

SAGICOR FINANCIAL COMPANY LTD.

Condensed Consolidated Financial Statements

Nine-months ended September 30, 2021

SAGICOR FINANCIAL COMPANY LTD.

ACRONYMS

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

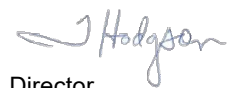
The more frequent acronyms and associated phrases are set out below.

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 September 30, 2021 (unaudited)	As of December 31, 2020 (audited)
ASSETS		
Investment property	75,939	78,295
Property, plant and equipment	271,965	266,569
Associates and joint ventures (note 19)	56,091	165,791
Intangible assets	91,271	95,872
Financial investments (note 7)	7,577,214	6,626,839
Financial investments repledged (note 7)	661,842	611,730
Reinsurance assets	646,599	715,739
Income tax assets	37,816	26,330
Miscellaneous assets and receivables	283,075	239,538
Cash	351,525	359,972
Restricted cash	81,940	79,638
Total assets	10,135,277	9,266,313
LIABILITIES		
Actuarial liabilities (note 14)	4,657,851	4,152,701
Other policy liabilities	339,366	292,676
Investment contract liabilities (note 8)	467,203	437,604
Total policy liabilities	5,464,420	4,882,981
Notes and loans payable (note 9)	544,396	471,622
Lease liabilities (note 15)	35,558	39,609
Deposit and security liabilities (note 10)	1,991,830	1,826,759
Other liabilities / retirement benefit liabilities	69,631	66,542
Income tax liabilities	52,289	65,128
Accounts payable and accrued liabilities	287,271	255,462
Total liabilities	8,445,395	7,608,103
EQUITY		
Share capital	1,433	1,463
Share premium	737,921	753,490
Reserves	(48,583)	(14,868)
Retained earnings	443,901	369,695
Total shareholders' equity	1,134,672	1,109,780
Participating accounts	1,106	1,607
Non-controlling interests	554,104	546,823
Total equity	1,689,882	1,658,210
Total liabilities and equity	10,135,277	9,266,313

These financial statements have been approved for issue by the Board of Directors on November 12, 2021.


Director


Director

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>	Nine months to September 30, 2021 (unaudited)	Nine months to September 30, 2020 (unaudited)	Three months to September 30, 2021 (unaudited)	Three months to September 30, 2020 (unaudited)
REVENUE				
Premium revenue (note 4)	1,341,318	966,541	648,041	288,432
Reinsurance premium expense (note 4)	(76,864)	(74,022)	(24,576)	(23,493)
Net premium revenue	1,264,454	892,519	623,465	264,939
Gain on derecognition of amortised cost investments	11,570	5,337	5,987	2,363
Gain / (loss) on derecognition of assets carried at FVOCI	15,008	13,368	11,597	(1,825)
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	246,433	234,585	85,817	75,236
Other investment income / (loss) (note 5)	75,639	(24,044)	17,383	28,214
Credit impairment losses	1,517	(25,563)	(1,819)	1,653
Fees and other revenue	114,954	107,668	39,428	31,585
Total revenue, net	1,729,575	1,203,870	781,858	402,165
BENEFITS				
Policy benefits and change in actuarial liabilities (note 6)	1,098,009	783,638	496,289	263,071
Policy benefits and change in actuarial liabilities reinsured (note 6)	4,413	(48,617)	28,498	(25,592)
Net policy benefits and change in actuarial liabilities	1,102,422	735,021	524,787	237,479
Interest costs	31,041	31,716	10,052	12,470
Total benefits	1,133,463	766,737	534,839	249,949
EXPENSES				
Administrative expenses	254,540	243,229	85,929	76,073
Commissions and related compensation	97,978	83,969	38,987	25,945
Premium and asset taxes	14,357	12,412	3,452	2,160
Finance costs	36,794	34,178	10,741	10,996
Depreciation and amortisation	24,872	29,454	8,079	8,447
Total expenses	428,541	403,242	147,188	123,621
Gain / (loss) arising on business combinations, acquisitions and divestitures (note 19)	10,698	(1,260)	7	(6)
Share of operating income / (loss) of associates and joint ventures	7,929	(20,567)	2,133	(9,377)
(Loss) / gain on impairment of investment in associates and joint ventures	-	(12,760)	-	148
	18,627	(34,587)	2,140	(9,235)
INCOME / (LOSS) BEFORE TAXES	186,198	(696)	101,971	19,360

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>	Nine months to September 30, 2021 (unaudited)	Nine months to September 30, 2020 (unaudited)	Three months to September 30, 2021 (unaudited)	Three months to September 30, 2020 (unaudited)
INCOME / (LOSS) BEFORE TAXES	186,198	(696)	101,971	19,360
Income taxes	(46,142)	(28,838)	(23,007)	(12,723)
NET INCOME / (LOSS) FOR THE PERIOD	140,056	(29,534)	78,964	6,637
Net income / (loss) is attributable to:				
Common shareholders	91,236	(32,635)	50,437	(3,029)
Participating policyholders	16	399	23	263
Non-controlling interests	48,804	2,702	28,504	9,403
	140,056	(29,534)	78,964	6,637
Earnings per common share (note 16):				
Basic earnings per common share	62.7 cents	(22.0) cents	34.9 cents	(2.0) cents
Fully diluted earnings per common share	62.0 cents	(22.0) cents	34.5 cents	(2.0) 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>	Nine months to September 30, 2021 (unaudited)	Nine months to September 30, 2020 (unaudited)	Three months to September 30, 2021 (unaudited)	Three months to September 30, 2020 (unaudited)
NET INCOME / (LOSS) FOR THE PERIOD	140,056	(29,534)	78,964	6,637
OTHER COMPREHENSIVE INCOME:				
Items net of tax that may be reclassified subsequently to income:				
Financial assets measured at FVOCI:				
(Losses) / gains on revaluation	(23,632)	16,501	(18,112)	49,031
Gains transferred to income	(12,330)	(9,536)	(9,109)	(512)
Net change in actuarial liabilities	5,208	(9,804)	13,413	(29,698)
Cash flow hedges	3,467	(1,344)	(15)	348
Retranslation of foreign currency operations	(34,810)	(33,796)	20,431	(6,930)
Other reserves	-	141	-	150
	(62,097)	(37,838)	6,608	12,389
Items net of tax that will not be reclassified subsequently to income:				
Gains / (losses) arising on revaluation of owner-occupied property and owner-managed property	11,050	(15,921)	9,251	(15,757)
Gains / (losses) on defined benefit plans	199	(199)	195	3
	11,249	(16,120)	9,446	(15,754)
Other comprehensive (loss) / income	(50,848)	(53,958)	16,054	(3,365)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	89,208	(83,492)	95,018	3,272
Total comprehensive income / (loss) is attributable to:				
Common shareholders	65,656	(55,979)	50,688	3,350
Participating policyholders	(362)	(49)	(37)	55
Non-controlling interests	23,914	(27,464)	44,367	(133)
	89,208	(83,492)	95,018	3,272

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>	Share Capital	Share Premium	Reserves	Retained Earnings	Total Shareholders' Equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2021					
Balance as of December 31, 2020	1,463	753,490	(14,868)	369,695	1,109,780
Total comprehensive income / (loss)	-	-	(25,734)	91,390	65,656
Transactions with holders of equity instruments:					
Allotment of common shares	8	4,118	-	-	4,126
Repurchase of shares (note 17)	(38)	(19,657)	-	596	(19,099)
Movements in treasury shares	-	(30)	-	-	(30)
Changes in reserve for equity compensation benefits	-	-	(1,388)	17	(1,371)
Dividends declared	-	-	-	(24,486)	(24,486)
Change in ownership interest in subsidiaries	-	-	-	(1)	(1)
Disposal of interests in subsidiaries (note 21)	-	-	-	(13)	(13)
Transfers and other movements	-	-	(6,593)	6,703	110
Balance as of September 30, 2021	1,433	737,921	(48,583)	443,901	1,134,672

<u>Amounts in US \$000</u>	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2021				
Balance as of December 31, 2020	1,109,780	1,607	546,823	1,658,210
Total comprehensive income / (loss)	65,656	(362)	23,914	89,208
Transactions with holders of equity instruments:				
Allotment of common shares	4,126	-	-	4,126
Repurchase of shares (note 17)	(19,099)	-	-	(19,099)
Movements in treasury shares	(30)	-	-	(30)
Changes in reserve for equity compensation benefits	(1,371)	-	-	(1,371)
Dividends declared	(24,486)	-	(11,937)	(36,423)
Change in ownership interest in subsidiaries	(1)	-	(22)	(23)
Disposal of interests in subsidiaries (note 21)	(13)	-	(3,181)	(3,194)
Transfers and other movements	110	(139)	(1,493)	(1,522)
Balance as of September 30, 2021	1,134,672	1,106	554,104	1,689,882

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

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

<u>Amounts in US \$000</u>	Share Capital (unaudited)	Share Premium (unaudited)	Reserves (unaudited)	Retained Earnings (unaudited)	Total Shareholders' Equity (unaudited)
Nine months to September 30, 2020					
Balance as of December 31, 2019	1,477	762,015	(9,023)	399,582	1,154,051
Total comprehensive loss	-	-	(23,285)	(32,694)	(55,979)
Transactions with holders of equity instruments:					
Allotment of common shares	15	6,615	-	-	6,630
Repurchase of shares (note 17)	(26)	(8,436)	-	(2,807)	(11,269)
Movement in treasury shares (note 17)	-	(12)	-	-	(12)
Changes in reserve for equity compensation benefits	-	-	(7,161)	307	(6,854)
Dividends declared	-	-	-	(25,002)	(25,002)
Acquisition of interests in subsidiaries	-	-	-	(67)	(67)
Transfers and other movements	-	-	(902)	1,740	838
Balance as of September 30, 2020	1,466	760,182	(40,371)	341,059	1,062,336

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling Interests (unaudited)	Total Equity (unaudited)
Nine months to September 30, 2020				
Balance as of December 31, 2019	1,154,051	1,223	594,506	1,749,780
Total comprehensive loss	(55,979)	(49)	(27,464)	(83,492)
Transactions with holders of equity instruments:				
Allotment of common shares	6,630	-	-	6,630
Repurchase of shares (note 17)	(11,269)	-	-	(11,269)
Movement in treasury shares (note 17)	(12)	-	-	(12)
Changes in reserve for equity compensation benefits	(6,854)	-	-	(6,854)
Dividends declared	(25,002)	-	(6,897)	(31,899)
Acquisition of interests in subsidiaries	(67)	-	(360)	(427)
Transfers and other movements	838	(145)	(1,327)	(634)
Balance as of September 30, 2020	1,062,336	1,029	558,458	1,621,823

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>	Nine months to September 30, 2021 (unaudited)	Nine months to September 30, 2020 (unaudited)
OPERATING ACTIVITIES		
Income / (loss) before taxes	186,198	(696)
Adjustments for non-cash items, interest and dividends (note 13)	320,352	154,554
Interest and dividends received	280,653	256,155
Interest paid	(65,859)	(69,506)
Income taxes paid	(56,568)	(30,762)
Net change in investments and operating assets (note 13)	(1,012,354)	(590,494)
Net change in operating liabilities (note 13)	290,165	171,480
Net cash flows - operating activities	(57,413)	(109,269)
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(9,008)	(10,199)
Associates and joint ventures	50,569	(5,951)
Acquisition of subsidiaries, net of cash and cash equivalents	(23)	(317)
Dividends received from associates and joint ventures	659	468
Purchase of intangible assets	(2,527)	(2,822)
Net cash flows - investing activities	39,670	(18,821)
FINANCING ACTIVITIES		
Repurchase of common shares	(19,099)	(11,437)
Shares purchased from non-controlling interests	(1,592)	(735)
Movement in treasury shares	(30)	(12)
Redemption of preference shares	-	(6)
Notes and loans payable, net (note 13)	73,739	(33,930)
Lease liability principal (note 13)	(5,859)	(5,416)
Dividends paid to common shareholders	(24,494)	(25,038)
Dividends paid to preference shareholders	-	(1)
Dividends paid to non-controlling interests	(11,937)	(3,210)
Net cash flows - financing activities	10,728	(79,785)
Effect of exchange rate changes	(4,107)	(4,842)
Net change in cash and cash equivalents	(11,122)	(212,717)
Cash and cash equivalents, beginning of period	547,208	775,344
Cash and cash equivalents, end of period (note 13)	536,086	562,627

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 2020 annual consolidated financial statements and the accompanying notes included in pages 137 to 307 of the Annual Report for 2020. 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.

In 2020, Sagicor Reinsurance Bermuda Limited (“SRBL”), the Bermuda reinsurance subsidiary of Sagicor Financial Corporation Limited, executed a reinsurance arrangement with Sagicor Life Insurance Company (“SLIC”) through a segregated account of SRBL (see note 20). Through this arrangement, in June 2020 SLIC transferred the insurance risks associated with certain life products, and financial instruments supporting those liabilities, to SRBL for a ceding commission. This agreement was updated and amended in 2021. On April 1, 2021, SLIC transferred the risks associated with certain annuity products, and financial instruments supporting those liabilities, to SRBL for a ceding commission. The ceding commission received by SRBL is being used to continue the growth of business in the USA. The financial statements reflect the consolidated assets and reserves of each of the subsidiaries as of September 30, 2021 and inter-entity balances have been appropriately eliminated.

2. ACCOUNTING POLICIES

These condensed financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2020 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 September 30, 2021	Closing rates as of December 31, 2020	Average rates for the nine months to September 30, 2021	Average rates for the three months to September 30, 2021	Average rates for the nine months to September 30, 2020	Average rates for the three months to September 30, 2020
Barbados dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	146.3464	142.4534	148.8836	150.8462	140.6882	145.3882
Trinidad & Tobago dollar	6.7466	6.7612	6.7426	6.7504	6.7388	6.7368
Pound sterling	0.74160	0.73270	0.72148	0.72314	0.78080	0.77370

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, Panamá and Trinidad & Tobago.
- Sagicor Jamaica: Engages in life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands, 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 2020. 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 Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Nine months to September 30, 2021						
Net premium revenue	275,926	256,571	703,667	28,290	-	1,264,454
Gain / (loss) on derecognition of amortised cost investments	906	10,760	3	(99)	-	11,570
Gain / (loss) on derecognition of assets carried at FVOCI	1,802	12,862	(433)	777	-	15,008
Interest income earned from financial assets measured at amortised cost and FVOCI	61,369	116,962	65,645	2,457	-	246,433
Other investment income	9,224	16,506	19,309	30,676	(76)	75,639
Credit impairment losses	(26)	(1,273)	2,267	549	-	1,517
Fees and other revenue	6,389	103,875	(7,801)	12,832	(341)	114,954
Inter-segment revenue	18,868	-	-	26,590	(45,458)	-
Total revenue, net	374,458	516,263	782,657	102,072	(45,875)	1,729,575
Net policy benefits	191,882	169,389	133,935	9,260	-	504,466
Net change in actuarial liabilities	48,886	16,282	532,788	-	-	597,956
Interest costs	11,588	20,504	(2,682)	1,631	-	31,041
Administrative expenses	53,081	131,955	30,876	38,153	475	254,540
Commissions and premium and asset taxes	33,267	41,179	30,169	7,720	-	112,335
Finance costs	75	4,208	271	32,240	-	36,794
Depreciation and amortisation	5,967	13,559	3,447	1,899	-	24,872
Inter-segment expenses	4,767	1,433	3,009	18,029	(27,238)	-
Total benefits and expenses	349,513	398,509	731,813	108,932	(26,763)	1,562,004
Gain / (loss) arising on business combinations, acquisitions and divestitures (note 19)	-	(1,565)	-	12,263	-	10,698
Share of operating income of associates and joint ventures	3,194	4,735	-	-	-	7,929
Segment income / (loss) before taxes	28,139	120,924	50,844	5,403	(19,112)	186,198
Income taxes	(6,036)	(27,845)	(10,662)	(1,572)	(27)	(46,142)
Segment net income / (loss)	22,103	93,079	40,182	3,831	(19,139)	140,056
Net income / (loss) attributable to non-controlling interests	-	49,084	-	(280)	-	48,804
Net income / (loss) attributable to shareholders	22,087	43,994	40,182	4,112	(19,139)	91,236
Total comprehensive income / (loss) attributable to shareholders	20,758	26,146	34,336	3,355	(18,939)	65,656

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 Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Nine months to September 30, 2020						
Net premium revenue	258,148	264,801	341,669	27,901	-	892,519
Gain / (loss) on derecognition of amortised cost investments	51	5,291	(5)	-	-	5,337
Gain / (loss) on derecognition of assets carried at FVOCI	1,118	18,064	(5,631)	(183)	-	13,368
Interest income earned from financial assets measured at amortised cost and FVOCI	54,890	121,115	54,926	3,654	-	234,585
Other investment income / (loss)	1,674	(28,241)	(939)	3,764	(302)	(24,044)
Credit impairment losses	(8,310)	(12,724)	(4,056)	(473)	-	(25,563)
Fees and other revenue	8,290	86,525	(2,013)	14,958	(92)	107,668
Inter-segment revenue	16,866	-	-	5,704	(22,570)	-
Total revenue, net	332,727	454,831	383,951	55,325	(22,964)	1,203,870
Net policy benefits	156,566	173,502	136,512	11,164	-	477,744
Net change in actuarial liabilities	53,161	(35,681)	239,797	-	-	257,277
Interest costs	7,849	20,511	2,978	378	-	31,716
Administrative expenses	58,630	122,759	25,045	35,942	853	243,229
Commissions and premium and asset taxes	31,735	38,374	18,939	7,333	-	96,381
Finance costs	76	6,435	267	27,400	-	34,178
Depreciation and amortisation	5,508	15,574	3,052	5,320	-	29,454
Inter-segment expenses	3,474	1,234	2,760	16,329	(23,797)	-
Total benefits and expenses	316,999	342,708	429,350	103,866	(22,944)	1,169,979
(Loss) / gain arising on business combinations and acquisitions	-	(2,759)	-	1,499	-	(1,260)
Share of operating income / (loss) of associates and joint ventures	2,929	(22,753)	-	(743)	-	(20,567)
Loss on impairment of investment in associates and joint ventures	-	(12,760)	-	-	-	(12,760)
Segment income / (loss) before taxes	18,657	73,851	(45,399)	(47,785)	(20)	(696)
Income taxes	(5,764)	(31,295)	9,534	(1,390)	77	(28,838)
Segment net income / (loss)	12,893	42,556	(35,865)	(49,175)	57	(29,534)
Net income / (loss) attributable to non-controlling interests	-	3,063	-	(361)	-	2,702
Net income / (loss) attributable to shareholders	12,494	39,493	(35,865)	(48,814)	57	(32,635)
Total comprehensive income / (loss) attributable to shareholders	10,451	20,235	(37,648)	(49,528)	511	(55,979)

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 Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to September 30, 2021						
Net premium revenue	91,700	84,498	437,596	9,671	-	623,465
Gain / (loss) on derecognition of amortised cost investments	892	5,121	-	(26)	-	5,987
Gain on derecognition of assets carried at FVOCI	137	5,740	5,720	-	-	11,597
Interest income earned from financial assets measured at amortised cost and FVOCI	20,457	39,977	24,595	788	-	85,817
Other investment income	1,978	980	1,009	13,441	(25)	17,383
Credit impairment losses	(1,515)	200	(510)	6	-	(1,819)
Fees and other revenue	1,959	37,912	(2,987)	2,529	15	39,428
Inter-segment revenues	6,281	-	-	21,875	(28,156)	-
Total revenue, net	121,889	174,428	465,423	48,284	(28,166)	781,858
Net policy benefits	63,780	57,641	49,292	3,895	-	174,608
Net change in actuarial liabilities	14,102	(21,625)	357,702	-	-	350,179
Interest costs	3,852	7,018	(1,499)	681	-	10,052
Administrative expenses	17,925	45,241	10,083	12,681	(1)	85,929
Commissions and premium and asset taxes	11,183	11,576	17,263	2,417	-	42,439
Finance costs	24	1,201	90	9,426	-	10,741
Depreciation and amortisation	1,769	4,549	1,137	624	-	8,079
Inter-segment expenses	573	539	2,146	6,073	(9,331)	-
Total benefits and expenses	113,208	106,140	436,214	35,797	(9,332)	682,027
Gain arising on business combinations, acquisitions and divestitures (note 19)	-	7	-	-	-	7
Share of operating income of associates and joint ventures	745	1,388	-	-	-	2,133
Segment income / (loss) before taxes	9,426	69,683	29,209	12,487	(18,834)	101,971
Income taxes	(2,419)	(14,070)	(6,134)	(383)	(1)	(23,007)
Segment net income / (loss)	7,007	55,613	23,075	12,104	(18,835)	78,964
Net income / (loss) attributable to non- controlling interests	-	28,548	-	(44)	-	28,504
Net income / (loss) attributable to shareholders	6,984	27,064	23,075	12,149	(18,835)	50,437
Total comprehensive income / (loss) attributable to shareholders	7,779	33,974	15,567	11,952	(18,584)	50,688

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 Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to September 30, 2020						
Net premium revenue	88,910	81,469	85,416	9,144	-	264,939
Gain / (loss) on derecognition of amortised cost investments	(232)	2,600	(5)	-	-	2,363
Gain / (loss) on derecognition of assets carried at FVOCI	218	2,659	(4,702)	-	-	(1,825)
Interest income earned from financial assets measured at amortised cost and FVOCI	17,603	39,504	17,223	906	-	75,236
Other investment income	3,967	4,791	15,522	3,894	40	28,214
Credit impairment losses	741	(828)	2,017	(277)	-	1,653
Fees and other revenue	4,554	25,358	(2,193)	4,200	(334)	31,585
Inter-segment revenue	6,596	-	-	2,066	(8,662)	-
Total revenue, net	122,357	155,553	113,278	19,933	(8,956)	402,165
Net policy benefits	59,189	57,796	49,530	4,629	-	171,144
Net change in actuarial liabilities	17,445	(20,534)	69,424	-	-	66,335
Interest costs	5,214	6,449	663	144	-	12,470
Administrative expenses	18,574	38,611	9,363	9,180	345	76,073
Commissions and premium and asset taxes	10,122	9,770	5,692	2,521	-	28,105
Finance costs	54	1,847	66	9,029	-	10,996
Depreciation and amortisation	1,825	4,772	1,089	761	-	8,447
Inter-segment expenses	1,155	380	1,089	6,415	(9,039)	-
Total benefits and expenses	113,578	99,091	136,916	32,679	(8,694)	373,570
Loss arising on business combinations and acquisitions	-	(6)	-	-	-	(6)
Share of operating income / (loss) of associates and joint ventures	1,260	(9,894)	-	(743)	-	(9,377)
Impairment of investment in associates and joint ventures	-	148	-	-	-	148
Segment income / (loss) before taxes	10,039	46,710	(23,638)	(13,489)	(262)	19,360
Income taxes	(1,404)	(15,800)	4,964	(460)	(23)	(12,723)
Segment net income / (loss)	8,635	30,910	(18,674)	(13,949)	(285)	6,637
Net income / (loss) attributable to non- controlling interests	-	9,594	-	(191)	-	9,403
Net income / (loss) attributable to shareholders	8,372	21,316	(18,674)	(13,758)	(285)	(3,029)
Total comprehensive income / (loss) attributable to shareholders	10,056	21,308	(14,264)	(13,693)	(57)	3,350

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	Adjust- ments	Total
As of September 30, 2021						
Financial investments	1,611,480	2,833,247	3,247,508	546,821	-	8,239,056
Other external assets	339,069	666,840	689,751	200,561	-	1,896,221
Inter-segment assets	419,877	10,087	54,694	199,236	(683,894)	-
Total assets	2,370,426	3,510,174	3,991,953	946,618	(683,894)	10,135,277
Policy liabilities	1,554,678	853,143	2,980,793	75,806	-	5,464,420
Other external liabilities	81,099	1,705,198	534,587	660,091	-	2,980,975
Inter-segment liabilities	123,186	8,718	171,710	380,280	(683,894)	-
Total liabilities	1,758,963	2,567,059	3,687,090	1,116,177	(683,894)	8,445,395
Net assets	611,463	943,115	304,863	(169,559)	-	1,689,882
Net assets attributable to non-controlling interests	-	541,007	-	13,097	-	554,104

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
As of December 31, 2020						
Financial investments	1,551,028	2,714,543	2,556,319	416,679	-	7,238,569
Other external assets	337,603	730,018	767,817	192,306	-	2,027,744
Inter-segment assets	390,589	10,572	58,950	185,232	(645,343)	-
Total assets	2,279,220	3,455,133	3,383,086	794,217	(645,343)	9,266,313
Policy liabilities	1,477,944	824,538	2,507,838	72,661	-	4,882,981
Other external liabilities	82,757	1,690,379	452,582	499,404	-	2,725,122
Inter-segment liabilities	126,407	12,943	152,797	353,196	(645,343)	-
Total liabilities	1,687,108	2,527,860	3,113,217	925,261	(645,343)	7,608,103
Net assets	592,112	927,273	269,869	(131,044)	-	1,658,210
Net assets attributable to non-controlling interests	-	530,284	-	16,539	-	546,823

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>	Nine months to September 30, 2021	Nine months to September 30, 2020	Three months to September 30, 2021	Three months to September 30, 2020
Life, health and annuity insurance contracts issued to individuals	1,245,035	758,141	620,063	261,106
Life, health and annuity insurance and pension administration contracts issued to groups	215,242	223,208	66,510	69,525
Property and casualty insurance	58,552	64,009	19,942	19,901
Banking, investment management and other financial services	133,994	126,146	49,472	44,297
Hospitality services	26,468	9,824	8,390	(1,050)
Unallocated revenues	50,284	22,542	17,481	8,386
Total revenue	1,729,575	1,203,870	781,858	402,165

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Nine months to September 30, 2021	Nine months to September 30, 2020	Three months to September 30, 2021	Three months to September 30, 2020
Barbados	163,765	136,201	54,342	47,638
Jamaica	468,266	422,158	156,100	150,461
Trinidad & Tobago	167,396	138,100	56,040	50,456
Other Caribbean	127,204	110,606	40,669	37,941
USA	802,944	396,805	474,707	115,669
Total revenue	1,729,575	1,203,870	781,858	402,165

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
Nine months to September 30, 2021						
Fees recognised:						
At a point in time	-	31,540	104	-	-	31,644
Over time	6,260	45,077	-	2,271	-	53,608
Total included in fees and other revenue	6,260	76,617	104	2,271	-	85,252
Nine months to September 30, 2020						
Fees recognised:						
At a point in time	-	29,462	111	-	-	29,573
Over time	5,121	33,560	-	-	-	38,681
Total included in fees and other revenue	5,121	63,022	111	-	-	68,254

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.5 Revenues from fees recognised (continued)

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 September 30, 2021						
Fees recognised:						
At a point in time	-	11,449	35	-	-	11,484
Over time	2,003	16,830	-	754	-	19,587
Total included in fees and other revenue	2,003	28,279	35	754	-	31,071
Three months to September 30, 2020						
Fees recognised:						
At a point in time	-	9,299	36	-	-	9,335
Over time	1,144	4,617	-	-	-	5,761
Total included in fees and other revenue	1,144	13,916	36	-	-	15,096

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2021	2020	2021	2020
Nine months to September 30,				
Life insurance	372,548	342,674	22,499	20,880
Annuity	758,355	399,209	453	117
Health insurance	123,759	133,072	4,882	3,852
Property and casualty insurance	86,656	91,586	49,030	49,173
Total premium revenue	1,341,318	966,541	76,864	74,022

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2021	2020	2021	2020
Three months to September 30,				
Life insurance	127,415	117,318	6,155	5,851
Annuity	451,287	101,001	319	104
Health insurance	40,656	40,949	2,346	1,305
Property and casualty insurance	28,683	29,164	15,756	16,233
Total premium revenue	648,041	288,432	24,576	23,493

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

<u>Amounts in US \$000</u>	Nine months to September 30, 2021	Nine months to September 30, 2020	Three months to September 30, 2021	Three months to September 30, 2020
Investment income				
Interest income (amortised cost assets):				
Debt securities	69,634	62,436	22,377	20,303
Mortgage loans	17,763	15,426	5,848	4,842
Policy loans	8,113	8,173	2,720	2,671
Finance loans	41,095	45,982	13,917	14,139
Securities purchased for resale	893	503	551	54
Deposits, cash and other items	790	547	333	250
	138,288	133,067	45,746	42,259
Interest income (FVOCI assets):				
Debt securities and money market funds	108,145	101,518	40,071	32,977
Interest income earned from financial assets measured at amortised cost and FVOCI	246,433	234,585	85,817	75,236
Fair value changes and interest income (FVTPL assets):				
Debt securities	15,920	9,284	6,679	9,206
Equity securities ⁽¹⁾	41,683	(25,780)	8,498	9,658
Mortgage loans	1,252	338	409	1,825
Derivative financial instruments	14,930	(5,506)	1,116	9,554
Other items	23	1	22	(9)
	73,808	(21,663)	16,724	30,234
Investment income:				
Other income on financial investments	369	376	129	113
Investment property – rental income	3,088	4,386	950	366
Investment property – realised (losses) / gains	(293)	(2,864)	1	(2,761)
Investment property – unrealised gains	112	601	423	505
Other investment income	1,367	824	368	1,083
	4,643	3,323	1,871	(694)
Investment expenses:				
Direct operating expenses of investment property that generated rental income	1,419	3,530	494	371
Other direct investment expenses	1,393	2,174	718	955
	2,812	5,704	1,212	1,326
Other investment income / (loss)	75,639	(24,044)	17,383	28,214
Net investment income	322,072	210,541	103,200	103,450

⁽¹⁾ Included in fair value changes on equity securities is a gain of \$24,152 relating to the FVTPL investment in Playa post acquisition (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>	<u>Gross benefit</u>		<u>Ceded to reinsurers</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Nine months to September 30,				
Life insurance benefits	204,829	191,340	14,316	13,208
Annuity benefits	250,613	244,844	52,190	61,356
Health insurance claims	100,986	97,393	1,823	2,988
Property and casualty claims	23,410	24,457	7,043	2,738
Total policy benefits	579,838	558,034	75,372	80,290
Change in actuarial liabilities (note 14)	518,171	225,604	(79,785)	(31,673)
Total policy benefits and change in actuarial liabilities	1,098,009	783,638	(4,413)	48,617

<u>Amounts in US \$000</u>	<u>Gross benefit</u>		<u>Ceded to reinsurers</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Three months to September 30,				
Life insurance benefits	61,682	70,238	(2,733)	3,914
Annuity benefits	89,038	81,559	19,153	18,574
Health insurance claims	33,719	34,376	452	1,034
Property and casualty claims	10,473	9,942	3,432	1,449
Total policy benefits	194,912	196,115	20,304	24,971
Change in actuarial liabilities	298,969	66,956	(48,802)	621
Total policy benefits and change in actuarial liabilities	493,881	263,071	(28,498)	25,592

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS

Analysis of financial investments

Amounts in US \$000

	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through other comprehensive income				
Debt securities and money market funds	4,191,673	4,191,673	3,611,917	3,611,917
Equity securities	543	543	1,054	1,054
	4,192,216	4,192,216	3,612,971	3,612,971
Financial assets at fair value through profit and loss				
Debt securities	465,509	465,509	348,874	348,874
Equity securities ⁽¹⁾	860,322	860,322	659,519	659,519
Derivative financial instruments	23,634	23,634	37,188	37,188
Mortgage loans	24,635	24,635	26,065	26,065
	1,374,100	1,374,100	1,071,646	1,071,646
Investments at amortised cost				
Debt securities	1,360,518	1,548,632	1,269,486	1,490,099
Mortgage loans	416,600	412,836	393,214	390,938
Policy loans	155,932	179,910	151,038	177,813
Finance loans	562,661	563,860	555,384	560,543
Securities purchased for resale	55,614	55,614	57,110	57,110
Deposits	121,415	119,441	127,720	127,720
	2,672,740	2,880,293	2,553,952	2,804,223
Total financial investments	8,239,056	8,446,609	7,238,569	7,488,840

⁽¹⁾ Included in equity securities are exchange-traded funds of \$268,814 as at September 30, 2021 (\$301,732 as at December 31, 2020).

SAGICOR FINANCIAL COMPANY LTD.

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>			
September 30, 2021			
Equity securities	764,753	95,569	860,322
Debt securities	188,372	277,137	465,509
Mortgage loans	26	24,609	24,635
	953,151	397,315	1,350,466
 December 31, 2020			
Equity securities	580,919	78,600	659,519
Debt securities	201,797	147,077	348,874
Mortgage loans	34	26,031	26,065
	782,750	251,708	1,034,458

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Financial assets 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>	September 30, 2021	December 31, 2020
Financial investments repledged	661,842	611,730
Statement of financial position presentation		
Financial investments	7,577,214	6,626,839
Financial investments repledged	661,842	611,730
	<u>8,239,056</u>	<u>7,238,569</u>

Analysis of financial investments repledged

<u>Amounts in US \$000</u>	September 30, 2021	December 31, 2020
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	657,988	610,684
Investments at FVTPL:		
Debt securities	799	-
Investments at amortised cost:		
Debt securities	615	632
Securities purchased for resale	37	37
Deposits	2,403	377
	<u>3,055</u>	<u>1,046</u>
Financial investments repledged	<u>661,842</u>	<u>611,730</u>

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>	September 30, 2021		December 31, 2020	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Deposit administration liabilities	116,893	116,893	117,046	117,046
Other investment contracts	187,798	186,967	166,116	169,002
	304,691	303,860	283,162	286,048
Liabilities at FVTPL:				
Unit linked deposit administration liabilities	162,512	162,512	154,442	154,442
Total investment contract liabilities	467,203	466,372	437,604	440,490

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>	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (a)	-	-	315,938	324,704
5.30% senior notes due 2028 (b)	390,002	429,067	-	-
5.50% unsecured bond due 2022 (c)	32,048	32,505	31,957	32,790
6.25% unsecured bond due 2022 (c) & (d)	26,393	28,338	27,000	28,530
6.75% notes due 2024 (e)	15,023	15,633	15,434	16,275
Bank loans and other funding instruments (f)	27,298	27,298	21,686	21,686
Mortgage loans (g)	53,632	56,895	59,607	60,767
	544,396	589,736	471,622	484,752

(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).

As at September 30, 2021, the Group had US \$400 million principal amount of the New Notes. The New Notes are due May 13, 2028 and bear interest at an annual rate of 5.30%. Pursuant to the terms of the Notes, the Group may redeem the 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 \$8.4 million as at September 30, 2021.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(b) Senior notes due 2028 (continued)

Financial Covenants

Under the indenture entered into by the Group on the issue of new senior notes on May 13, 2021, the Group has to comply with a number of covenants as follows:

COVENANT	DESCRIPTION
Limitation of indebtedness	Under this covenant, the Group is restricted to incremental borrowing up to a prescribed level. The Group must maintain a debt to capitalisation ratio equal to or less than 35% in order to incur additional debt.
Limitation on restricted payments covenant	This covenant limits cash outflows, dividends, acquisition and investments by the Group. The Group must maintain a debt to capitalisation ratio equal to or less than 35% and an MCCR capital ratio in excess of 175%.
Limitation on restricted distributions from subsidiaries	This covenant limits the subsidiaries from creating encumbrances or restrictions on their ability to make distributions to the Parent.
Limitation on sale of assets of subsidiary stock	This covenant restricts the Group from selling material subsidiary assets without using the proceeds to either reinvest in the business or offer to buy back bondholders.
Limitation on affiliate transactions	This covenant restricts affiliate transactions of the Group.
Change in control	This covenant allows investors to put their bonds back to the Group at a certain value when a specified event has changed ownership/control of the Group.
Limitation on liens	This covenant restricts the Group's ability to secure future debt with the Group's assets.
Optional Redemption	The notes are redeemable at the Group's option after May 13, 2024 at specified redemption rates.

At September 30, 2021, the Group was in compliance with the specified covenants.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

- (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. Interest is payable quarterly commencing January 27, 2021. The Tranches mature on April 26, 2022, with an option for further extension.

- (d) At September 30, 2021, Sagicor Investments Jamaica Limited held an investment of US \$13.2 million in Tranche A above (US \$13.5 million as at December 31, 2020).

- (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.

- (g) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	45,368	45,822
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	-	2,188
9.00% JMD mortgage notes due 2048	X Fund Properties Limited	3,349	3,356
8.00% JMD mortgage notes due 2021	X Fund Properties Limited	-	3,134
10.00% JMD mortgage notes due 2026	X Fund Properties Limited	3,098	3,220
3.26% / 3.61% mortgage notes due 2026	X Fund Properties Limited	828	934
Development loan ⁽¹⁾	X Fund Properties Limited	989	953
		53,632	59,607

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

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9. NOTES AND LOANS PAYABLE (continued)

(g) Mortgage Loans (continued)

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%.

Sagicor X-Fund Real Estate Limited

This mortgage note was issued in three tranches (A,B,C). Tranches A and B have previously matured while Tranche C matured in May 2021.

X Fund Properties Limited

These mortgage notes are secured by:

- a charge over Jamziv MoBay Jamaica Portfolio Limited, which held shares of Playa Hotel and Resorts N.V. (Playa), allocated to X Fund Properties Limited;
- a charge over the assets and undertakings of X Fund Properties Limited.

As a result of the sale of shares held in Playa, the charge over Jamziv MoBay Jamaica Portfolio Limited has been replaced with security in the form of repurchase agreements for the mortgage note due 2048. However, alternative security has not yet been put in place for the mortgage notes due 2026.

The 8.00% JMD mortgage note matured on February 28, 2021.

Movement for the nine months to September 30,	2021	2020
<u>Amounts in US \$000</u>		
Balance, beginning of period	471,622	517,732
Net change in valuation of call option embedded derivatives	(2,473)	(307)
 Additions:		
Gross principal	406,781	-
Less: Expenses	(10,134)	-
	396,647	-
 Repayments:		
Principal	(322,908)	(33,930)
Interest	(31,274)	(36,356)
	(354,182)	(70,286)
Amortisation during the period	5,158	2,781
Accrued interest	28,950	29,530
Effects of exchange rate changes	(1,326)	(5,762)
Balance, end of the period	544,396	473,688

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>	September 30, 2021		December 31, 2020	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	484,039	483,972	388,523	387,206
Customer deposits	863,880	867,821	861,652	867,317
Securities sold for repurchase	643,290	643,290	575,604	575,604
Bank overdrafts	621	621	980	980
	1,991,830	1,995,704	1,826,759	1,831,107

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 September 30, 2021	As of December 31, 2020
	Level 3	Level 3
Investment property	75,939	78,295
Owner-occupied properties	108,319	108,738
Owner-managed hotel properties	87,443	76,024
Total properties	271,701	263,057

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-managed hotel 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
	September 30, 2021	December 31, 2020		September 30, 2021	December 31, 2020	
<u>Amounts in US \$000</u>						
Investment property	75,939	78,295	Comparable sales	5%	5%	(1)
Owner-occupied properties	108,319	108,738	Comparable sales	5%	5%	(1)
Owner-managed hotel properties	87,443	76,024	Comparable sales	5%	5%	(1)
Total properties	271,701	263,057				

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

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

<u>Amounts in US \$000</u>	Nine months to September 30, 2021			Twelve months to December 31, 2020	
	Investment property	Owner-occupied properties	Owner-managed properties	Total	Total
Balance, beginning of period	78,295	108,738	76,024	263,057	302,357
Additions at cost	684	39	55	778	712
Fair value changes recorded in net investment income	112	-	-	112	(598)
Fair value changes recorded in other comprehensive income	-	1,348	12,330	13,678	(17,145)
Depreciation charge	-	(1,343)	(1,549)	(2,892)	(4,592)
Disposals and divestitures	(2,888)	-	(80)	(2,968)	(15,256)
Other transfers and reclassifications	-	(7)	-	(7)	-
Effect of exchange rate changes	(264)	(456)	663	(57)	(2,421)
Balance, end of period	75,939	108,319	87,443	271,701	263,057

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.

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

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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 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 September 30, 2021			
	Level 1	Level 2	Level 3	Total
FVOCI investments:				
Debt securities and money market funds	396,844	3,794,829	-	4,191,673
Equity securities	502	-	41	543
	397,346	3,794,829	41	4,192,216
FVTPL investments:				
Debt securities	22,303	203,786	239,420	465,509
Equity securities	402,086	433,497	24,739	860,322
Derivative financial instruments	-	-	23,634	23,634
Mortgage loans	-	-	24,635	24,635
	424,389	637,283	312,428	1,374,100
Total assets	821,735	4,432,112	312,469	5,566,316
Total assets by percentage	15%	80%	5%	100%
Investment contracts:				
Unit linked deposit administration liabilities	-	-	162,512	162,512
Total liabilities	-	-	162,512	162,512
Total liabilities by percentage	-	-	100%	100%

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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)

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	<u>As of December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
FVOCI investments:				
Debt securities and money market funds	428,362	3,183,555	-	3,611,917
Equity securities	498	513	43	1,054
	428,860	3,184,068	43	3,612,971
FVTPL investments:				
Debt securities	21,160	194,394	133,320	348,874
Equity securities	347,056	286,545	25,918	659,519
Derivative financial instruments	-	-	37,188	37,188
Mortgage loans	-	-	26,065	26,065
	368,216	480,939	222,491	1,071,646
Total assets	797,076	3,665,007	222,534	4,684,617
Total assets by percentage	17%	78%	5%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	154,442	154,442
Total liabilities	-	-	154,442	154,442
Total liabilities by percentage	-	-	100%	100%

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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)

11.2 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
	September 30, 2021	December 31, 2020		September 30, 2021	December 31, 2020	
<u>Amounts in US \$000</u>						
FVOCI investments:						
Equity securities	41	43	Adjustments to net assets	10%	10%	(2)
FVTPL investments:						
Debt securities	239,420	133,320	Adjustments to yields	10%	10%	(1)
Equity securities	24,739	25,918	Adjustments to net assets	10%	10%	(2)
Derivative financial instruments	23,634	37,188	Adjustments to yields	10%	10%	(1)
Mortgage loans	24,635	26,065	Adjustments to yields	10%	10%	(1)
	312,428	222,491				
Total assets	312,469	222,534				
Unit linked deposit administration liabilities	162,512	154,442	Adjustments to yields	10%	10%	(1)
Total liabilities	162,512	154,442				

(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.

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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)

11.2 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>	Nine months to September 30, 2021				Twelve months to December 31, 2020
	FVOCI investments	FVTPL investments	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	43	185,303	37,188	222,534	209,311
Additions	-	113,567	15,142	128,709	73,530
Fair value changes recorded in net investment income	-	246	12,457	12,703	6,471
Fair value changes recorded in other comprehensive income	-	(10)	-	(10)	-
Disposals and divestitures	-	(9,477)	(41,153)	(50,630)	(55,981)
Transfers (out of) Level 3 classification	-	(767)	-	(767)	(11,019)
Effect of exchange rate changes	(2)	(68)	-	(70)	222
Balance, end of period	41	288,794	23,634	312,469	222,534
Fair value changes recorded in net investment income for instruments held at the end of the period	-	246	3,096	3,342	13,520

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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)

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	Nine months to September 30, 2021		Twelve months to December 31, 2020
	FVTPL investment contracts	Total liabilities	Total liabilities
Balance, beginning of period	154,442	154,442	169,141
Issues	17,254	17,254	19,792
Settlements	(9,454)	(9,454)	(33,155)
Gains / (losses) recorded in interest costs	1,376	1,376	(1,371)
Effect of exchange rate changes	(1,106)	(1,106)	35
Balance, end of period	162,512	162,512	154,442
Fair value changes recorded in interest expense for instruments held at the end of the period	1,376	1,376	(1,527)

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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.

Amounts in US \$000	September 30, 2021				December 31, 2020	
	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	398,101	-	-	-	398,101	346,233
Non-investment	750,822	6,040	-	181,903	938,765	895,072
Watch	5,801	15,104	2,509	4,346	27,760	32,335
Default	-	-	1,059	-	1,059	1,334
Unrated	570	-	-	11	581	593
Gross carrying amount	1,155,294	21,144	3,568	186,260	1,366,266	1,275,567
Loss allowance	(2,240)	(2,065)	(925)	(518)	(5,748)	(6,081)
Carrying amount	1,153,054	19,079	2,643	185,742	1,360,518	1,269,486

Amounts in US \$000	September 30, 2021				December 31, 2020	
	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	205,872	35,641	35	-	241,548	222,131
Non-investment	127,449	19,389	-	-	146,838	141,323
Watch	-	815	21,025	-	21,840	19,977
Default	-	-	10,712	-	10,712	13,391
Gross carrying amount	333,321	55,845	31,772	-	420,938	396,822
Loss allowance	(951)	(481)	(2,906)	-	(4,338)	(3,608)
Carrying amount	332,370	55,364	28,866	-	416,600	393,214

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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>	September 30, 2021				December 31, 2020	
	ECL Staging			Purchased credit-impaired	Total	Total
Finance loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	10,120	-	-	-	10,120	258
Non-investment	527,035	21,803	-	-	548,838	549,724
Watch	-	2,607	-	-	2,607	7,099
Default	-	-	12,001	-	12,001	10,966
Gross carrying amount	537,155	24,410	12,001	-	573,566	568,047
Loss allowance	(4,527)	(545)	(5,833)	-	(10,905)	(12,663)
Carrying amount	532,628	23,865	6,168	-	562,661	555,384

<u>Amounts in US \$000</u>	September 30, 2021				December 31, 2020	
	ECL Staging			Purchased credit-impaired	Total	Total
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Non-investment	55,614	-	-	-	55,614	57,110
Gross carrying amount	55,614	-	-	-	55,614	57,110
Loss allowance	-	-	-	-	-	-
Carrying amount	55,614	-	-	-	55,614	57,110

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Amounts in US \$000	September 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	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	2,977,503	6,563	-	-	2,984,066	2,443,377
Non-investment	955,162	96,372	-	28,657	1,080,191	961,435
Watch	-	-	-	-	-	45
Default	-	-	2,473	-	2,473	3,841
Unrated	71	-	-	-	71	75
Gross carrying amount	3,932,736	102,935	2,473	28,657	4,066,801	3,408,773
Loss allowance	(2,752)	(4,140)	(2,448)	-	(9,340)	(17,213)
Carrying amount	3,929,984	98,795	25	28,657	4,057,461	3,391,560

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

DEBT SECURITIES AND MONEY MARKET

FUNDS - FVOCI

Loss Allowances

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021	2,572	8,465	6,176	-	17,213
Transfers:					
Transfer from Stage 1 to Stage 2	(12)	12	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,222)	1,222	-	-
New financial assets originated or purchased	859	-	-	-	859
Financial assets fully derecognised during the period	(393)	(3,200)	(6,053)	-	(9,646)
Changes in ECL inputs, models and / or assumptions	(260)	91	1,226	-	1,057
Effect of exchange rate changes	(14)	(6)	(123)	-	(143)
Loss Allowance as at September 30, 2021	2,752	4,140	2,448	-	9,340
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2021					3,162
Credit impairment loss recorded in income					
– Three months ended September 30, 2020					(255)

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

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	2,484	5,733	-	-	8,217
Transfers:					
Transfer from Stage 1 to Stage 2	(732)	732	-	-	-
Transfer from Stage 2 to Stage 3		(1,532)	1,532	-	-
New financial assets originated or purchased	2,057	-	-	-	2,057
Financial assets fully derecognised during the period	(442)	(2,569)	-	-	(3,011)
Changes in ECL inputs, models and / or assumptions	436	5,840	2,838	-	9,114
Effect of exchange rate changes	(98)	8	(20)	-	(110)
Loss Allowance as at September 30, 2020	3,705	8,212	4,350	-	16,267
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(10,555)
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					2,249

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

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021	2,378	1,887	1,402	414	6,081
New financial assets originated or purchased	225	-	-	-	225
Financial assets fully derecognised during the period	(185)	(204)	-	-	(389)
Changes in ECL inputs, models and / or assumptions	(152)	382	(477)	104	(143)
Effect of exchange rate changes	(26)	-	-	-	(26)
Loss Allowance as at September 30, 2021	2,240	2,065	925	518	5,748
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2021					<u>71</u>
– Three months ended September 30, 2021					<u>43</u>
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	1,378	759	-	371	2,508
Transfers:					
Transfer from Stage 1 to Stage 2	(199)	199	-	-	-
Transfer from Stage 2 to Stage 3	-	(663)	663	-	-
New financial assets originated or purchased	337	-	-	1	338
Financial assets fully derecognised during the period	(151)	(2)	-	(4)	(157)
Changes in ECL inputs, models and / or assumptions	976	1,479	716	57	3,228
Effect of exchange rate changes	(21)	-	-	-	(21)
Loss Allowance as at September 30, 2020	2,320	1,772	1,379	425	5,896
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					<u>(3,442)</u>
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					<u>686</u>

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				
	Stage 1	Stage 2	Stage 3	Purchased	Total
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021					
Transfers:	1,261	556	1,791	-	3,608
Transfer from Stage 1 to Stage 2	(100)	100	-	-	-
Transfer from Stage 1 to Stage 3	(6)	-	6	-	-
Transfer from Stage 2 to Stage 1	226	(226)	-	-	-
Transfer from Stage 2 to Stage 3	-	(40)	40	-	-
Transfer from Stage 3 to Stage 2	-	178	(178)	-	-
Transfer from Stage 3 to Stage 1	119	-	(119)	-	-
New financial assets originated or purchased	147	-	-	-	147
Financial assets fully derecognised during the period	(53)	(124)	(542)	-	(719)
Changes in ECL inputs, models and / or assumptions	(639)	40	1,941	-	1,342
Effect of exchange rate changes	(4)	(3)	(33)	-	(40)
Loss Allowance as at September 30, 2021	951	481	2,906	-	4,338
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2021					751
– Three months ended September 30, 2021					309
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	611	339	942	-	1,892
Transfers:					
Transfer from Stage 1 to Stage 2	(129)	129	-	-	-
Transfer from Stage 1 to Stage 3	(7)	-	7	-	-
Transfer from Stage 2 to Stage 1	126	(126)	-	-	-
Transfer from Stage 2 to Stage 3	-	(122)	122	-	-
Transfer from Stage 3 to Stage 2		857	(857)	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	145	-	-	-	145
Financial assets fully derecognised during the period	(18)	(7)	(163)	-	(188)
Changes in ECL inputs, models and / or assumptions	364	(323)	3,959	-	4,000
Effect of exchange rate changes	(3)	(2)	(12)	-	(17)
Loss Allowance as at September 30, 2020	1,092	745	3,995	-	5,832
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(2,606)
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					178

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

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021	5,208	903	6,552	-	12,663
Transfers:					
Transfer from Stage 1 to Stage 2	(70)	70	-	-	-
Transfer from Stage 1 to Stage 3	(136)	-	136	-	-
Transfer from Stage 2 to Stage 1	108	(108)	-	-	-
Transfer from Stage 2 to Stage 3	-	(125)	125	-	-
Transfer from Stage 3 to Stage 1	416	-	(416)	-	-
New financial assets originated or purchased	892	-	-	-	892
Financial assets fully derecognised during the period	(592)	(133)	(2,627)	-	(3,352)
Changes in inputs, models and / or assumptions	(1,171)	(49)	2,197	-	977
Effect of exchange rate changes	(128)	(13)	(134)	-	(275)
Loss Allowance as at September 30, 2021	4,527	545	5,833	-	10,905
Credit impairment loss recorded in income					
– Nine months ended September 30, 2021					(1,375)
– Three months ended September 30, 2021					(46)
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	3,757	729	5,754	-	10,240
Transfers:					
Transfer from Stage 1 to Stage 2	(1,100)	1,100	-	-	-
Transfer from Stage 1 to Stage 3	(318)	-	318	-	-
Transfer from Stage 2 to Stage 1	148	(148)	-	-	-
Transfer from Stage 2 to Stage 3	-	(118)	118	-	-
Transfer from Stage 3 to Stage 1	74	-	(74)	-	-
New financial assets originated or purchased	2,072	-	-	-	2,072
Financial assets fully derecognised during the period	(480)	(195)	(1,340)	-	(2,015)
Changes in inputs, models and / or assumptions	895	346	3,388	-	4,629
Effect of exchange rate changes	(167)	20	(203)	-	(350)
Loss Allowance as at September 30, 2020	4,881	1,734	7,961	-	14,576
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(7,979)
– Three months ended September 30, 2020					(1,407)

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	ECL staging				Total
	Stage 1 12- month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Amounts in US \$000					
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021	288	1,271	-	-	1,559
Transfers:					
Transfer from Stage 2 to Stage 1	1,114	(1,114)	-	-	-
New financial assets originated or purchased	340	-	-	-	340
Financial assets fully derecognised during the period	(59)	(233)	-	-	(292)
Changes in ECL inputs, models and / or assumptions	(1,063)	148	1,943	-	1,028
Effect of exchange rate changes	-	-	-	-	-
Loss Allowance as at September 30, 2021	620	72	1,943	-	2,635
Credit impairment loss recorded in income					
– Nine months ended September 30, 2021					(1,069)
– Three months ended September 30, 2021					(1,847)
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	261	51	-	-	312
Transfers:					
Transfer from Stage 1 to Stage 2	(1)	1	-	-	-
New financial assets originated or purchased	172	-	-	-	172
Financial assets fully derecognised during the period	(113)	-	-	-	(113)
Changes in ECL inputs, models and / or assumptions	74	761	-	-	835
Effect of exchange rate changes	-	-	-	-	-
Loss Allowance as at September 30, 2020	393	813	-	-	1,206
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(893)
– Three months ended September 30, 2020					(33)

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)

POLICY LOANS - AMORTISED COST

Loss Allowances	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Amounts in US \$000					
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021	298	-	-	-	298
Write-offs	17	-	-	-	17
Effect of exchange rate changes	(1)	-	-	-	(1)
Loss Allowance as at September 30, 2021	314	-	-	-	314
Credit impairment loss recorded in income					
– Nine months ended September 30, 2021					(23)
– Three months ended September 30, 2021					(23)
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	197	-	-	-	197
Changes in ECL inputs, models and / or assumptions	87	-	-	-	87
Effect of exchange rate changes	(13)	-	-	-	(13)
Loss Allowance as at September 30, 2020	271	-	-	-	271
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(87)
– Three months ended September 30, 2020					(19)

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 September 30, 2021		
		2022	2023	2024
GDP Growth (USA)	Base	4.5%	3.1%	2.2%
	Upside	5.6%	3.9%	2.1%
	Downside	2.8%	2.2%	1.8%
World GDP	Base	5.2%	3.9%	3.4%
	Upside	7.8%	5.8%	5.1%
	Downside	2.6%	2.6%	2.4%
WTI Oil Prices/10	Base	\$6.93	\$6.57	\$6.12
	Upside	\$9.39	\$9.39	\$9.39
	Downside	\$2.91	\$2.75	\$2.56
DOW Jones Industrial Average Index - EPS	Base	\$1,883.93	\$2,033.22	\$2,078.29
	Upside	\$2,798.82	\$3,020.60	\$3,087.56
	Downside	\$1,104.61	\$1,192.14	\$1,218.57
S&P 500 Financial Index – EPS	Base	\$44.04	\$46.76	\$47.93
	Upside	\$66.45	\$70.55	\$72.33
	Downside	\$28.87	\$30.65	\$31.42
GBP/USD	Base	\$1.34	\$1.34	\$1.35
	Upside	\$1.45	\$1.51	\$1.56
	Downside	\$1.24	\$1.18	\$1.13
NZD/USD	Base	\$0.68	\$0.68	\$0.67
	Upside	\$0.75	\$0.78	\$0.79
	Downside	\$0.62	\$0.58	\$0.55

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, 2020		
		2021	2022	2023
GDP Growth (USA)	Base	2.0%	3.7%	2.8%
	Upside	4.5%	3.3%	2.4%
	Downside	-0.2%	1.5%	1.5%
World GDP	Base	5.2%	4.2%	3.8%
	Upside	7.8%	6.3%	5.7%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	\$4.82	\$4.67	\$4.58
	Upside	\$9.39	\$9.39	\$9.39
	Downside	\$2.02	\$1.96	\$1.92
DOW Jones Industrial Average Index - EPS	Base	\$1,505.82	\$1,739.89	\$1,739.89
	Upside	\$2,237.09	\$2,584.83	\$2,584.83
	Downside	\$882.91	\$1,020.16	\$1,020.16
S&P 500 Financial Index – EPS	Base	\$33.11	\$38.95	\$38.95
	Upside	\$49.96	\$58.77	\$58.77
	Downside	\$21.71	\$25.54	\$25.54
GBP/USD	Base	\$1.37	\$1.37	\$1.38
	Upside	\$1.49	\$1.55	\$1.61
	Downside	\$1.25	\$1.20	\$1.15
NZD/USD	Base	\$0.72	\$0.72	\$0.72
	Upside	\$0.79	\$0.83	\$0.85
	Downside	\$0.64	\$0.61	\$0.58

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 September 30, 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)

Economic variable assumptions (continued)

As of December 31, 2020		
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	Negative
	Upside	Stable
	Downside	Super 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 September 30, 2021

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	\$2,664	

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

Loss Given Default	Actual value applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	53%	(- /+ 5) %	\$626	(\$626)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	\$549	(\$549)
Sovereign – Barbados - BAICO	17%	(- /+ 5) %	\$48	(\$48)
Sovereign - Jamaica	15%	(- /+ 5) %	\$601	(\$601)

Scenario design

The weightings assigned to each economic scenario as at September 30, 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	\$428	(\$428)
Lending products	\$144	(\$114)

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, 2020

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	\$4,988	

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) %	\$1,198	(\$1,198)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	\$509	(\$509)
Sovereign - Barbados - BAICO	17%	(- /+ 5) %	\$50	(\$50)
Sovereign - Jamaica	15%	(- /+ 5) %	\$650	(\$650)

Scenario design

The weightings assigned to each economic scenario as at December 31, 2020 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	\$628	(\$628)
Lending products	\$253	(\$208)

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	
Nine months ended September 30, 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	(6,863)	6,863	-	-	-
Transfer from Stage 2 to Stage 1	122	(122)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,473)	2,473	-	-
New financial assets originated or purchased	1,585,869	-	-	-	1,585,869
Financial assets fully derecognised during the period	(744,519)	(63,745)	(7,736)	(355)	(816,355)
Changes in principal and interest	(100,075)	(1,553)	-	401	(101,227)
Effect of exchange rate changes	(9,969)	(108)	(176)	(6)	(10,259)
Gross carrying amount as at September 30, 2021	3,932,736	102,935	2,473	28,657	4,066,801
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	3,458,152	70,695	-	30,144	3,558,991
Transfers:					
Transfer from Stage 1 to Stage 2	(106,150)	106,150	-	-	-
Transfer from Stage 1 to Stage 3	(26)	-	26	-	-
Transfer from Stage 2 to Stage 3	-	(7,043)	7,043	-	-
New financial assets originated or purchased	1,165,015	-	-	43	1,165,058
Financial assets fully derecognised during the period	(1,172,292)	(16,691)	-	-	(1,188,983)
Changes in principal and interest	(117,008)	6,327	613	650	(109,418)
Effect of exchange rate changes	(45,478)	82	(28)	(94)	(45,518)
Gross carrying amount as at September 30, 2020	3,182,213	159,520	7,654	30,743	3,380,130

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	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	1,066,119	28,340	3,926	177,182	1,275,567
Transfers:					
Transfer from Stage 1 to Stage 2	(1,011)	1,011	-	-	-
New financial assets originated or purchased	355,766	-	-	406	356,172
Financial assets fully derecognised during the period	(257,993)	(7,886)	(82)	(1,683)	(267,644)
Changes in principal and interest	150	(321)	(276)	10,355	9,908
Effect of exchange rate changes	(7,737)	-	-	-	(7,737)
Gross carrying amount as at September 30, 2021	1,155,294	21,144	3,568	186,260	1,366,266
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	988,324	4,555	-	158,368	1,151,247
Transfers:					
Transfer from Stage 1 to Stage 2	(26,578)	26,578	-	-	-
Transfer from Stage 1 to Stage 3	(10)	-	10	-	-
Transfer from Stage 2 to Stage 3	-	(3,874)	3,874	-	-
New financial assets originated or purchased	163,748	-	-	267	164,015
Financial assets fully derecognised during the period	(115,118)	-	-	(59)	(115,177)
Changes in principal and interest	(7,245)	1,800	(23)	2,987	(2,481)
Effect of exchange rate changes	(19,111)	-	-	-	(19,111)
Gross carrying amount as at September 30, 2020	984,010	29,059	3,861	161,563	1,178,493

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	
Nine months ended September 30, 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	(28,869)	28,869	-	-	-
Transfer from Stage 1 to Stage 3	(1,897)	-	1,897	-	-
Transfer from Stage 2 to Stage 1	24,686	(24,686)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3,203)	3,203	-	-
Transfer from Stage 3 to Stage 2	-	15,559	(15,559)	-	-
Transfer from Stage 3 to Stage 1	1,786	-	(1,786)	-	-
New financial assets originated or purchased	53,895	-	-	-	53,895
Financial assets fully derecognised during the period	(13,262)	(1,984)	(3,616)	-	(18,862)
Changes in principal and interest	(7,068)	(1,387)	(33)	-	(8,488)
Effect of exchange rate changes	(2,065)	(144)	(220)	-	(2,429)
Gross carrying amount as at September 30, 2021	333,321	55,845	31,772	-	420,938
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	300,647	38,766	25,026	-	364,439
Transfers:					
Transfer from Stage 1 to Stage 2	(79,550)	79,550	-	-	-
Transfer from Stage 1 to Stage 3	(3,434)	-	3,434	-	-
Transfer from Stage 2 to Stage 1	12,217	(12,217)	-	-	-
Transfer from Stage 2 to Stage 3	-	(7,279)	7,279	-	-
Transfer from Stage 3 to Stage 2	-	1,480	(1,480)	-	-
Transfer from Stage 3 to Stage 1	2,427	-	(2,427)	-	-
New financial assets originated or purchased	32,749	-	-	-	32,749
Financial assets fully derecognised during the period	(6,151)	(271)	(939)	-	(7,361)
Changes in principal and interest	(2,634)	6,691	376	-	4,433
Effect of exchange rate changes	(4,693)	(436)	(168)	-	(5,297)
Gross carrying amount as at September 30, 2020	251,578	106,284	31,101	-	388,963

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	
Nine months ended September 30, 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	(6,086)	6,086	-	-	-
Transfer from Stage 1 to Stage 3	(3,066)	-	3,066	-	-
Transfer from Stage 2 to Stage 1	4,717	(4,717)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,357)	4,357	-	-
Transfer from Stage 3 to Stage 2	-	41	(41)	-	-
Transfer from Stage 3 to Stage 1	683	-	(683)	-	-
New financial assets originated or purchased	135,947	-	-	-	135,947
Financial assets fully derecognised during the period	(75,151)	(5,150)	(4,462)	-	(84,763)
Write-offs	(11)	-	-	-	(11)
Changes in principal and interest	(33,434)	(668)	(1,040)	-	(35,142)
Effect of exchange rate changes	(10,038)	(312)	(162)	-	(10,512)
Gross carrying amount as at September 30, 2021	537,155	24,410	12,001	-	573,566
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	579,856	12,975	12,716	-	605,547
Transfers:					
Transfer from Stage 1 to Stage 2	(39,488)	39,488	-	-	-
Transfer from Stage 1 to Stage 3	(4,217)	-	4,217	-	-
Transfer from Stage 2 to Stage 1	2,899	(2,899)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,021)	2,021	-	-
Transfer from Stage 3 to Stage 1	156	-	(156)	-	-
New financial assets originated or purchased	109,082	-	-	-	109,082
Financial assets fully derecognised during the period	(73,477)	(3,147)	(2,816)	-	(79,440)
Write-offs	(3)	(132)	-	-	(135)
Changes in principal and interest	(23,550)	(1,082)	(587)	-	(25,219)
Effect of exchange rate changes	(27,686)	86	(534)	-	(28,134)
Gross carrying amount as at September 30, 2020	523,572	43,268	14,861	-	581,701

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	Purchas ed credit- impaired	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	57,110	-	-	-	57,110
New financial assets originated or purchased	733,745	-	-	-	733,745
Financial assets fully derecognised during the period	(733,537)	-	-	-	(733,537)
Changes in principal and interest	172	-	-	-	172
Effect of exchange rate changes	(1,876)	-	-	-	(1,876)
Gross carrying amount as at September 30, 2021	55,614	-	-	-	55,614
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	10,904	-	-	-	10,904
New financial assets originated or purchased	1,443,549	-	-	-	1,443,549
Financial assets fully derecognised during the period	(1,419,543)	-	-	-	(1,419,543)
Changes in principal and interest	51	-	-	-	51
Effect of exchange rate changes	(2,007)	-	-	-	(2,007)
Gross carrying amount as at September 30, 2020	32,954	-	-	-	32,954

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	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	117,784	11,495	-	-	129,279
Transfers:					
Transfer from Stage 1 to Stage 2	(437)	437	-	-	-
Transfer from Stage 1 to Stage 3	(1,943)	-	1,943	-	-
Transfer from Stage 2 to Stage 1	7,323	(7,323)	-	-	-
New financial assets originated or purchased	2,893,898	-	-	-	2,893,898
Financial assets fully derecognised during the period	(2,893,672)	(3,893)	-	-	(2,897,565)
Changes in principal and interest	(631)	93	-	-	(538)
Effect of exchange rate changes	(1,024)	-	-	-	(1,024)
Gross carrying amount as at September 30, 2021	121,298	809	1,943	-	124,050
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	62,493	617	-	-	63,110
Transfers:					
Transfer from Stage 1 to Stage 2	(8,821)	8,821	-	-	-
New financial assets originated or purchased	52,945	-	-	-	52,945
Financial assets fully derecognised during the period	(32,914)	(245)	-	-	(33,159)
Changes in principal and interest	(3,274)	2,383	-	-	(891)
Effect of exchange rate changes	(283)	-	-	-	(283)
Gross carrying amount as at September 30, 2020	70,146	11,576	-	-	81,722

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	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	151,336	-	-	-	151,336
New financial assets originated or purchased	5,545	-	-	-	5,545
Financial assets fully derecognised during the period	(1,982)	-	-	-	(1,982)
Changes in principal and interest	1,368	-	-	-	1,368
Effect of exchange rate changes	(21)	-	-	-	(21)
Gross carrying amount as at September 30, 2021	156,246	-	-	-	156,246

POLICY LOANS – AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	151,730	-	-	-	151,730
New financial assets originated or purchased	2,098	-	-	-	2,098
Financial assets fully derecognised during the period	(4,162)	-	-	-	(4,162)
Changes in principal and interest	773	-	-	-	773
Effect of exchange rate changes	(395)	-	-	-	(395)
Gross carrying amount as at September 30, 2020	150,044	-	-	-	150,044

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

<u>Amounts in US \$000</u>	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Adjustments for non-cash items, interest and dividends:		
Income from financial investments	(348,555)	(232,003)
(Gain) / loss arising on business combinations, acquisitions and divestitures	(10,698)	1,260
Loss on impairment of investment in associates and joint ventures	-	12,760
Net increase in actuarial liabilities	597,956	257,277
Interest costs and finance costs	67,835	65,894
Credit impairment losses	(1,517)	25,563
Depreciation and amortisation	24,872	29,454
Increase in provision for unearned premiums	2,645	(2,161)
Other items	(12,186)	(3,490)
	<u>320,352</u>	<u>154,554</u>
Net change in investments and operating assets:		
Investment property	2,800	11,852
Debt securities	(803,866)	(230,896)
Equity securities	(112,582)	(309,197)
Mortgage loans	(22,472)	(26,606)
Policy loans	(5,194)	1,898
Finance loans	(17,659)	(3,081)
Securities purchased for resale	(13,150)	(625)
Deposits	(14,444)	(3,583)
Other assets and receivables	(25,787)	(30,256)
	<u>(1,012,354)</u>	<u>(590,494)</u>

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>September 30, 2021</u>	<u>September 30, 2020</u>
Investment property:		
Purchases	(684)	(268)
Disposal proceeds	3,484	12,120
	<u>2,800</u>	<u>11,852</u>
Debt securities:		
Purchases	(2,724,871)	(1,671,371)
Disposal proceeds	1,921,005	1,440,475
	<u>(803,866)</u>	<u>(230,896)</u>
Equity securities:		
Purchases	(275,964)	(413,353)
Disposal proceeds	163,382	104,156
	<u>(112,582)</u>	<u>(309,197)</u>
Net change in operating liabilities:		
Insurance liabilities	38,536	11,833
Investment contract liabilities	30,991	3,384
Other funding instruments	100,032	11,267
Deposits	93,090	61,794
Securities sold for repurchase	(9,324)	61,579
Other liabilities and payables	36,840	21,623
	<u>290,165</u>	<u>171,480</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

<u>Amounts in US \$000</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Investing activities		
Property, plant and equipment:		
Purchases	(9,168)	(11,317)
Disposal proceeds	160	1,118
	<u>(9,008)</u>	<u>(10,199)</u>
Financing activities		
Notes and loans payable:		
Proceeds	396,647	-
Repayments	(322,908)	(33,930)
	<u>73,739</u>	<u>(33,930)</u>
Lease liability payments		
Principal paid	(5,859)	(5,416)
Interest paid	(1,364)	(1,717)
	<u>(7,223)</u>	<u>(7,133)</u>
Cash and cash equivalents		
Cash	351,525	384,217
Call deposits and other liquid balances	185,182	180,159
Bank overdrafts	(621)	(1,749)
	<u>536,086</u>	<u>562,627</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. MOVEMENT IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross liability		Reinsurers' share	
	Nine months to September 30,	Twelve months to December 31,	Nine months to September 30,	Twelve months to December 31,
	2021	2020	2021	2020
Balance, beginning of period	4,152,701	3,604,653	639,797	661,811
Changes in actuarial liabilities:				
Recorded in income (note 6)	518,171	512,140	(79,785)	(22,026)
Recorded in OCI	(5,926)	65,039	-	-
Other movements	(65)	(1,057)	(3)	5
Effect of exchange rate changes	(7,030)	(28,074)	(5)	7
Balance, end of period	4,657,851	4,152,701	560,004	639,797

Analysis of changes in actuarial liabilities

Arising from increments and decrements of inforce policies and from the issuance of new policies	561,271	589,905	(79,835)	(23,881)
Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistency, investment yields and asset default	(33,726)	9,918	884	187
Other changes:				
Actuarial modelling, refinements and improvements	(4,282)	5,221	(834)	1,664
Arising from fair value changes of Segregated Funds	-	(15,471)	-	-
Changes in margins for adverse deviations	(3,081)	-	-	-
Other items	(7,937)	(12,394)	-	4
Total	512,245	577,179	(79,785)	(22,026)

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>September 30, 2021</u>	<u>December 31, 2020</u>
Current lease liabilities	8,865	8,556
Non-current lease liabilities	26,693	31,053
	<u>35,558</u>	<u>39,609</u>

The lease liabilities relate to right-of-use assets of \$28,563 as at September 30, 2021 (\$30,951 as at December 31, 2020).

16. EARNINGS PER COMMON SHARE

For the nine-month period ended September 30, 2021, 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.

Basic earnings per share and fully diluted earnings per share computed on the loss for the comparative nine-month period ended September 30, 2020 are equal, as the LTI restricted share grants and share options, ESOP share grants and share warrants, are considered to be antidilutive and have been excluded from the computation of fully diluted earnings per share.

17. REPURCHASE OF SHARES

During the nine-month period ended September 30, 2021, the Company repurchased 3,817,021 shares, at a total cost of US \$19.1 million, 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 \$0.04 million, which were repurchased at the period end date but not cancelled, has been reflected in treasury shares.

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.

The pandemic has also caused a contraction in the economies in which the Group operates. The spread of the virus, which resulted in widespread travel restrictions and cancellations, has had a significant, negative effect on global travel and the demand for entertainment and related products offered in key markets in which the Group holds investments. Declines in global demand for oil and gas impacted prices and also constrained the Group's customers in energy-producing economies.

Investment portfolios have been impacted by the widening of credit spreads which resulted in significant fall-off in asset prices, causing significant reduction in investment income and portfolio management fee income. While international markets have largely recovered, some Caribbean markets show limited signs of recovery. Income has also been negatively affected by waivers and reduction of fees associated with loans, in addition to the decline in loan volumes due to contraction in economic activity.

In response to the changing, and increasingly 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. During the period ended March 31, 2021, there was a disposal of Playa shares and the investment has been designated as 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. While global vaccination programmes should allow the world, and more particularly the markets in which the Group operates, to gradually return to normal, this will take time. As a result, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Among its interests in associates, the Group held an investment in Playa Hotel & Resorts N.V. During the period ended March 31, 2021, certain transactions took place which resulted in a reduction in the Group's interest in Playa and the investment being designated 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.

As a result of these transactions, the Group's shareholding in Playa was reduced from 16% to 6%, which represents a 5% increase in SFCL's direct shareholding, based on the total of 10,001,000 shares now held by SFCL in Playa.

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 remeasuring the investment in Playa to FVTPL as at March 31, 2021, as follows:

i. Disposal of holding by SGJ:

SGJ's share of the carrying value of the investment in Playa on its statement of financial position as at January 15, 2021 was compared to the proceeds of US \$96 million by SGJ and adjusted for recycling of net unrealised foreign exchange gains and unrealised interest rate swap losses in OCI to income.

Amounts in US \$000

Net proceeds received by SGJ on sale of Playa shares	96,000
Share of carrying value of investment in Playa as an associate on the statement of financial position of SGJ as at January 15, 2021	(111,813)
	(15,813)
Net unrealised foreign exchange gains recycled to income	17,807
Net unrealised interest rate swap losses recycled to income	(3,578)
Loss on disposal of holding in Playa	(1,584)

ii. Gain recognised on acquisition of shares in Playa by SFCL (FVTPL basis):

SFCL purchased 8,501,000 shares from SGJ for consideration of US \$40.8 million. These shares were measured at FVTPL as at January 15, 2021, along with 1,500,000 shares held by SFCL in Playa which previously formed part of the Group's interest in Playa as an associate.

Amounts in US \$000

As at January 15, 2021

Fair value gain recognised on 8,501,000 shares purchased	9,138
Fair value gain recognised on original holding of 1,500,000 shares	3,125
Total fair value gain recognised on holding in Playa	12,263

Post acquisition, a fair value gain of \$24,152 was recognised for the period to September 30, 2021 (see note 5).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. COMMITMENTS

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 (note 1). The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. The letter of credit 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. No such notification has been made in 2020, therefore the revised expiration date is June 26, 2022.

The Group is required to comply with the following covenant in respect of the facility:

COVENANT	DESCRIPTION
Cash Collateralisation Event - (Under this requirement, the Group must fully collateralise the facility if the noted conditions are breached.)	<p>The Group must maintain an aggregate MCCR of at least 175% at the end of any fiscal quarter.</p> <p>The Group must maintain a Fixed Charge Coverage Ratio, at the end of any fiscal quarter, of an excess of 2.00 to 1.00.</p> <p>The ratio of Consolidated Total Indebtedness to Consolidated Total Capitalisation, at the end of any fiscal quarter, must not exceed 0.35 to 1.00.</p> <p>The credit rating of the Group must not fall below a specific predetermined level.</p> <p>The aggregate amount of unrestricted cash and cash equivalents held with the Bank, at any time, should not be less than US \$25 million.</p>
Event of Default	Upon an Event of Default, the Bank may declare the Obligations due and payable.

21. DISPOSAL OF INTEREST IN SUBSIDIARY

During the three-month period ended June 30, 2021, The Mutual Financial Services Inc (MFS) was dissolved and its net assets of US \$11.7 million, representing the carrying value at dissolution, were distributed to its shareholders. No gain or loss was recognised on dissolution. MFS was a subsidiary of Sagicor Life Inc. in which the effective shareholder's interest was 73%. Its principal activity was that of a financial services holding company.

22. SUBSEQUENT EVENT

On November 12, 2021, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US\$0.05625 per common share payable on December 17, 2021 to the shareholders of record at the close of business on November 26, 2021.