barbados	58,241	62,806
Jamaica	146,950	152,091
Trinidad & Tobago	54,248	58,368
Other Caribbean	37,837	42,499
USA	383,327	115,688
Total revenue	680,603	431,452

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.5 Revenues from fees recognised

The following table discloses revenue from fees recognised by reportable operating segment.

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to March 31, 2022						
Fees recognised:						
At a point in time	-	13,680	34	-	-	13,714
Over time	2,192	18,237	-	764	-	21,193
Total included in fees and other revenue	2,192	31,917	34	764	-	34,907
Three months to March 31, 2021						
Fees recognised:						
At a point in time	-	9,385	31	-	-	9,416
Over time	2,084	10,410	-	741	-	13,235
Total included in fees and other revenue	2,084	19,795	31	741	-	22,651

4. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2022	2021	2022	2021
Three months to March 31,				
Life insurance	125,153	123,515	6,872	6,460
Annuity	385,231	106,618	29	-
Health insurance	41,969	41,106	1,046	1,286
Property and casualty insurance	29,477	28,519	17,483	15,940
Total premium revenue	581,830	299,758	25,430	23,686

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5. NET INVESTMENT INCOME

<u>Amounts in US \$000</u>	<u>Three months to March 31, 2022</u>	<u>Three months to March 31, 2021</u>
Investment income		
Interest income (amortised cost assets):		
Debt securities	24,273	23,019
Mortgage loans	6,099	5,804
Policy loans	2,870	2,661
Finance loans	13,387	13,690
Securities purchased for resale	583	389
Deposits, cash and other items	513	245
	<u>47,725</u>	<u>45,808</u>
Interest income (FVOCI assets):		
Debt securities and money market funds	44,220	34,458
Interest income earned from financial assets measured at amortised cost and FVOCI	<u>91,945</u>	<u>80,266</u>
Fair value changes, dividend income and interest income (FVTPL assets):		
Debt securities	(3,755)	344
Equity securities ⁽¹⁾	(6,723)	20,499
Mortgage loans	488	413
Derivative financial instruments	1,843	9,159
Other items	-	1
	<u>(8,147)</u>	<u>30,416</u>
Investment income:		
Other income on financial investments	106	122
Investment property – rental income	946	988
Investment property – unrealised gains	22	-
Other investment income	1,194	60
	<u>2,268</u>	<u>1,170</u>
Investment expenses:		
Direct operating expenses of investment property that generated rental income	631	473
Other direct investment expenses	743	263
	<u>1,374</u>	<u>736</u>
Other investment (loss) / income	<u>(7,253)</u>	<u>30,850</u>
Net investment income	<u>84,692</u>	<u>111,116</u>

(1) Included in fair value changes on equity securities is a gain of \$7,199 (\$14,251 for the three-month period ended March 31, 2021) on the interest held in Playa Hotel & Resorts N.V. ("Playa") as a FVTPL investment (see note 19).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
Three months to March 31,	2022	2021	2022	2021
Life insurance benefits	74,394	71,059	6,880	8,238
Annuity benefits	93,002	80,430	19,640	16,128
Health insurance claims	35,919	33,981	161	2,503
Property and casualty claims	9,496	6,108	2,960	1,604
Total policy benefits	212,811	191,578	29,641	28,473
Change in actuarial liabilities (note 14)	231,767	50,218	(26,162)	(31,130)
Total policy benefits and change in actuarial liabilities	444,578	241,796	3,479	(2,657)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS

Analysis of financial investments

Amounts in US \$000

	March 31, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Investments at FVOCI:				
Debt securities and money market funds	4,482,737	4,482,737	4,481,319	4,481,319
Equity securities	487	487	520	520
	4,483,224	4,483,224	4,481,839	4,481,839
Investments at FVTPL:				
Debt securities	338,022	338,022	283,534	283,534
Equity securities ⁽¹⁾	972,134	972,134	889,619	889,619
Derivative financial instruments	19,239	19,239	26,246	26,246
Mortgage loans	23,380	23,380	24,375	24,375
	1,352,775	1,352,775	1,223,774	1,223,774
Investments at amortised cost:				
Debt securities	1,444,671	1,578,755	1,399,703	1,556,181
Mortgage loans	433,296	426,268	425,548	421,650
Policy loans	154,969	169,620	153,839	177,483
Finance loans	557,787	561,635	533,460	536,741
Securities purchased for resale	64,192	64,192	68,007	68,007
Deposits	108,007	108,007	211,925	211,925
	2,762,922	2,908,477	2,792,482	2,971,987
Total financial investments	8,598,921	8,744,476	8,498,095	8,677,600

⁽¹⁾ Included in equity securities are exchange-traded funds of \$453,288 as at March 31, 2022 (\$446,294 as at December 31, 2021).

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL mandatory designation	FVTPL designation by election	Total
<u>Amounts in US \$000</u>			
March 31, 2022			
Equity securities	783,957	188,177	972,134
Debt securities	175,064	162,958	338,022
Mortgage loans	20	23,360	23,380
	959,041	374,495	1,333,536
December 31, 2021			
Equity securities	721,559	168,060	889,619
Debt securities	145,042	138,492	283,534
Mortgage loans	23	24,352	24,375
	866,624	330,904	1,197,528

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Financial investments repledged

Debt securities are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions. Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or repledge the collateral.

<u>Amounts in US \$000</u>	March 31, 2022	December 31, 2021
Financial investments repledged	606,523	608,343
Statement of financial position presentation		
Financial investments	7,992,398	7,889,752
Financial investments repledged	606,523	608,343
	8,598,921	8,498,095

Analysis of financial investments repledged

<u>Amounts in US \$000</u>	March 31, 2022	December 31, 2021
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	602,748	604,581
Investments at FVTPL:		
Debt securities	763	760
Investments at amortised cost:		
Debt securities	587	585
Securities purchased for resale	37	37
Deposits	2,388	2,380
	3,012	3,002
Financial investments repledged	606,523	608,343

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. 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, 2022		December 31, 2021	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Deposit administration liabilities	118,471	118,471	117,287	117,287
Other investment contracts	195,266	193,803	191,304	190,031
	313,737	312,274	308,591	307,318
Liabilities at FVTPL:				
Unit linked deposit administration liabilities	158,871	158,871	159,503	159,503
Total investment contract liabilities	472,608	471,145	468,094	466,821

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. 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, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
5.30% senior notes due 2028 (b)	532,847	558,343	532,162	570,306
5.50% unsecured bond due 2022 (c)	32,100	31,834	32,079	32,362
6.25% unsecured bond due 2022 (c) & (d)	25,260	27,790	25,130	28,667
6.75% notes due 2024 (e)	14,336	14,924	14,284	14,956
Bank loans and other funding instruments (f)	34,463	34,463	33,696	33,696
Mortgage loans (g)	45,703	48,750	46,037	48,950
	684,709	716,104	683,388	728,937

(a) Senior Notes Due 2022

In May 2021, the Group made a cash tender offer for the senior unsecured notes (the “Notes”) and cash tenders totalling US \$130 million were accepted. On August 11, 2021, the Company redeemed all of the remaining US \$188 million principal amount of the 2022 notes at an aggregate redemption price of US \$188 million, pursuant to the following terms of the note indenture governing the 2022 Notes:

Optional Redemption with an Applicable Premium - At any time on or after August 11, 2019, the Group may redeem the Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the Notes redeemed, to the applicable date of redemption.

(b) Senior notes due 2028

On May 13, 2021, Sagicor Financial Company Ltd. issued US \$400 million of senior notes due 2028 (the “New Notes”). The Company used partial proceeds of the transaction to repurchase the US \$318 million principal amount of the 8.875% Notes due 2022 which were issued by its subsidiary, Sagicor Finance 2015 Limited (see (a) above). The New Notes are due May 13, 2028 and bear interest at an annual rate of 5.30%.

On December 15, 2021, the Group issued an additional US \$150 million principal amount of the New Notes. These New Notes are also due May 13, 2028 and bear interest at an annual rate of 5.30%.

As at March 31, 2021, the Group had, in total, US \$550 million principal amount of the New Notes outstanding.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(b) Senior notes due 2028 (continued)

Pursuant to the terms of the New Notes, the Group may redeem the New Notes under the scenario as summarised below:

Optional Redemption with an Applicable Premium - At any time on or after May 13, 2024, the Group may redeem the New Notes in whole or in part at specified redemption prices, plus accrued and unpaid interest, if any, on the New Notes redeemed, to the applicable date of redemption.

The Group has estimated the fair value of the optional redemption embedded derivative at US \$18.2 million as at March 31, 2022 (US \$11.3 million as at December 31, 2021).

(c) 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%. The notes matured October 26, 2020.

Also on September 26, 2019, Sagicor Financial Corporation Limited issued a Jamaican \$ bond in the amount of J\$5,731,140,000 carrying an annual interest rate of 5.95% per annum. The bond matured October 26, 2020.

On October 27, 2020, Sagicor Financial Corporation Limited refinanced the above facilities with the issue of a bond in two Tranches, Tranche A up to J\$5,737,140,000 and Tranche B up to US \$31,807,000, carrying annual interest rates of 6.25% and 5.50% respectively. The Tranches matured on April 26, 2022 and the option for further extension was exercised. See note 23.

(d) At March 31, 2022, Sagicor Investments Jamaica Limited held an investment of US \$12.6 million in Tranche A above (US \$12.5 million as at December 31, 2021).

(e) On August 16, 2019, Sagicor Investments Jamaica Limited issued J\$4.4 billion notes in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying annual rates of 5.00% and 6.75% respectively. Tranche A matured on September 16, 2020 and Tranche B has a maturity date of August 16, 2024.

(f) Bank loans and other funding instruments include the following:

- (i) 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 the loan matures on July 31, 2024.
- (ii) On October 1, 2020, The Estates (Residential Properties) Limited issued cumulative preference shares in the amount of US \$9 million. Dividends accrue at a rate of 6.75% per annum and are payable semi-annually. The preference shares are redeemable on September 30, 2027.
- (iii) On May 3, 2021, The Estates (Residential Properties) Limited entered into a US \$17 million construction loan agreement with First Caribbean International Bank (Barbados) Limited. The interest rate is 3.50% per annum and the loan is repayable 2 years from the date of issuance, maturing on June 11, 2023. The facility is available in multiple drawdowns over this period.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(g) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	44,917	45,137
Development loan ⁽¹⁾	X Fund Properties Limited	786	900
		45,703	46,037

⁽¹⁾ This note is interest-free with annual forgiveness of debt over ten years, if certain conditions are met.

X Fund Properties LLC

The 4.90% USD mortgage note is secured by the investment in hotel property. Interest on the mortgage note is paid monthly through to maturity, upon which the outstanding principal is due and payable. The Group may prepay the mortgage note prior to the maturity date only in conjunction with the sale of a property or as a result of casualty or condemnation. The note is payable on October 6, 2025 and attracts a fixed rate interest of 4.90%.

<u>Movement for the three months to March 31,</u>	<u>2022</u>	<u>2021</u>
<u>Amounts in US \$000</u>		
Balance, beginning of period	683,388	471,622
Valuation of call option embedded derivative	(6,881)	(1,621)
Additions:		
Gross principal	1,357	-
Less: Expenses	(64)	-
	1,293	-
Repayments:		
Principal	(845)	(3,677)
Interest	(2,157)	(15,878)
	(3,002)	(19,555)
Amortisation during the period	474	744
Accrued interest	9,258	9,050
Effects of exchange rate changes	179	(1,864)
Balance, end of the period	684,709	458,376

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. 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, 2022		December 31, 2021	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	486,758	486,539	511,453	511,598
Customer deposits	880,430	883,545	881,434	883,673
Securities sold for repurchase	600,625	600,625	598,272	598,272
Bank overdrafts	2,114	2,114	761	761
	1,969,927	1,972,823	1,991,920	1,994,304
Liabilities at FVTPL:				
Structured products	4,357	4,357	4,344	4,344
Derivative financial instruments	99	99	109	109
	4,456	4,456	4,453	4,453
	1,974,383	1,977,279	1,996,373	1,998,757

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property

Investment property, owner-occupied property and owner-managed hotel 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 undeveloped 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 unadjusted 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, 2022	As of December 31, 2021
	Level 3	Level 3
Investment property	76,169	75,954
Owner-occupied properties	107,816	108,480
Owner-managed hotel properties	87,680	88,235
Total properties	271,665	272,669

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-managed properties, reasonable changes in fair value would affect other comprehensive income.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

The following table shows the sensitivity of fair value measurements to changes in unobservable inputs for Level 3 investment property, owner-occupied properties and owner-managed hotel properties.

	Fair value		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	March 31, 2022	December 31, 2021		March 31, 2022	December 31, 2021	
<u>Amounts in US \$000</u>						
Investment property	76,169	75,954	Comparable sales	5%	5%	(1)
Owner-occupied properties	107,816	108,480	Comparable sales	5%	5%	(1)
Owner-managed hotel properties	87,680	88,235	Comparable sales	5%	5%	(1)
Total properties	271,665	272,669				

(1) Increases or decreases in comparable sale prices will have a direct correlation to the fair value.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

The following table sets out the movements for the period in investment property, owner-occupied properties and owner-managed hotel properties.

<u>Amounts in US \$000</u>	Three months to March 31, 2022			Twelve months to December 31, 2021	
	Investment property	Owner-occupied properties	Owner-managed properties	Total	Total
Balance, beginning of period	75,954	108,480	88,235	272,669	263,057
Additions at cost	620	321	38	979	1,519
Fair value changes recorded in net investment income	22	-	-	22	(60)
Fair value changes recorded in other comprehensive income	-	47	-	47	15,042
Depreciation charge	-	(243)	(595)	(838)	(3,731)
Disposals and divestitures	(481)	-	-	(481)	(3,003)
Other transfers and reclassifications	-	(883)	-	(883)	1,325
Effect of exchange rate changes	54	94	2	150	(1,480)
Balance, end of period	76,169	107,816	87,680	271,665	272,669

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 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.

(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.

(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.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Level 3 assets designated at FVTPL 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:

<u>Amounts in US \$000</u>	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
FVOCI investments:				
Debt securities and money market funds	351,550	4,035,961	95,226	4,482,737
Equity securities	447	-	40	487
	351,997	4,035,961	95,266	4,483,224
FVTPL investments:				
Debt securities	24,031	194,329	119,662	338,022
Equity securities	361,285	586,163	24,686	972,134
Derivative financial instruments	-	99	19,140	19,239
Mortgage loans	-	-	23,380	23,380
	385,316	780,591	186,868	1,352,775
Total assets	737,313	4,816,552	282,134	5,835,999
Total assets by percentage	13%	82%	5%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	158,871	158,871
FVTPL deposit and security liabilities:				
Structured products	-	-	4,357	4,357
Derivative financial instruments	-	-	99	99
	-	-	4,456	4,456
Total liabilities	-	-	163,327	163,327
Total liabilities by percentage	-	-	100%	100%

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Amounts in US \$000	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
FVOCI investments:				
Debt securities and money market funds	541,529	3,840,556	99,234	4,481,319
Equity securities	481	-	39	520
	542,010	3,840,556	99,273	4,481,839
FVTPL investments:				
Debt securities	26,622	137,824	119,088	283,534
Equity securities	361,675	508,615	19,329	889,619
Derivative financial instruments	-	109	26,137	26,246
Mortgage loans	-	-	24,375	24,375
	388,297	646,548	188,929	1,223,774
Total assets	930,307	4,487,104	288,202	5,705,613
Total assets by percentage	16%	79%	5%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	159,503	159,503
FVTPL deposit and security liabilities:				
Structured products	-	-	4,344	4,344
Derivative financial instruments	-	-	109	109
	-	-	4,453	4,453
Total liabilities	-	-	163,956	163,956
Total liabilities by percentage	-	-	100%	100%

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

The following table shows the sensitivity of fair value measurements to changes in unobservable inputs for Level 3 financial instruments:

	Fair value		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	March 31, 2022	December 31, 2021		March 31, 2022	December 31, 2021	
<u>Amounts in US \$000</u>						
FVOCI investments:						
Debt securities	95,226	99,234	Adjustments to yields	10%	10%	(1)
Equity securities	40	39	Adjustments to net assets	10%	10%	(2)
	95,266	99,273				
FVTPL investments:						
Debt securities	119,662	119,088	Adjustments to yields	10%	10%	(1)
Equity securities	24,686	19,329	Adjustments to net assets	10%	10%	(2)
Derivative financial instruments	19,140	26,137	Adjustments to yields	10%	10%	(1)
Mortgage loans	23,380	24,375	Adjustments to yields	10%	10%	(1)
	186,868	188,929				
Total assets	282,134	288,202				
Unit linked deposit administration liabilities	158,871	159,503	Adjustments to yields	10%	10%	(1)
Structured products	4,357	4,344	Adjustments to yields	10%	10%	(1)
Derivative financial instruments	99	109	Adjustments to yields	10%	10%	(1)
Total liabilities	163,327	163,956				

(1) Adjustments to yields will have a direct correlation to the fair value.

(2) Increases or decreases in adjusted net assets of the underlying entities will have a direct correlation to the fair value.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Three months to March 31, 2022				Twelve months to December 31, 2021
	FVOCI investments	FVTPL investments	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	99,273	162,792	26,137	288,202	222,534
Additions	-	6,334	4,216	10,550	180,083
Fair value changes recorded in net investment income	-	7	(5,038)	(5,031)	17,073
Fair value changes recorded in other comprehensive income	376	-	-	376	-
Disposals and divestitures	(4,510)	(507)	(6,175)	(11,192)	(129,681)
Transfers (out of) Level 3 classification	-	-	-	-	(399)
Transfers to instruments carried at amortised cost	-	-	-	-	-
Movements arising from business acquisitions and divestitures	-	(11)	-	(11)	-
Effect of exchange rate changes	127	(887)	-	(760)	(1,039)
Balance, end of period	95,266	167,728	19,140	282,134	288,202
Fair value changes recorded in net investment income for instruments held at the end of the period	-	18	(208)	(190)	7,986

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	Three months to March 31, 2022				Twelve months to December 31, 2021
	Policy liabilities	Structured products	Derivative financial instruments	Total liabilities	Total liabilities
Balance, beginning of period	159,503	4,344	109	163,956	154,442
Issues	4,210	-	-	4,210	27,045
Settlements	(5,543)	-	-	(5,543)	(17,329)
Gains / (losses) recorded in interest costs	(177)	-	(10)	(187)	162
Effect of exchange rate changes	878	13	-	891	(364)
Balance, end of period	158,871	4,357	99	163,327	163,956
Fair value changes recorded in interest expense for instruments held at the end of the period	(177)	-	-	(177)	162

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK

12.1 Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables analyse the credit risk exposure of financial investments for which an ECL allowance is recognised. 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>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Debt securities – amortised cost						
Credit grade:						
Investment	429,258	-	-	-	429,258	428,766
Non-investment	816,392	7,480	9	188,424	1,012,305	967,337
Watch	1,218	-	-	4,189	5,407	5,780
Unrated	571	-	-	11	582	586
Gross carrying amount	1,247,439	7,480	9	192,624	1,447,552	1,402,469
Loss allowance	(2,317)	(100)	-	(464)	(2,881)	(2,766)
Carrying amount	1,245,122	7,380	9	192,160	1,444,671	1,399,703

<u>Amounts in US \$000</u>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Mortgage loans – amortised cost						
Credit grade:						
Investment	243,195	24,794	9,244	-	277,233	243,357
Non-investment	124,595	9,007	15	-	133,617	148,168
Watch	19	1,194	15,223	-	16,436	28,568
Default	-	-	11,405	-	11,405	10,334
Gross carrying amount	367,809	34,995	35,887	-	438,691	430,427
Loss allowance	(1,073)	(548)	(3,774)	-	(5,395)	(4,879)
Carrying amount	366,736	34,447	32,113	-	433,296	425,548

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Finance loans – amortised cost						
Credit grade:						
Investment	198	-	-	-	198	-
Non-investment	532,714	19,900	-	-	552,614	527,695
Watch	-	3,265	-	-	3,265	3,811
Default	-	-	11,534	-	11,534	11,528
Gross carrying amount	532,912	23,165	11,534	-	567,611	543,034
Loss allowance	(4,588)	(529)	(4,707)	-	(9,824)	(9,574)
Carrying amount	528,324	22,636	6,827	-	557,787	533,460

<u>Amounts in US \$000</u>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Securities purchased for resale – amortised cost						
Credit grade:						
Non-investment	64,192	-	-	-	64,192	68,007
Gross carrying amount	64,192	-	-	-	64,192	68,007
Loss allowance	-	-	-	-	-	-
Carrying amount	64,192	-	-	-	64,192	68,007

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Policy loans – amortised cost						
Credit grade:						
Investment	148,381	-	-	-	148,381	147,295
Non-investment	7,069	-	-	-	7,069	7,001
Gross carrying amount	155,450	-	-	-	155,450	154,296
Loss allowance	(481)	-	-	-	(481)	(457)
Carrying amount	154,969	-	-	-	154,969	153,839

<u>Amounts in US \$000</u>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Deposits – amortised cost						
Credit grade:						
Investment	70,465	-	-	-	70,465	97,104
Non-investment	39,192	251	-	-	39,443	116,799
Watch	428	372	-	-	800	800
Unrated	262	-	-	-	262	440
Gross carrying amount	110,347	623	-	-	110,970	215,143
Loss allowance	(2,892)	(71)	-	-	(2,963)	(3,218)
Carrying amount	107,455	552	-	-	108,007	211,925

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	March 31, 2022				December 31, 2021	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Debt securities and money market funds – FVOCI						
Credit grade:						
Investment	3,559,893	6,157	-	-	3,566,050	3,417,835
Non-investment	913,913	82,720	-	28,678	1,025,311	960,483
Unrated	104	-	-	-	104	104
Gross carrying amount	4,473,910	88,877	-	28,678	4,591,465	4,378,422
Loss allowance	(2,815)	(3,673)	-	-	(6,488)	(6,791)
Carrying amount	4,471,095	85,204	-	28,678	4,584,977	4,371,631

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment

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 derecognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

The following tables contain an analysis of loss allowances in respect of financial investments subject to impairment.

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

Loss Allowances	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
Three months ended March 31, 2022					
Loss Allowance as at January 1, 2022	2,471	4,320	-	-	6,791
New financial assets originated or purchased	292	-	-	-	292
Financial assets fully derecognised during the period	(37)	(28)	-	-	(65)
Changes in ECL inputs, models and / or assumptions	85	(620)	-	-	(535)
Effect of exchange rate changes	4	1	-	-	5
Loss Allowance as at March 31, 2022	2,815	3,673	-	-	6,488
Credit impairment loss reduction recorded in income					309

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

Loss Allowances <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	
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	2,572	8,465	6,176	-	17,213
Transfers:					
Transfer from Stage 1 to Stage 2	(3)	3	-	-	-
Transfer from Stage 2 to Stage 1	72	(72)	-	-	-
New financial assets originated or purchased	167	-	-	-	167
Financial assets fully derecognised during the period	(105)	(1,796)	(1,993)	-	(3,894)
Changes in ECL inputs, models and / or assumptions	(130)	898	39	-	807
Effect of exchange rate changes	(15)	(5)	(77)	-	(97)
Loss Allowance as at March 31, 2021	2,558	7,493	4,145	-	14,196
Credit impairment loss reduction recorded in income					958

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

DEBT SECURITIES – AMORTISED COST

Loss Allowances <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	
Three months ended March 31, 2022					
Loss Allowance as at January 1, 2022	2,068	211	-	487	2,766
Transfers:					
Transfer from Stage 2 to Stage 1	87	(87)	-	-	-
New financial assets originated or purchased	163	-	-	-	163
Financial assets fully derecognised during the period	(18)	-	-	-	(18)
Changes in ECL inputs, models and / or assumptions	13	(24)	-	(23)	(34)
Effect of exchange rate changes	4	-	-	-	4
Loss Allowance as at March 31, 2022	2,317	100	-	464	2,881
Credit impairment loss recorded in income					(115)
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	2,378	1,887	1,402	414	6,081
New financial assets originated or purchased	181	-	-	-	181
Financial assets fully derecognised during the period	(73)	(89)	-	-	(162)
Changes in ECL inputs, models and / or assumptions	(189)	(58)	-	(9)	(256)
Effect of exchange rate changes	(10)	-	-	-	(10)
Loss Allowance as at March 31, 2021	2,287	1,740	1,402	405	5,834
Credit impairment loss reduction recorded in income					123

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

MORTGAGE LOANS - AMORTISED COST

Loss Allowances	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
Three months ended March 31, 2022	ECL	ECL	ECL	impaired	
Loss Allowance as at January 1, 2022	1,018	641	3,220	-	4,879
Transfers:					
Transfer from Stage 1 to Stage 2	(66)	66	-	-	-
Transfer from Stage 2 to Stage 1	212	(212)	-	-	-
Transfer from Stage 2 to Stage 3	-	(29)	29	-	-
Transfer from Stage 3 to Stage 2	-	14	(14)	-	-
Transfer from Stage 3 to Stage 1	4	-	(4)	-	-
New financial assets originated or purchased	67	-	-	-	67
Financial assets fully derecognised during the period	(11)	(12)	(3)	-	(26)
Changes in ECL inputs, models and / or assumptions	(153)	81	542	-	470
Effect of exchange rate changes	2	(1)	4	-	5
Loss Allowance as at March 31, 2022	1,073	548	3,774	-	5,395
Credit impairment loss recorded in income					(145)
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	1,261	556	1,791	-	3,608
Transfers:					
Transfer from Stage 1 to Stage 2	(44)	44	-	-	-
Transfer from Stage 2 to Stage 1	165	(165)	-	-	-
Transfer from Stage 2 to Stage 3	-	(15)	15	-	-
Transfer from Stage 3 to Stage 2	-	142	(142)	-	-
Transfer from Stage 3 to Stage 1	5	-	(5)	-	-
New financial assets originated or purchased	121	-	-	-	121
Financial assets fully derecognised during the period	(14)	(3)	(493)	-	(510)
Changes in ECL inputs, models and / or assumptions	(496)	(15)	1,730	-	1,219
Effect of exchange rate changes	(4)	(1)	(24)	-	(29)
Loss Allowance as at March 31, 2021	994	543	2,872	-	4,409
Credit impairment loss recorded in income					(1,229)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

FINANCE LOANS - AMORTISED COST

Loss Allowances

Amounts in US \$000

Three months ended March 31, 2022

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2022	4,228	452	4,894	-	9,574
Transfers:					
Transfer from Stage 1 to Stage 2	(33)	33	-	-	-
Transfer from Stage 1 to Stage 3	(848)	-	848	-	-
Transfer from Stage 2 to Stage 1	36	(36)	-	-	-
Transfer from Stage 2 to Stage 3	-	(12)	12	-	-
Transfer from Stage 3 to Stage 1	20	-	(20)	-	-
New financial assets originated or purchased	1,125	-	-	-	1,125
Financial assets fully derecognised during the period	(102)	(7)	(1,051)	-	(1,160)
Write-offs	-	-	(55)	-	(55)
Changes in ECL inputs, models and / or assumptions	144	97	65	-	306
Effect of exchange rate changes	18	2	14	-	34
Loss Allowance as at March 31, 2022	4,588	529	4,707	-	9,824
Credit impairment loss recorded in income					(742)

Three months ended March 31, 2021

Loss Allowance as at January 1, 2021	5,208	903	6,552	-	12,663
Transfers:					
Transfer from Stage 1 to Stage 2	(144)	144	-	-	-
Transfer from Stage 1 to Stage 3	(27)	-	27	-	-
Transfer from Stage 2 to Stage 1	99	(99)	-	-	-
Transfer from Stage 2 to Stage 3	-	(116)	116	-	-
Transfer from Stage 3 to Stage 1	346	-	(346)	-	-
New financial assets originated or purchased	249	-	-	-	249
Financial assets fully derecognised during the period	(195)	(36)	(1,889)	-	(2,120)
Changes in ECL inputs, models and / or assumptions	(382)	(264)	1,101	-	455
Effect of exchange rate changes	(95)	(12)	(123)	-	(230)
Loss Allowance as at March 31, 2021	5,059	520	5,438	-	11,017
Credit impairment loss reduction recorded in income					208

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

DEPOSITS - AMORTISED COST

Loss Allowances <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	
Three months ended March 31, 2022					
Loss Allowance as at January 1, 2022	3,147	71	-	-	3,218
New financial assets originated or purchased	76	-	-	-	76
Financial assets fully derecognised during the period	(39)	-	-	-	(39)
Changes in ECL inputs, models and / or assumptions	(292)	(1)	-	-	(293)
Effect of exchange rate changes	-	1	-	-	1
Loss Allowance as at March 31, 2022	2,892	71	-	-	2,963
Credit impairment loss reduction recorded in income					255
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	288	1,271	-	-	1,559
Transfer from Stage 1 to Stage 2	(101)	101	-	-	-
Transfer from Stage 2 to Stage 1	1,111	(1,111)	-	-	-
New financial assets originated or purchased	98	-	-	-	98
Financial assets fully derecognised during the period	(52)	-	-	-	(52)
Changes in ECL inputs, models and / or assumptions	(300)	(152)	-	-	(452)
Effect of exchange rate changes	-	1	-	-	1
Loss Allowance as at March 31, 2021	1,044	110	-	-	1,154
Credit impairment loss reduction recorded in income					396

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

POLICY LOANS - AMORTISED COST

Loss Allowances

Amounts in US \$000

Three months ended March 31, 2022

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2022	457	-	-	-	457
Write-offs	3	-	-	-	3
Changes in ECL inputs, models and / or assumptions	21	-	-	-	21
Loss Allowance as at March 31, 2022	481	-	-	-	481
Credit impairment loss recorded in income					(3)

Three months ended March 31, 2021

Loss Allowance as at January 1, 2021	298	-	-	-	298
Changes in ECL inputs, models and / or assumptions	7	-	-	-	7
Effect of exchange rate changes	(7)	-	-	-	(7)
Loss Allowance as at March 31, 2021	298	-	-	-	298
Credit impairment loss recorded in income					-

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (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:

		As of March 31, 2022		
		2023	2024	2025
GDP Growth (USA)	Base	2.7%	2.0%	1.6%
	Upside	2.7%	2.0%	1.6%
	Downside	2.0%	1.3%	1.4%
World GDP	Base	4.3%	3.8%	3.8%
	Upside	6.4%	5.7%	5.7%
	Downside	2.6%	2.7%	2.7%
WTI Oil Prices/10	Base	\$9.50	\$8.30	\$7.61
	Upside	\$9.50	\$8.30	\$7.61
	Downside	\$3.86	\$3.37	\$3.09
DOW Jones Industrial Average Index - EPS	Base	\$1,958.74	\$2,144.66	\$2,290.85
	Upside	\$3,283.38	\$3,595.03	\$3,840.09
	Downside	\$1,139.26	\$1,247.40	\$1,332.43
S&P 500 Financial Index – EPS	Base	\$44.87	\$50.54	\$54.73
	Upside	\$72.04	\$81.14	\$87.87
	Downside	\$29.31	\$33.01	\$35.75
GBP/USD	Base	\$1.32	\$1.33	\$1.34
	Upside	\$1.43	\$1.50	\$1.56
	Downside	\$1.20	\$1.15	\$1.11
NZD/USD	Base	\$0.69	\$0.68	\$0.67
	Upside	\$0.77	\$0.80	\$0.81
	Downside	\$0.61	\$0.57	\$0.54

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

Economic variable assumptions (continued)

		As of December 31, 2021		
		2022	2023	2024
GDP Growth (USA)	Base	3.5%	2.6%	1.9%
	Upside	5.0%	3.0%	1.0%
	Downside	1.1%	1.6%	1.8%
World GDP	Base	4.9%	3.6%	3.4%
	Upside	7.4%	5.4%	5.1%
	Downside	2.6%	2.6%	2.4%
WTI Oil Prices/10	Base	\$7.36	\$6.79	\$6.40
	Upside	\$9.39	\$9.39	\$9.39
	Downside	\$3.09	\$2.85	\$2.69
DOW Jones Industrial Average Index - EPS	Base	\$1,940.94	\$2,132.89	\$2,132.89
	Upside	\$2,883.51	\$3,168.68	\$3,168.68
	Downside	\$1,138.04	\$1,250.58	\$1,250.58
S&P 500 Financial Index – EPS	Base	\$43.93	\$48.98	\$48.98
	Upside	\$66.29	\$73.91	\$73.91
	Downside	\$28.80	\$32.11	\$32.11
GBP/USD	Base	\$1.35	\$1.35	\$1.35
	Upside	\$1.46	\$1.52	\$1.57
	Downside	\$1.24	\$1.18	\$1.14
NZD/USD	Base	\$0.68	\$0.67	\$0.66
	Upside	\$0.74	\$0.77	\$0.78
	Downside	\$0.61	\$0.57	\$0.53

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

Economic variable assumptions (continued)

Sagicor's lending operations in Barbados, Trinidad & Tobago, 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.

As of March 31, 2022		
Barbados	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad & Tobago	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Stable
	Downside	Negative

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

Economic variable assumptions (continued)

As of December 31, 2021		
Barbados	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad & Tobago	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Stable
	Downside	Negative

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

Significant increase in credit risk (SICR)

As of March 31, 2022

Amounts in US \$000

The ECL impact of a SICR for debt securities has been estimated as follows:

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of	
			Change in	threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$2,950	

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	Rate applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	53%	(- /+ 5) %	597	(597)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	374	(374)
Sovereign - Barbados - BAICO bonds	17%	(- /+ 5) %	48	(48)
Sovereign - Jamaica	15%	(- /+ 5) %	576	(576)

Scenario design

The weightings assigned to each economic scenario as at March 31, 2022 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	\$393	(\$393)
Lending products	\$155	(\$133)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment (continued)

Significant increase in credit risk (SICR)

As of December 31, 2021

Amounts in US \$000

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of	
			Change in threshold	
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$2,916	

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	Rate applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	53%	(- /+ 5) %	\$646	(\$646)
Sovereign – excluding Barbados and Jamaica	35%	(- /+ 5) %	\$367	(\$367)
Sovereign - Barbados – BAICO bonds	17%	(- /+ 5) %	\$48	(\$48)
Sovereign - Jamaica	15%	(- /+ 5) %	\$578	(\$578)

Scenario design

The weightings assigned to each economic scenario as at December 31, 2021 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%	Upside – 15%
	Downside – 15%	
	Increase in ECL	Decrease in ECL
Debt securities	\$422	(\$422)
Lending products	\$192	(\$158)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications between the beginning and the end of the period. The gross carrying amounts represent the Group's maximum exposure to credit risk.

DEBT SECURITIES AND MONEY MARKET FUNDS - 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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	4,260,801	89,416	-	28,205	4,378,422
New financial assets originated or purchased	548,171		-	-	548,171
Financial assets fully derecognised during the period	(287,955)	(125)	-	-	(288,080)
Changes in principal and interest	(49,695)	(419)	-	473	(49,641)
Effect of exchange rate changes	2,588	5	-	-	2,593
Gross carrying amount as at March 31, 2022	4,473,910	88,877	-	28,678	4,591,465
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	3,208,171	164,073	7,912	28,617	3,408,773
Transfers:					
Transfer from Stage 1 to Stage 2	(3,308)	3,308	-	-	-
Transfer from Stage 2 to Stage 1	1,060	(1,060)	-	-	-
New financial assets originated or purchased	382,972	-	-	-	382,972
Financial assets fully derecognised during the period	(177,243)	(43,171)	(2,737)	(358)	(223,509)
Changes in principal and interest	(24,217)	14,004	5	382	(9,826)
Effect of exchange rate changes	(10,210)	(29)	(66)	(10)	(10,315)
Gross carrying amount as at March 31, 2021	3,377,225	137,125	5,114	28,631	3,548,095

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment (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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	1,190,560	22,642	10	189,257	1,402,469
Transfers:					
Transfer from Stage 2 to Stage 1	15,185	(15,185)	-	-	-
New financial assets originated or purchased	68,253	-	-	(390)	67,863
Financial assets fully derecognised during the period	(30,513)	-	-	-	(30,513)
Changes in principal and interest	2,253	23	(1)	3,395	5,670
Effect of exchange rate changes	1,701	-	-	362	2,063
Gross carrying amount as at March 31, 2022	1,247,439	7,480	9	192,624	1,447,552
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	1,066,119	28,340	3,926	177,182	1,275,567
New financial assets originated or purchased	244,444	-	-	8	244,452
Financial assets fully derecognised during the period	(204,402)	(4,067)	(82)	-	(208,551)
Changes in principal and interest	(592)	(139)	1	3,346	2,616
Effect of exchange rate changes	(7,107)	-	-	-	(7,107)
Gross carrying amount as at March 31, 2021	1,098,462	24,134	3,845	180,536	1,306,977

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment (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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	330,759	61,792	37,876	-	430,427
Transfers:					
Transfer from Stage 1 to Stage 2	(11,597)	11,597	-	-	-
Transfer from Stage 1 to Stage 3	(28)	-	28	-	-
Transfer from Stage 2 to Stage 1	36,890	(36,890)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,278)	1,278	-	-
Transfer from Stage 3 to Stage 2	-	381	(381)	-	-
Transfer from Stage 3 to Stage 1	98	-	(98)	-	-
New financial assets originated or purchased	19,380	-	-	-	19,380
Financial assets fully derecognised during the period	(4,025)	(965)	(37)	-	(5,027)
Changes in principal and interest	(4,143)	325	(2,812)	-	(6,630)
Effect of exchange rate changes	475	33	33	-	541
Gross carrying amount as at March 31, 2022	367,809	34,995	35,887	-	438,691
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	306,115	42,821	47,886	-	396,822
Transfers:					
Transfer from Stage 1 to Stage 2	(20,790)	20,790	-	-	-
Transfer from Stage 1 to Stage 3	(61)	-	61	-	-
Transfer from Stage 2 to Stage 1	19,104	(19,104)	-	-	-
Transfer from Stage 2 to Stage 3	-	(810)	810	-	-
Transfer from Stage 3 to Stage 2	-	14,734	(14,734)	-	-
Transfer from Stage 3 to Stage 1	622	-	(622)	-	-
New financial assets originated or purchased	15,370	-	-	-	15,370
Financial assets fully derecognised during the period	(3,866)	(415)	(2,331)	-	(6,612)
Changes in principal and interest	(2,617)	340	(181)	-	(2,458)
Effect of exchange rate changes	(1,789)	(97)	(168)	-	(2,054)
Gross carrying amount as at March 31, 2021	312,088	58,259	30,721	-	401,068

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment (continued)

FINANCE 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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	508,966	22,540	11,528	-	543,034
Transfers:					
Transfer from Stage 1 to Stage 2	(3,479)	3,479	-	-	-
Transfer from Stage 1 to Stage 3	(2,261)	-	2,261	-	-
Transfer from Stage 2 to Stage 1	1,688	(1,688)	-	-	-
Transfer from Stage 2 to Stage 3	-	(573)	573	-	-
Transfer from Stage 3 to Stage 1	46	-	(46)	-	-
New financial assets originated or purchased	47,180	-	-	-	47,180
Financial assets fully derecognised during the period	(17,655)	(317)	(2,484)	-	(20,456)
Write-offs	-	-	(55)	-	(55)
Changes in principal and interest	(3,375)	(304)	(282)	-	(3,961)
Effect of exchange rate changes	1,802	28	39	-	1,869
Gross carrying amount as at March 31, 2022	532,912	23,165	11,534	-	567,611
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	523,594	33,487	10,966	-	568,047
Transfers:					
Transfer from Stage 1 to Stage 2	(14,138)	14,138	-	-	-
Transfer from Stage 1 to Stage 3	(1,604)	-	1,604	-	-
Transfer from Stage 2 to Stage 1	4,335	(4,335)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,087)	4,087	-	-
Transfer from Stage 3 to Stage 1	569	-	(569)	-	-
New financial assets originated or purchased	29,805	-	-	-	29,805
Financial assets fully derecognised during the period	(19,537)	(1,383)	(3,106)	-	(24,026)
Changes in principal and interest	(15,524)	(1,060)	(654)	-	(17,238)
Effect of exchange rate changes	(9,071)	13	(154)	-	(9,212)
Gross carrying amount as at March 31, 2021	498,429	36,773	12,174	-	547,376

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment (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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	68,007	-	-	-	68,007
New financial assets originated or purchased	51,820	-	-	-	51,820
Financial assets fully derecognised during the period	(56,094)	-	-	-	(56,094)
Changes in principal and interest	273	-	-	-	273
Effect of exchange rate changes	186	-	-	-	186
Gross carrying amount as at March 31, 2022	64,192	-	-	-	64,192
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	57,110	-	-	-	57,110
New financial assets originated or purchased	367,531	-	-	-	367,531
Financial assets fully derecognised during the period	(388,438)	-	-	-	(388,438)
Changes in principal and interest	(34)	-	-	-	(34)
Effect of exchange rate changes	(1,290)	-	-	-	(1,290)
Gross carrying amount as at March 31, 2021	34,879	-	-	-	34,879

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment (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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	214,520	623	-	-	215,143
Transfers:					
Transfer from Stage 1 to Stage 2	(251)	251	-	-	-
New financial assets originated or purchased	50,956		-	-	50,956
Financial assets fully derecognised during the period	(154,725)	(251)	-	-	(154,976)
Changes in principal and interest	378	-	-	-	378
Effect of exchange rate changes	(531)	-	-	-	(531)
Gross carrying amount as at March 31, 2022	110,347	623	-	-	110,970
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	117,784	11,495	-	-	129,279
Transfers:					
Transfer from Stage 1 to Stage 2	(1,967)	1,967	-	-	-
New financial assets originated or purchased	1,690,885	-	-	-	1,690,885
Financial assets fully derecognised during the period	(1,702,873)	(11,123)	-	-	(1,713,996)
Changes in principal and interest	48	3	-	-	51
Effect of exchange rate changes	(1,028)	-	-	-	(1,028)
Gross carrying amount as at March 31, 2021	102,849	2,342	-	-	105,191

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment (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	
Three months ended March 31, 2022					
Gross carrying amount as at January 1, 2022	154,296	-	-	-	154,296
New financial assets originated or purchased	3,195	-	-	-	3,195
Financial assets fully derecognised during the period	(2,555)	-	-	-	(2,555)
Changes in principal and interest	507	-	-	-	507
Effect of exchange rate changes	7	-	-	-	7
Gross carrying amount as at March 31, 2022	155,450	-	-	-	155,450
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	151,336	-	-	-	151,336
New financial assets originated or purchased	557	-	-	-	557
Financial assets fully derecognised during the period	(1,072)	-	-	-	(1,072)
Changes in principal and interest	298	-	-	-	298
Effect of exchange rate changes	(42)	-	-	-	(42)
Gross carrying amount as at March 31, 2021	151,077	-	-	-	151,077

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

Amounts in US \$000

Adjustments for non-cash items, interest and dividends:

	March 31, 2022	March 31, 2021
Income from financial investments	(87,131)	(117,391)
Gain arising on business combinations, acquisitions and divestitures	-	(10,679)
Net increase in actuarial liabilities	257,929	81,348
Interest costs and finance costs	22,415	21,145
Credit impairment losses	441	(456)
Depreciation and amortisation	7,773	8,765
Increase in provision for unearned premiums	247	721
Other items	600	(5,532)
	202,274	(22,079)

Net change in investments and operating assets:

Investment property	(139)	-
Debt securities	(517,690)	(213,075)
Equity securities	(93,877)	55,436
Mortgage loans	(6,535)	(7,584)
Policy loans	(1,467)	241
Finance loans	(21,911)	11,408
Securities purchased for resale	(6,931)	(40)
Deposits	8,434	3,392
Other assets and receivables	(5,939)	13,797
	(646,055)	(136,425)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

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

<u>Amounts in US \$000</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Investment property:		
Purchases	(620)	-
Disposal proceeds	481	-
	<u>(139)</u>	<u>-</u>
Debt securities:		
Purchases	(737,781)	(1,193,128)
Disposal proceeds	220,091	980,053
	<u>(517,690)</u>	<u>(213,075)</u>
Equity securities:		
Purchases	(115,969)	(63,299)
Disposal proceeds	22,092	118,735
	<u>(93,877)</u>	<u>55,436</u>
Net change in operating liabilities:		
Insurance liabilities	20,637	8,838
Investment contract liabilities	3,952	12,270
Other funding instruments	(25,158)	18,656
Deposits	(2,322)	4,714
Securities sold for repurchase	1,658	(10,222)
Other liabilities and payables	30,574	(440)
	<u>29,341</u>	<u>33,816</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

<u>Amounts in US \$000</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
Investing activities		
Property, plant and equipment:		
Purchases	(2,866)	(2,347)
Disposal proceeds	(2)	101
	<u>(2,868)</u>	<u>(2,246)</u>
Financing activities		
Notes and loans payable:		
Proceeds	1,293	-
Repayments	(845)	(3,677)
	<u>448</u>	<u>(3,677)</u>
Lease liability payments		
Principal paid	(1,963)	(1,957)
Interest paid	(451)	(436)
	<u>(2,414)</u>	<u>(2,393)</u>
Cash and cash equivalents		
Cash	402,911	281,411
Call deposits and other liquid balances	172,879	278,969
Bank overdrafts	(2,114)	(819)
	<u>573,676</u>	<u>559,561</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. MOVEMENT IN ACTUARIAL LIABILITIES

	Gross liability		Reinsurers' share	
	Three months to March 31,	Twelve months to December 31,	Three months to March 31,	Twelve months to December 31,
	2022	2021	2022	2021
<u>Amounts in US \$000</u>				
Balance, beginning of period	4,792,627	4,152,701	545,196	639,797
Changes in actuarial liabilities:				
Recorded in income (note 6)	231,767	686,329	(26,162)	(94,586)
Recorded in OCI	(140,924)	(19,030)	-	-
Other movements	(42)	(53)	(2)	(6)
Effect of exchange rate changes	1,701	(27,320)	(1)	(9)
Balance, end of period	4,885,129	4,792,627	519,031	545,196

Analysis of changes in actuarial liabilities

Arising from increments and decrements of inforce policies and from the issuance of new policies	251,385	750,742	(25,984)	(96,016)
Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistency and indexation, critical illness plan benefit modelling, investment yields and asset default	(156,567)	(79,155)	-	1,986
Other changes:				
Actuarial modelling, refinements and improvements	(990)	(5,593)	(178)	(556)
Changes in margins for adverse deviations	-	(19,056)	-	-
Arising from fair value changes of Segregated Funds	(2,985)	32,311	-	-
Other items	-	(11,950)	-	-
Total	90,843	667,299	(26,162)	(94,586)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. LEASE LIABILITIES

The lease liabilities recognised are as follows:

<u>Amounts in US \$000</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Current lease liabilities	7,970	8,262
Non-current lease liabilities	23,160	24,574
	<u>31,130</u>	<u>32,836</u>

The lease liabilities relate to right-of-use assets of \$25,264 as at March 31, 2022 (\$26,476 as at December 31, 2021).

16. EARNINGS PER COMMON SHARE

For the three-month period ended March 31, 2022, certain instruments which are considered to be antidilutive have been excluded from the computation of fully diluted earnings per share. This treatment is in accordance with IAS 33 – Earnings Per Share, which indicates that such instruments are antidilutive only when the exercise price is exceeded by the market price of common shares.

17. REPURCHASE OF SHARES

During the three-month period ended March 31, 2022, the Company repurchased 284,400 shares at a total cost of US \$1.4 million (266,600 shares at a total cost of US \$1.3 million for the three-month period ended March 31, 2021), which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount paid on the repurchase of shares has been recorded directly in retained earnings.

The cost of shares totalling US \$0.07 million, which were repurchased at the period end date but not cancelled, (US \$0.01 million as at March 31, 2021), has been reflected in treasury shares.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. IMPACT OF COVID-19 CORONAVIRUS

On March 11, 2020, the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways. The COVID-19 situation continues to evolve and many of the markets in which Sagicor operates have implemented public health safety protocols. At various stages during the pandemic, most Caribbean countries have shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere. The COVID-19 pandemic has caused significant economic and financial turmoil and uncertainty, both in the U.S. and around the world, and has fuelled concerns that have led to a global recession.

Two years on from the initial outbreak, the virus remains prevalent across the world, with various mutations extending the uncertainties surrounding economic recoveries. Continued travel restrictions and lockdown measures have prolonged the downturn in demand for tourism, entertainment and related services. However, the introduction and administration of vaccines have aided recovery efforts.

COVID-19 continues to cause major disruptions in economies within which the Sagicor Group operates. In response to the changing, uncertain economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 12 on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. In addition, during the period ended March 31, 2021, there was a disposal of shares held in Playa which resulted in redesignation of the interest from an investment in associate to a FVTPL investment (see note 19). Management has also considered the potential impact of the pandemic on actuarial reserves but has concluded that it has not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the Group.

The Group continues to monitor the health crisis and the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates. The pandemic may continue to negatively impact levels of new business and the level of policyholder lapses and surrenders, as well as loan and credit card delinquencies.

SAGICOR FINANCIAL COMPANY LTD.

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19. INTEREST IN PLAYA HOTEL & RESORTS N.V.

During the period ended March 31, 2021, certain transactions took place which resulted in the Group's interest in Playa Hotel & Resorts N.V. ("Playa"), as an associate, being reduced and redesignated as a FVTPL investment.

On January 15, 2021, Playa issued 25,000,000 new ordinary shares for US \$125 million in an underwritten public offering. Concurrent to this transaction, Sagicor Group Jamaica (SGJ) disposed of its shareholding of 20,000,000 ordinary shares of Playa for net cash consideration of US \$96 million. In a public offering held by the Group, 11,499,000 shares of Playa were sold by SGJ at a price of US \$5.00 per share net of commission expenses associated with the public offering. In addition, Sagicor Financial Corporation (SFCL), the intermediate parent company of SGJ, acquired 8,501,000 of Playa's shares from SGJ at a price which was equal to the price offered through the public offering, net of commission expenses.

The Group's shareholding in Playa was reduced from 16% to 6% based on the total of 10,001,000 shares held by SFCL in Playa following these transactions. The transactions gave rise to a net loss of US \$1.584 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of US \$12.263 million on remeasurement of the investment in Playa to FVTPL as at March 31, 2021, representing a net gain on the transactions of US \$10.679 million in the three-month period ended March 31, 2021. Subsequent to these transactions, SFCL purchased an additional 744,251 shares in Playa which has increased its interest to 10,745,251 shares representing a 7% shareholding in Playa.

20. COMMITMENT

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US \$40 million, whereby an irrevocable standby letter of credit was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL) in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties. The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. It expires annually on June 26 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date. The facility was automatically extended in June 2021 and remains in place at March 31, 2022.

21. ACQUISITION / DISPOSAL OF INTERESTS IN SUBSIDIARIES

Alliance Financial Services Limited

On February 9, 2022, Sagicor announced that Sagicor Group Jamaica Limited ("SGJ") entered a definitive agreement for the purchase of 100% of the shares of Alliance Financial Services Limited ("AFSL"). The arrangement was subject to due diligence and regulatory approval and SGJ applied for relevant licences from the Bank of Jamaica. See note 23.

Sagicor Real Estate X-Fund Limited

On March 24, 2022, SGJ sold 191,913,423 shares of Sagicor Real Estate X-Fund Limited ("X-Fund Limited") to related parties, Sagicor Sigma Global Unit Trust and Sagicor Pooled Investment Fund Limited, at market value. Net proceeds were US \$10.271 million, resulting in a gain of US \$0.8 million.

The disposal of shares represented 4.2% of SFCL's shareholding in X-Fund Limited and SFCL now holds 10.2% of the outstanding shares of X-Fund Limited.

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22. DIVIDEND

On March 18, 2022, the Board of Directors declared a dividend of US \$0.05625 per share, on the issued and outstanding common shares held by shareholders of record at the close of business on April 4, 2022. This dividend was paid on April 25, 2022.

23. SUBSEQUENT EVENTS

- i. Effective April 1, 2022, the purchase of 100% of the shares of AFSL by SGJ was finalised. On April 4, 2022, AFSL resumed its operations, following the successful completion of due diligence procedures and receipt of regulatory approval. See note 21.
- ii. On April 25, 2022, SGJ announced that its subsidiary, Sagicor Investments Jamaica Limited, entered into a definitive agreement for the purchase of the securities dealer book of business of Alliance Investment Management Limited.
- iii. Sagicor Financial Corporation Limited exercised the option to extend the facilities for its dual currency (J\$ and US\$) bond issue at the maturity date of April 26, 2022 (see note 9 (c)). Principal amounts of J\$842,000,000 and US \$5,407,000 were paid and applied to Tranches A and B facilities respectively. On April 27, 2022, the facilities were extended with bond issues in two Tranches, Tranche A up to J\$4,895,140,000 and Tranche B up to US \$26,400,000, carrying annual interest rates of 6.50% and 5.75% respectively. Interest is payable quarterly commencing July 27, 2022. The Tranches mature on May 26, 2023.
- iv. Effective May 3, 2022, the Group entered into a letter of credit arrangement up to the amount of US \$10 million, whereby an irrevocable and unconditional standby letter of credit, except for any stated condition therein, was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL). The letter of credit expires on May 4, 2023. A condition of the letter of credit is that it will be automatically extended for periods of one year, without amendment, from the relevant expiration date, unless notice is sent in writing at least six months prior to the relevant expiration date.
- v. On May 12, 2022, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on June 15, 2022 to the shareholders of record at the close of business on May 25, 2022.