

SAGICOR FINANCIAL COMPANY LTD.

Condensed Consolidated Financial Statements

Nine-months ended September 30, 2022

SAGICOR FINANCIAL COMPANY LTD.

ACRONYMS

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

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

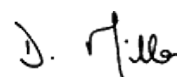
Acronym	Phrase
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
OCI	Other Comprehensive Income
IAS	International Accounting Standards

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>Amounts in US \$000</u>	As of September 30, 2022 (unaudited)	As of December 31, 2021 (audited)
ASSETS		
Investment property	76,982	75,954
Property, plant and equipment	175,920	266,781
Associates and joint ventures (note 19)	60,275	55,261
Intangible assets	108,200	89,101
Financial investments (note 7)	8,182,773	7,889,752
Financial investments repledged (note 7)	563,864	608,343
Reinsurance assets	563,730	630,717
Income tax assets	75,693	47,161
Miscellaneous assets and receivables	311,603	276,752
Cash	336,946	359,975
Restricted cash	80,448	78,135
Total assets	10,536,434	10,377,932
LIABILITIES		
Actuarial liabilities (note 14)	5,087,893	4,792,627
Other policy liabilities	355,783	341,441
Investment contract liabilities (note 8)	473,290	468,094
Total policy liabilities	5,916,966	5,602,162
Notes and loans payable (note 9)	639,365	683,388
Lease liabilities (note 16)	32,113	32,836
Deposit and security liabilities (note 10)	2,112,859	1,996,373
Other liabilities / retirement benefit liabilities	65,705	81,513
Income tax liabilities	62,580	61,926
Accounts payable and accrued liabilities	281,122	253,521
Total liabilities	9,110,710	8,711,719
EQUITY		
Share capital	1,427	1,431
Share premium	735,159	737,114
Reserves (note 15)	(239,254)	(60,472)
Retained earnings	537,401	455,897
Total shareholders' equity	1,034,733	1,133,970
Participating accounts	(389)	581
Non-controlling interests	391,380	531,662
Total equity	1,425,724	1,666,213
Total liabilities and equity	10,536,434	10,377,932

These financial statements have been approved for issue by the Board of Directors on November 10, 2022.


Director


Director

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

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine months to September 30, 2022	Nine months to September 30, 2021	Three months to September 30, 2022	Three months to September 30, 2021
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE				
Premium revenue (note 4)	1,777,139	1,341,318	555,049	648,041
Reinsurance premium expense (note 4)	(81,453)	(76,864)	(28,555)	(24,576)
Net premium revenue	1,695,686	1,264,454	526,494	623,465
Gain on derecognition of amortised cost investments	2,797	11,570	630	5,987
Gain / (loss) on derecognition of assets carried at FVOCI	4,600	15,008	(69)	11,597
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	308,595	246,433	114,799	85,817
Other investment (loss) / income (note 5)	(131,155)	75,639	(30,252)	17,383
Credit impairment losses	(4,070)	1,517	(1,721)	(1,819)
Fees and other revenue	132,576	114,954	46,234	39,428
Total revenue, net	2,009,029	1,729,575	656,115	781,858
BENEFITS				
Policy benefits and change in actuarial liabilities (note 6)	1,303,908	1,098,009	426,425	496,289
Policy benefits and change in actuarial liabilities reinsured (note 6)	(21,600)	4,413	(5,394)	28,498
Net policy benefits and change in actuarial liabilities	1,282,308	1,102,422	421,031	524,787
Interest costs	43,340	31,041	16,313	10,052
Total benefits	1,325,648	1,133,463	437,344	534,839
EXPENSES				
Administrative expenses	296,279	254,540	100,358	85,929
Commissions and related compensation	108,936	97,978	35,753	38,987
Premium and asset taxes	14,783	14,357	3,238	3,452
Finance costs	30,208	36,794	9,901	10,741
Depreciation and amortisation	23,706	24,872	7,829	8,079
Total expenses	473,912	428,541	157,079	147,188
Gain arising on business combinations, acquisitions and divestitures (note 20 / note 19)	1,683	10,698	1,683	7
Share of operating income of associates and joint ventures	5,263	7,929	1,125	2,133
	6,946	18,627	2,808	2,140
INCOME BEFORE TAXES	216,415	186,198	64,500	101,971

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

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Nine months to September 30, 2022 (unaudited)	Nine months to September 30, 2021 (unaudited)	Three months to September 30, 2022 (unaudited)	Three months to September 30, 2021 (unaudited)
<u>Amounts in US \$000</u>				
INCOME BEFORE TAXES	216,415	186,198	64,500	101,971
Income taxes	(79,149)	(46,142)	(25,753)	(23,007)
NET INCOME FOR THE PERIOD	137,266	140,056	38,747	78,964
Net income is attributable to:				
Common shareholders	102,490	91,236	25,399	50,437
Participating policyholders	(473)	16	(76)	23
Non-controlling interests	35,249	48,804	13,424	28,504
	137,266	140,056	38,747	78,964
Earnings per common share (note 17):				
Basic earnings per common share	71.7 cents	62.7 cents	17.8 cents	34.9 cents
Fully diluted earnings per common share	70.8 cents	62.0 cents	17.6 cents	34.5 cents

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

SAGICOR FINANCIAL COMPANY LTD.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine months to September 30, 2022 (unaudited)	Nine months to September 30, 2021 (unaudited)	Three months to September 30, 2022 (unaudited)	Three months to September 30, 2021 (unaudited)
<u>Amounts in US \$000</u>				
NET INCOME FOR THE PERIOD	137,266	140,056	38,747	78,964
OTHER COMPREHENSIVE INCOME:				
Items net of tax that may be reclassified subsequently to income:				
Financial assets measured at FVOCI:				
Losses on revaluation	(529,945)	(23,632)	(150,309)	(18,112)
(Gains) / losses transferred to income	(3,600)	(12,330)	133	(9,109)
Net change in actuarial liabilities	294,780	5,208	77,726	13,413
Cash flow hedges	-	3,467	-	(15)
Retranslation of foreign currency operations	7,589	(34,810)	(6,595)	20,431
	(231,176)	(62,097)	(79,045)	6,608
Items net of tax that will not be reclassified subsequently to income:				
Gains arising on revaluation of owner- occupied property and owner-managed property	15,324	11,050	15,304	9,251
Gains on defined benefit plans	11,313	199	7,061	195
	26,637	11,249	22,365	9,446
Other comprehensive (loss) / income	(204,539)	(50,848)	(56,680)	16,054
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(67,273)	89,208	(17,933)	95,018
Total comprehensive (loss) / income is attributable to:				
Common shareholders	(72,910)	65,656	(30,009)	50,688
Participating policyholders	(837)	(362)	418	(37)
Non-controlling interests	6,474	23,914	11,658	44,367
	(67,273)	89,208	(17,933)	95,018

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

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

	Share Capital	Share Premium	Reserves	Retained Earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2022					
Balance as of December 31, 2021	1,431	737,114	(60,472)	455,897	1,133,970
Total comprehensive (loss) / income	-	-	(177,712)	104,802	(72,910)
Transactions with holders of equity instruments:					
Allotment of common shares	7	3,814	-	-	3,821
Repurchase of shares (note 18)	(11)	(5,764)	-	53	(5,722)
Movements in treasury shares	-	(5)	-	-	(5)
Changes in reserve for equity compensation benefits	-	-	(1,313)	(29)	(1,342)
Dividends declared	-	-	-	(24,113)	(24,113)
Disposal of interest in subsidiaries (note 20)	-	-	-	399	399
Transfers and other movements	-	-	243	392	635
Balance as of September 30, 2022	1,427	735,159	(239,254)	537,401	1,034,733

	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Nine months to September 30, 2022				
Balance as of December 31, 2021	1,133,970	581	531,662	1,666,213
Total comprehensive (loss) / income	(72,910)	(837)	6,474	(67,273)
Transactions with holders of equity instruments:				
Allotment of common shares	3,821	-	-	3,821
Repurchase of shares (note 18)	(5,722)	-	-	(5,722)
Movements in treasury shares	(5)	-	-	(5)
Changes in reserve for equity compensation benefits	(1,342)	-	-	(1,342)
Dividends declared	(24,113)	-	(20,761)	(44,874)
Disposal of interest in subsidiaries (note 20)	399	-	(126,861)	(126,462)
Transfers and other movements	635	(133)	866	1,368
Balance as of September 30, 2022	1,034,733	(389)	391,380	1,425,724

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

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

	Share Capital	Share Premium	Reserves	Retained Earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
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 (loss) / income	-	-	(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 18)	(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 interest in subsidiaries	-	-	-	(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

	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
<u>Amounts in US \$000</u>	(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 (loss) / income	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 18)	(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 interest in subsidiaries	(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

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, 2022 (unaudited)	Nine months to September 30, 2021 (unaudited)
OPERATING ACTIVITIES		
Income before taxes	216,415	186,198
Adjustments for non-cash items, interest and dividends (note 13)	650,763	320,352
Interest and dividends received	324,851	280,653
Interest paid	(62,031)	(65,859)
Income taxes paid	(37,821)	(56,568)
Net change in investments and operating assets (note 13)	(1,453,712)	(1,012,354)
Net change in operating liabilities (note 13)	101,408	290,165
Net cash flows - operating activities	(260,127)	(57,413)
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(11,754)	(9,008)
Associates and joint ventures	-	50,569
Acquisition of subsidiaries, net of cash and cash equivalents	(5,237)	(23)
Dividends received from associates and joint ventures	655	659
Purchase of intangible assets	(4,218)	(2,527)
Proceeds on disposal of subsidiary, net of cash and cash equivalents (note 20)	11,292	-
Net cash flows - investing activities	(9,262)	39,670
FINANCING ACTIVITIES		
Repurchase of common shares	(5,722)	(19,099)
Movement in treasury shares	(5)	(30)
Shares purchased from non-controlling interests	726	(1,592)
Issuance of notes and loans payable (note 13)	60,369	396,647
Repayment of notes and loans payable (note 13)	(71,336)	(322,908)
Lease liability principal (note 13)	(6,185)	(5,859)
Dividends paid to common shareholders	(24,122)	(24,494)
Dividends paid to non-controlling interests	(13,880)	(11,937)
Proceeds on disposal of interest in subsidiary (note 20)	10,369	-
Net cash flows - financing activities	(49,786)	10,728
Effect of exchange rate changes	(901)	(4,107)
Net change in cash and cash equivalents	(320,076)	(11,122)
Cash and cash equivalents, beginning of period	836,791	547,208
Cash and cash equivalents, end of period (note 13)	516,715	536,086

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 were listed on the Toronto Stock Exchange and are traded under the symbols "SFC" and "SFC.WT", respectively. The condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 2021 annual consolidated financial statements and the accompanying notes included in pages 126 to 293 of the Annual Report for 2021. The condensed financial statements however do include certain disclosures required in the annual financial statements, but which are additional to the requirements of IAS 34.

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

2. ACCOUNTING POLICIES

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

2.1 Exchange rates

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

	Closing rates as of September 30, 2022	Closing rates as of December 31, 2021	Average rates for the nine months to September 30, 2022	Average rates for the three months to September 30, 2022	Average rates for the nine months to September 30, 2021	Average rates for the three months to September 30, 2021
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	152.0192	153.9200	153.3932	151.4900	148.8836	150.8462
Trinidad & Tobago dollar	6.7330	6.7626	6.7436	6.7406	6.7426	6.7504
Pound sterling	0.89530	0.74080	0.78734	0.8350	0.72148	0.72314

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 and, through a segregated account, transfers insurance risks associated with certain life and annuity products relating to Trinidad & Tobago business to Sagicor Reinsurance Bermuda Ltd.
- Sagicor Jamaica: Engages in life, health, annuity, property and casualty insurance business, pension administration services, banking and financial services, hospitality and real estate investment services in Jamaica, Cayman Islands, Costa Rica and USA.
- Sagicor Life USA: Engages in life insurance and annuities in certain states of the USA and, through a segregated account, transfers insurance risks associated with certain life and annuity products, and financial instruments supporting those liabilities, to Sagicor Reinsurance Bermuda Ltd.

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

3.1 Statement of income by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Nine months to September 30, 2022						
Net premium revenue	282,774	268,677	1,116,923	27,312	-	1,695,686
Gain / (loss) on derecognition of amortised cost investments	567	2,300	(54)	(16)	-	2,797
Gain on derecognition of assets carried at FVOCI	194	2,675	1,731	-	-	4,600
Interest income earned from financial assets measured at amortised cost and FVOCI	65,264	127,090	109,814	6,427	-	308,595
Other investment income / (loss)	5,428	(24,092)	(90,229)	(22,202)	(60)	(131,155)
Credit impairment losses	1,208	(2,845)	(2,374)	(59)	-	(4,070)
Fees and other revenue	4,186	116,432	682	11,942	(666)	132,576
Inter-segment revenue	17,329	-	-	20,937	(38,266)	-
Total revenue, net	376,950	490,237	1,136,493	44,341	(38,992)	2,009,029
Net policy benefits	206,920	186,610	142,423	12,471	-	548,424
Net change in actuarial liabilities	41,152	(25,491)	718,223	-	-	733,884
Interest costs	10,352	26,339	4,527	2,122	-	43,340
Administrative expenses	59,817	155,278	34,272	46,370	542	296,279
Commissions and premium and asset taxes	33,101	42,117	40,423	8,078	-	123,719
Finance costs	68	2,639	1,134	26,367	-	30,208
Depreciation and amortisation	5,192	13,531	2,984	1,999	-	23,706
Inter-segment expenses	(285)	940	8,524	16,869	(26,048)	-
Total benefits and expenses	356,317	401,963	952,510	114,276	(25,506)	1,799,560
Gain arising on business combinations, acquisitions and divestitures (note 20)	-	1,683	-	-	-	1,683
Share of operating income of associates and joint ventures	2,983	2,280	-	-	-	5,263
Segment income / (loss) before taxes	23,616	92,237	183,983	(69,935)	(13,486)	216,415
Income taxes	(10,368)	(23,823)	(44,011)	(930)	(17)	(79,149)
Segment net income / (loss)	13,248	68,414	139,972	(70,865)	(13,503)	137,266
Net income / (loss) attributable to non-controlling interests	-	35,603	-	(354)	-	35,249
Net income / (loss) attributable to shareholders	13,721	32,811	139,972	(70,511)	(13,503)	102,490
Total comprehensive (loss) / income attributable to shareholders	(9,511)	(3,919)	23,286	(70,853)	(11,913)	(72,910)

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, 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 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	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 attributable to shareholders	22,087	43,994	40,182	4,112	(19,139)	91,236
Total comprehensive income 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)

Amounts in US \$000	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to September 30, 2022						
Net premium revenue	92,334	95,962	329,382	8,816	-	526,494
Gain / (loss) on derecognition of amortised cost investments	-	721	(54)	(37)	-	630
Gain / (loss) on derecognition of assets carried at FVOCI	(20)	1,050	(1,099)	-	-	(69)
Interest income earned from financial assets measured at amortised cost and FVOCI	22,424	43,974	46,604	1,797	-	114,799
Other investment income / (loss)	1,896	(11,340)	(19,792)	(998)	(18)	(30,252)
Credit impairment losses	(31)	(1,481)	(200)	(9)	-	(1,721)
Fees and other revenue	983	39,475	1,805	3,941	30	46,234
Inter-segment revenue	5,038	-	-	2,736	(7,774)	-
Total revenue, net	122,624	168,361	356,646	16,246	(7,762)	656,115
Net policy benefits	74,138	65,373	51,005	4,884	-	195,400
Net change in actuarial liabilities	11,587	(5,673)	219,717	-	-	225,631
Interest costs	3,247	10,136	2,282	648	-	16,313
Administrative expenses	20,385	49,933	11,724	18,330	(14)	100,358
Commissions and premium and asset taxes	10,839	12,321	13,346	2,485	-	38,991
Finance costs	22	731	396	8,752	-	9,901
Depreciation and amortisation	1,801	4,356	947	725	-	7,829
Inter-segment expenses	785	337	2,077	4,985	(8,184)	-
Total benefits and expenses	122,804	137,514	301,494	40,809	(8,198)	594,423
Gain arising on business combinations, acquisitions and divestitures (note 20)	-	1,683	-	-	-	1,683
Share of operating income of associates and joint ventures	1,072	53	-	-	-	1,125
Segment income / (loss) before taxes	892	32,583	55,152	(24,563)	436	64,500
Income taxes	(6,055)	(6,472)	(13,151)	(75)	-	(25,753)
Segment net income / (loss)	(5,163)	26,111	42,001	(24,638)	436	38,747
Net income / (loss) attributable to non- controlling interests	-	13,497	-	(73)	-	13,424
Net income / (loss) attributable to shareholders from continuing operations	(5,087)	12,614	42,001	(24,565)	436	25,399
Total comprehensive (loss) / income attributable to shareholders from continuing operations	(8,675)	2,890	(366)	(24,289)	431	(30,009)

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	-	7	-	-	-	7
Share of operating income of associates and joint ventures	745	1,388	-	-	-	2,133
Segment income 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	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 attributable to shareholders	6,984	27,064	23,075	12,149	(18,835)	50,437
Total comprehensive income 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)

3.2 Statement of financial position by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjustments	Total
As of September 30, 2022						
Financial investments	1,662,946	2,694,876	4,112,511	276,304	-	8,746,637
Other external assets	329,572	623,357	609,643	227,225	-	1,789,797
Inter-segment assets	425,592	12,543	41,951	185,500	(665,586)	-
Total assets	2,418,110	3,330,776	4,764,105	689,029	(665,586)	10,536,434
Policy liabilities	1,603,184	804,506	3,432,927	76,349	-	5,916,966
Other external liabilities	92,374	1,765,511	548,628	787,231	-	3,193,744
Inter-segment liabilities	84,457	2,391	176,721	402,017	(665,586)	-
Total liabilities	1,780,015	2,572,408	4,158,276	1,265,597	(665,586)	9,110,710
Net assets	638,095	758,368	605,829	(576,568)	-	1,425,724
Net assets attributable to non-controlling interests	-	378,620	-	12,760	-	391,380

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	Nine months to September 30, 2022	Nine months to September 30, 2021	Three months to September 30, 2022	Three months to September 30, 2021
Life, health and annuity insurance contracts issued to individuals	1,561,446	1,245,035	494,374	620,063
Life, health and annuity insurance and pension administration contracts issued to groups	221,547	215,242	80,133	66,510
Property and casualty insurance	58,340	58,552	18,815	19,942
Banking, investment management and other financial services	141,445	133,994	48,487	49,472
Hospitality services	29,663	26,468	7,687	8,390
Unallocated revenues	(3,412)	50,284	6,619	17,481
Total revenue	2,009,029	1,729,575	656,115	781,858

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Nine months to September 30, 2022	Nine months to September 30, 2021	Three months to September 30, 2022	Three months to September 30, 2021
Barbados	111,769	163,765	43,457	54,342
Jamaica	446,610	468,266	154,262	156,100
Trinidad & Tobago	163,743	167,396	50,445	56,040
Other Caribbean	120,068	127,204	43,930	40,669
USA	1,166,839	802,944	364,021	474,707
Total revenue	2,009,029	1,729,575	656,115	781,858

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, 2022						
Fees recognised:						
At a point in time	-	45,294	102	-	-	45,396
Over time	6,367	51,363	-	2,344	-	60,074
Total included in fees and other revenue	6,367	96,657	102	2,344	-	105,470
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

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, 2022						
Fees recognised:						
At a point in time	-	15,937	32	-	-	15,969
Over time	2,113	15,180	-	836	-	18,129
Total included in fees and other revenue	2,113	31,117	32	836	-	34,098
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

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	
Nine months to September 30,	2022	2021	2022	2021
Life insurance	386,767	372,548	21,629	22,499
Annuity	1,165,395	758,355	50	453
Health insurance	131,816	123,759	3,614	4,882
Property and casualty insurance	93,161	86,656	56,160	49,030
Total premium revenue	1,777,139	1,341,318	81,453	76,864

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
Three months to September 30,	2022	2021	2022	2021
Life insurance	135,750	127,415	6,912	6,155
Annuity	340,991	451,287	1	319
Health insurance	46,420	40,656	1,551	2,346
Property and casualty insurance	31,888	28,683	20,091	15,756
Total premium revenue	555,049	648,041	28,555	24,576

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

Amounts in US \$000	Nine months to September 30, 2022	Nine months to September 30, 2021	Three months to September 30, 2022	Three months to September 30, 2021
Investment income				
Interest income (amortised cost assets):				
Debt securities	75,236	69,634	25,597	22,377
Mortgage loans	19,172	17,763	6,894	5,848
Policy loans	8,582	8,113	2,848	2,720
Finance loans	42,022	41,095	14,686	13,917
Securities purchased for resale	1,820	893	561	551
Deposits, cash and other items	1,266	790	428	333
	148,098	138,288	51,014	45,746
Interest income (FVOCI assets):				
Debt securities and money market funds	160,497	108,145	63,785	40,071
Interest income earned from financial assets measured at amortised cost and FVOCI	308,595	246,433	114,799	85,817
Fair value changes, dividend income and interest income (FVTPL assets):				
Debt securities	(13,151)	15,920	(1,679)	6,679
Equity securities ⁽¹⁾	(91,426)	41,683	(29,340)	8,498
Mortgage loans	1,537	1,252	111	409
Derivative financial instruments	(30,258)	14,930	837	1,116
Other items	1	23	1	22
	(133,297)	73,808	(30,070)	16,724
Investment income:				
Other income on financial investments	620	369	268	129
Investment property – rental income	2,987	3,088	986	950
Investment property – realised (losses) / gains	-	(293)	(22)	1
Investment property – unrealised gains	269	112	283	423
Other investment income	2,778	1,367	248	368
	6,654	4,643	1,763	1,871
Investment expenses:				
Direct operating expenses of investment property that generated rental income	1,465	1,419	593	494
Direct operating expenses of investment property that did not generate rental income	(31)	-	(31)	-
Other direct investment expenses	3,078	1,393	1,383	718
	4,512	2,812	1,945	1,212
Other investment (loss) / income	(131,155)	75,639	(30,252)	17,383
Net investment income	177,440	322,072	84,547	103,200

⁽¹⁾ Included in fair value changes on equity securities is a loss of \$32,270 for the nine-month period ended September 30, 2022 (a gain of \$24,152 for the nine-month period ended September 30, 2021) on the interest held in Playa Hotel & Resorts N.V. ("Playa") as a FVTPL investment (see note 19).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
Nine months to September 30,	2022	2021	2022	2021
Life insurance benefits	212,325	204,829	15,881	14,316
Annuity benefits	293,983	250,613	75,037	52,190
Health insurance claims	116,226	100,986	2,668	1,823
Property and casualty claims	27,104	23,410	7,628	7,043
Total policy benefits	649,638	579,838	101,214	75,372
Change in actuarial liabilities (note 14)	654,270	518,171	(79,614)	(79,785)
Total policy benefits and change in actuarial liabilities	1,303,908	1,098,009	21,600	(4,413)

<u>Amounts in US \$000</u>	Gross benefit		Ceded to reinsurers	
Three months to September 30,	2022	2021	2022	2021
Life insurance benefits	71,727	61,682	3,605	(2,733)
Annuity benefits	113,571	89,038	32,683	19,153
Health insurance claims	39,930	33,719	1,122	452
Property and casualty claims	9,644	10,473	2,062	3,432
Total policy benefits	234,872	194,912	39,472	20,304
Change in actuarial liabilities	191,553	301,377	(34,078)	(48,802)
Total policy benefits and change in actuarial liabilities	426,425	496,289	5,394	(28,498)

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, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at fair value through other comprehensive income				
Debt securities and money market funds	4,698,246	4,698,246	4,481,319	4,481,319
Equity securities	453	453	520	520
	4,698,699	4,698,699	4,481,839	4,481,839
Financial assets at fair value through profit and loss				
Debt securities	314,881	314,881	283,534	283,534
Equity securities ⁽¹⁾	789,835	789,835	889,619	889,619
Derivative financial instruments	5,145	5,145	26,246	26,246
Mortgage loans	23,764	23,764	24,375	24,375
	1,133,625	1,133,625	1,223,774	1,223,774
Investments at amortised cost				
Debt securities	1,467,434	1,558,078	1,399,703	1,556,181
Mortgage loans	529,358	522,896	425,548	421,650
Policy loans	158,389	176,694	153,839	177,483
Finance loans	615,412	621,966	533,460	536,741
Securities purchased for resale	36,903	36,903	68,007	68,007
Deposits	106,817	106,817	211,925	211,925
	2,914,313	3,023,354	2,792,482	2,971,987
Total financial investments	8,746,637	8,855,678	8,498,095	8,677,600

⁽¹⁾ Included in equity securities are exchange-traded funds of \$349,134 as at September 30, 2022 (\$446,294 as at December 31, 2021).

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, 2022			
Equity securities	689,406	100,429	789,835
Debt securities	178,678	136,203	314,881
Mortgage loans	14	23,750	23,764
	868,098	260,382	1,128,480
December 31, 2021			
Equity securities	721,559	168,060	889,619
Debt securities	145,042	138,492	283,534
Mortgage loans	23	24,352	24,375
	866,624	330,904	1,197,528

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.

Amounts in US \$000

Financial investments repledged

September 30, 2022	December 31, 2021
563,864	608,343

Statement of financial position presentation

Financial investments

8,182,773

7,889,752

Financial investments repledged

563,864

608,343

8,746,637

8,498,095

Analysis of financial investments repledged

Amounts in US \$000

Investments at FVOCI:

Debt securities and money market funds

September 30, 2022	December 31, 2021
Pledged value	Pledged value
560,830	604,581

Investments at FVTPL:

Debt securities

-

760

Investments at amortised cost:

Debt securities

592

585

Securities purchased for resale

37

37

Deposits

2,405

2,380

3,034

3,002

Financial investments repledged

563,864

608,343

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT CONTRACT LIABILITIES

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

<u>Amounts in US \$000</u>	September 30, 2022		December 31, 2021	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Deposit administration liabilities	117,893	117,893	117,287	117,287
Other investment contracts	197,420	190,676	191,304	190,031
	315,313	308,569	308,591	307,318
Liabilities at FVTPL:				
Unit linked deposit administration liabilities	157,977	157,977	159,503	159,503
Total investment contract liabilities	473,290	466,546	468,094	466,821

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE

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

<u>Amounts in US \$000</u>	September 30, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
5.30% senior notes due 2028 (a)	543,272	536,343	532,162	570,306
5.50% unsecured bond due 2022 (b)	-	-	32,079	32,362
6.25% unsecured bond due 2022 (b)	-	-	25,130	28,667
5.75% unsecured bond due 2023 (b)	26,578	26,748	-	-
6.50% unsecured bond due 2023 (b) & (c)	19,787	21,575	-	-
6.75% notes due 2024 (d)	14,702	14,589	14,284	14,956
Bank loans and other funding instruments (e)	35,026	35,026	33,696	33,696
Mortgage loans (f)	-	-	46,037	48,950
	639,365	634,281	683,388	728,937

(a) 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 New Notes are due May 13, 2028 and bear interest at an annual rate of 5.30%.

The Company used partial proceeds of the transaction to repurchase US \$318 million principal amount of 8.875% Senior Notes due 2022 (the "Notes") which were issued by its subsidiary, Sagicor Finance 2015 Limited. In May 2021, the Group made a cash tender offer for 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.

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

As at September 30, 2022, the Group had, in total, US \$550 million principal amount of the New Notes outstanding.

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

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

The Group has estimated the fair value of the optional redemption embedded derivative at US \$8.5 million as at September 30, 2022 (US \$11.3 million as at December 31, 2021).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

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

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

On October 27, 2020, Sagicor Financial Corporation Limited refinanced the above facilities with the issue of a bond in two Tranches, Tranche A up to J\$5,737,140,000 and Tranche B up to US \$31,807,000, carrying annual interest rates of 6.25% and 5.50% respectively. The Tranches matured on April 26, 2022 and Sagicor Financial Corporation Limited exercised the option to extend the facilities. Principal amounts of J\$842,000,000 and US \$5,407,000 were paid and applied to Tranches A and B facilities respectively.

On April 27, 2022, the facilities were extended with bond issues in two Tranches, Tranche A up to J\$4,895,140,000 and Tranche B up to US \$26,400,000, carrying annual interest rates of 6.50% and 5.75% respectively. Interest is payable quarterly and commenced on July 27, 2022. The Tranches mature on May 26, 2023.

- (c) At September 30, 2022, Sagicor Investments Jamaica Limited held an investment of US \$12.5 million in Tranche A above (US \$12.5 million as at December 31, 2021).
- (d) 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.
- (e) Bank loans and other funding instruments include the following:
- (i) On May 24, 2019, Sagicor General Insurance Inc entered into a US \$12 million loan agreement. The interest rate is 3.50% per annum and the loan matures on July 31, 2024.
 - (ii) On October 1, 2020, The Estates (Residential Properties) Limited issued cumulative preference shares in the amount of US \$9 million. Dividends accrue at a rate of 6.75% per annum and are payable semi-annually. The preference shares are redeemable on September 30, 2027.
 - (iii) On May 3, 2021, The Estates (Residential Properties) Limited entered into a US \$17 million construction loan agreement with First Caribbean International Bank (Barbados) Limited. The interest rate is 3.50% per annum and the loan is repayable 2 years from the date of issuance, maturing on June 11, 2023. The facility is available in multiple drawdowns over this period.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(f) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	-	45,137
Development loan ⁽¹⁾	X Fund Properties Limited	-	900
		-	46,037

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

During the quarter ended September 30, 2022, SGJ disposed of its subsidiary, Sagicor Real Estate X-Fund Limited. As a result, the mortgage loans payable to its subsidiaries, X Fund Properties LLC and X Fund Properties Limited, have been derecognised. See note 20.

<u>Movement for the nine months to September 30,</u>	<u>2022</u>	<u>2021</u>
<u>Amounts in US \$000</u>		
Balance, beginning of period	683,388	471,622
Valuation of call option embedded derivative	2,845	(2,473)
Additions:		
Gross principal	60,772	406,781
Less: Expenses	(403)	(10,134)
	60,369	396,647
Repayments:		
Principal	(71,336)	(322,908)
Interest	(19,283)	(31,274)
	(90,619)	(354,182)
Derecognised on disposal of subsidiary, X-Fund Limited (note 20)	(44,655)	-
Amortisation during the period	1,453	5,158
Accrued interest	26,864	28,950
Effects of exchange rate changes	(280)	(1,326)
Balance, end of the period	639,365	544,396

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, 2022		December 31, 2021	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	533,647	534,149	511,453	511,598
Customer deposits	929,514	929,516	881,434	883,673
Securities sold for repurchase	643,412	643,412	598,272	598,272
Bank overdrafts	1,919	1,919	761	761
	2,108,492	2,108,996	1,991,920	1,994,304
Liabilities at FVTPL:				
Structured products	4,358	4,358	4,344	4,344
Derivative financial instruments	9	9	109	109
	4,367	4,367	4,453	4,453
	2,112,859	2,113,363	1,996,373	1,998,757

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property

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

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

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

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

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

<u>Amounts in US \$000</u>	As of September 30, 2022	As of December 31, 2021
	Level 3	Level 3
Investment property	76,982	75,954
Owner-occupied properties	110,259	108,480
Owner-managed hotel properties	-	88,235
Total properties	187,241	272,669

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

The following table 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, 2022	December 31, 2021		September 30, 2022	December 31, 2021	
<u>Amounts in US \$000</u>						
Investment property	76,982	75,954	Comparable sales	5%	5%	(1)
Owner-occupied properties	110,259	108,480	Comparable sales	5%	5%	(1)
Owner-managed hotel properties	-	88,235	Comparable sales	5%	5%	(1)
Total properties	187,241	272,669				

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.1 Property (continued)

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

<u>Amounts in US \$000</u>	Nine months to September 30, 2022			Twelve months to December 31, 2021	
	Investment property	Owner-occupied properties	Owner-managed properties	Total	Total
Balance, beginning of period	75,954	108,480	88,235	272,669	263,057
Additions at cost	1,309	478	97	1,884	1,519
Transfers in / (out)	(235)	(645)	-	(880)	1,325
Fair value changes recorded in net investment income	269	-	-	269	(60)
Fair value changes recorded in other comprehensive income	-	2,366	16,562	18,928	15,042
Depreciation charge	-	(735)	(1,591)	(2,326)	(3,731)
Disposals and divestitures	(480)	-	(101,858)	(102,338)	(3,003)
Effect of exchange rate changes	165	315	(1,445)	(965)	(1,480)
Balance, end of period	76,982	110,259	-	187,241	272,669

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.

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.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

The 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, 2022			
	Level 1	Level 2	Level 3	Total
FVOCI investments:				
Debt securities and money market funds	371,028	4,243,076	84,142	4,698,246
Equity securities	413	-	40	453
	371,441	4,243,076	84,182	4,698,699
FVTPL investments:				
Debt securities	17,912	179,167	117,802	314,881
Equity securities	194,192	563,355	32,288	789,835
Derivative financial instruments	-	-	5,145	5,145
Mortgage loans	-	-	23,764	23,764
	212,104	742,522	178,999	1,133,625
Total assets	583,545	4,985,598	263,181	5,832,324
Total assets by percentage	10%	85%	5%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	157,977	157,977
FVTPL deposit and security liabilities:				
Structured products	-	-	4,358	4,358
Derivative financial instruments	-	-	9	9
	-	-	4,367	4,367
Total liabilities	-	-	162,344	162,344
Total liabilities by percentage	0%	0%	100%	100%

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

	Fair value		Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
<u>Amounts in US \$000</u>	September 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021	
FVOCI investments:						
Debt securities	84,142	99,234	Adjustments to yields	10%	10%	(1)
Equity securities	40	39	Adjustments to net assets	10%	10%	(2)
	84,182	99,273				
FVTPL investments:						
Debt securities	117,802	119,088	Adjustments to yields	10%	10%	(1)
Equity securities	32,288	19,329	Adjustments to net assets	10%	10%	(2)
Derivative financial instruments	5,145	26,137	Adjustments to yields	10%	10%	(1)
Mortgage loans	23,764	24,375	Adjustments to yields	10%	10%	(1)
	178,999	188,929				
Total assets	263,181	288,202				
Unit linked deposit administration liabilities	157,977	159,503	Adjustments to yields	10%	10%	(1)
Structured products	4,358	4,344	Adjustments to yields	10%	10%	(1)
Derivative financial instruments	9	109	Adjustments to yields	10%	10%	(1)
Total liabilities	162,344	163,956				

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

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Nine months to September 30, 2022				Twelve months to December 31, 2021
	FVOCI investments	FVTPL investments	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	99,273	162,792	26,137	288,202	222,534
Additions	13,880	15,460	14,646	43,986	180,083
Transfers into Level 3 classification	-	-	109	109	-
Fair value changes recorded in net investment income	-	195	(27,413)	(27,218)	17,073
Fair value gains (losses) recorded in interest expense	-	(9)	(101)	(110)	-
Fair value changes recorded in other comprehensive income	(407)	-	-	(407)	-
Disposals and divestitures	(28,873)	(5,480)	(8,234)	(42,587)	(129,681)
Transfers (out of) Level 3 classification	-	-	-	-	(399)
Transfers to instruments carried at amortised cost	-	(414)	-	(414)	(369)
Effect of exchange rate changes	309	1,310	1	1,620	(1,039)
Balance, end of period	84,182	173,854	5,145	263,181	288,202
Fair value changes recorded in net investment income for instruments held at the end of the period	-	162	(13,815)	(13,653)	7,986

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

	Nine months to September 30, 2022				Twelve months to December 31, 2021
	Policy liabilities	Structured products	Derivative financial instruments	Total liabilities	Total liabilities
<u>Amounts in US \$000</u>					
Balance, beginning of year	159,503	4,344	109	163,956	154,442
Gains (losses) recorded in interest expense	(480)	(40)	(101)	(621)	162
Issues	16,438	-	-	16,438	27,045
Settlements	(17,402)	-	-	(17,402)	(17,329)
Effect of exchange rate changes	(82)	54	1	(27)	(364)
Balance, end of period	157,977	4,358	9	162,344	163,956
Fair value changes recorded in investment income for assets held at end of year	480	-	-	480	162

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK

12.1 Credit risk exposure – financial investments subject to impairment

Financial assets carried at amortised cost or FVOCI are subject to credit impairment losses which are recognised in the statement of income. The following tables analyse the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amounts of investments below represent the Group's maximum exposure to credit risk on these assets.

	September 30, 2022				December 31, 2021	
<u>Amounts in US \$000</u>	ECL Staging				Total	
Debt securities – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Credit grade:						
Investment	450,220	-	-	-	450,220	428,766
Non-investment	811,635	8,331	9	194,958	1,014,933	967,337
Watch	681	45	-	3,711	4,437	5,780
Unrated	571	-	-	7	578	586
Gross carrying amount	1,263,107	8,376	9	198,676	1,470,168	1,402,469
Loss allowance	(2,310)	(66)	-	(358)	(2,734)	(2,766)
Carrying amount	1,260,797	8,310	9	198,318	1,467,434	1,399,703

	September 30, 2022				December 31, 2021	
<u>Amounts in US \$000</u>	ECL Staging				Total	
Mortgage loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Credit grade:						
Investment	327,127	21,874	2,879	-	351,880	243,357
Non-investment	151,976	4,136	407	-	156,519	148,168
Watch	1,740	1,158	10,916	-	13,814	28,568
Default	195	-	12,599	-	12,794	10,334
Gross carrying amount	481,038	27,168	26,801	-	535,007	430,427
Loss allowance	(1,480)	(408)	(3,761)	-	(5,649)	(4,879)
Carrying amount	479,558	26,760	23,040	-	529,358	425,548

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

	September 30, 2022				December 31, 2021	
<u>Amounts in US \$000</u>	ECL Staging				Total	Total
Finance loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
Credit grade:						
Investment	28,072	-	-	-	28,072	-
Non-investment	558,542	26,232	-	-	584,774	527,695
Watch	-	2,655	-	-	2,655	3,811
Default	-	-	10,098	-	10,098	11,528
Gross carrying amount	586,614	28,887	10,098	-	625,599	543,034
Loss allowance	(5,295)	(715)	(4,177)	-	(10,187)	(9,574)
Carrying amount	581,319	28,172	5,921	-	615,412	533,460

	September 30, 2022				December 31, 2021	
<u>Amounts in US \$000</u>	ECL Staging				Total	Total
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
Credit grade:						
Non-investment	36,903	-	-	-	36,903	68,007
Gross carrying amount	36,903	-	-	-	36,903	68,007
Loss allowance	-	-	-	-	-	-
Carrying amount	36,903	-	-	-	36,903	68,007

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Amounts in US \$000	September 30, 2022				December 31, 2021	
	ECL Staging			Purchased credit-impaired	Total	Total
Policy loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	151,921	-	-	-	151,921	147,295
Non-investment	6,944	-	-	-	6,944	7,001
Gross carrying amount	158,865	-	-	-	158,865	154,296
Loss allowance	(476)	-	-	-	(476)	(457)
Carrying amount	158,389	-	-	-	158,389	153,839

Amounts in US \$000	September 30, 2022				December 31, 2021	
	ECL Staging			Purchased credit-impaired	Total	Total
Deposits – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	63,568	-	-	-	63,568	97,104
Non-investment	33,990	253	-	-	34,243	116,799
Watch	11,083	371	-	-	11,454	800
Unrated	397	-	-	-	397	440
Gross carrying amount	109,038	624	-	-	109,662	215,143
Loss allowance	(2,774)	(71)	-	-	(2,845)	(3,218)
Carrying amount	106,264	553	-	-	106,817	211,925

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Amounts in US \$000	September 30, 2022				December 31, 2021	
	ECL Staging		Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Debt securities and money market funds – FVOCI	Stage 1 12-month ECL	Stage 2 life-time ECL				
Credit grade:						
Investment	4,173,062	4,164	-	-	4,177,226	3,417,835
Non-investment	927,816	110,353	-	28,698	1,066,867	960,483
Unrated	72	-	-	-	72	104
Gross carrying amount	5,100,950	114,517	-	28,698	5,244,165	4,378,422
Loss allowance	(3,334)	(5,607)	-	-	(8,941)	(6,791)
Carrying amount	5,097,616	108,910	-	28,698	5,235,224	4,371,631

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**Nine months ended September 30, 2022**

Loss Allowance as at January 1, 2022

Transfers:

Transfer from Stage 1 to Stage 2

Transfer from Stage 2 to Stage 1

New financial assets originated or purchased

Financial assets fully derecognised during the period

Write-offs

Changes in ECL inputs, models and / or assumptions

Effect of exchange rate changes

Loss Allowance as at September 30, 2022

Credit impairment loss recorded in income

– Nine months ended September 30, 2022

– Three months ended September 30, 2022

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2022	2,471	4,320	-	-	6,791
Transfers:					
Transfer from Stage 1 to Stage 2	(28)	28	-	-	-
Transfer from Stage 2 to Stage 1	202	(202)	-	-	-
New financial assets originated or purchased	730	-	-	-	730
Financial assets fully derecognised during the period	(226)	(51)	-	-	(277)
Write-offs	(18)	(107)	-	-	(125)
Changes in ECL inputs, models and / or assumptions	193	1,613	-	-	1,806
Effect of exchange rate changes	10	6	-	-	16
Loss Allowance as at September 30, 2022	3,334	5,607	-	-	8,941
Credit impairment loss recorded in income					
– Nine months ended September 30, 2022					(2,104)
– Three months ended September 30, 2022					(487)

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

Nine months ended September 30, 2021

Loss Allowance as at January 1, 2021

Transfers:

Transfer from Stage 1 to Stage 2

Transfer from Stage 2 to Stage 3

New financial assets originated or purchased

Financial assets fully derecognised during the period

Changes in ECL inputs, models and / or assumptions

Effect of exchange rate changes

Loss Allowance as at September 30, 2021

Credit impairment loss reduction recorded in income

– Nine months ended September 30, 2021

Credit impairment loss recorded in income

– Three months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 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, 2021					(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 – AMORTISED COST

Loss Allowances

Amounts in US \$000

Nine months ended September 30, 2022

	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month	Lifetime	Lifetime	credit-	Total
	ECL	ECL	ECL	impaired	
Loss Allowance as at January 1, 2022	2,068	211	-	487	2,766
Transfers:					
Transfer from Stage 2 to Stage 1	87	(87)	-	-	-
New financial assets originated or purchased	301	-	-	-	301
Financial assets fully derecognised during the period	(88)	(1)	-	-	(89)
Changes in ECL inputs, models and / or assumptions	(67)	(57)	-	(129)	(253)
Effect of exchange rate changes	9	-	-	-	9
Loss Allowance as at September 30, 2022	2,310	66	-	358	2,734
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2022					<u>44</u>
Credit impairment loss recorded in income					
– Three months ended September 30, 2022					<u>(95)</u>

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>

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

Amounts in US \$000

Nine months ended September 30, 2022

	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month	Lifetime	Lifetime	credit-	Total
	ECL	ECL	ECL	impaired	
Loss Allowance as at January 1, 2022	1,018	641	3,220	-	4,879
Transfers:					
Transfer from Stage 1 to Stage 2	(50)	50	-	-	-
Transfer from Stage 1 to Stage 3	(14)	-	14	-	-
Transfer from Stage 2 to Stage 1	366	(366)	-	-	-
Transfer from Stage 2 to Stage 3	-	(53)	53	-	-
Transfer from Stage 3 to Stage 2	-	141	(141)	-	-
Transfer from Stage 3 to Stage 1	266	-	(266)	-	-
New financial assets originated or purchased	454	-	-	-	454
Financial assets fully derecognised during the period	(30)	(32)	(50)	-	(112)
Write-offs	-	-	(77)	-	(77)
Changes in ECL inputs, models and / or assumptions	(532)	27	996	-	491
Effect of exchange rate changes	2	-	12	-	14
Loss Allowance as at September 30, 2022	1,480	408	3,761	-	5,649
Credit impairment loss recorded in income					
– Nine months ended September 30, 2022					(482)
– Three months ended September 30, 2022					(719)

Nine months ended September 30, 2021

Loss Allowance as at January 1, 2021	1,261	556	1,791	-	3,608
Transfers:					
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

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

Nine months ended September 30, 2022

	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month	Lifetime	Lifetime	credit-	Total
	ECL	ECL	ECL	impaired	
Loss Allowance as at January 1, 2022	4,228	452	4,894	-	9,574
Transfers:					
Transfer from Stage 1 to Stage 2	(76)	76	-	-	-
Transfer from Stage 1 to Stage 3	(870)	-	870	-	-
Transfer from Stage 2 to Stage 1	41	(41)	-	-	-
Transfer from Stage 2 to Stage 3	-	(18)	18	-	-
Transfer from Stage 3 to Stage 1	176	-	(176)	-	-
New financial assets originated or purchased	1,190	-	-	-	1,190
Financial assets fully derecognised during the period	(9)	(14)	(1,061)	-	(1,084)
Write-offs	-	-	(60)	-	(60)
Changes in inputs, models and / or assumptions	562	258	(353)	-	467
Effect of exchange rate changes	53	2	45	-	100
Loss Allowance as at September 30, 2022	5,295	715	4,177	-	10,187
Credit impairment loss recorded in income					
– Nine months ended September 30, 2022					<u>(1,894)</u>
– Three months ended September 30, 2022					<u>(103)</u>

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					<u>(1,375)</u>
– Three months ended September 30, 2021					<u>(46)</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)

DEPOSITS - AMORTISED COST

Loss Allowances

Amounts in US \$000

	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	
	12-	Lifetime	Lifetime	credit-	Total
	month	ECL	ECL	impaired	
	ECL				
Nine months ended September 30, 2022					
Loss Allowance as at January 1, 2022	3,147	71	-	-	3,218
Transfers:					
Transfer from Stage 1 to Stage 2	(2)	2	-	-	-
New financial assets originated or purchased	538	-	-	-	538
Financial assets fully derecognised during the period	(228)	-	-	-	(228)
Changes in ECL inputs, models and / or assumptions	(680)	(2)	-	-	(682)
Effect of exchange rate changes	(1)	-	-	-	(1)
Loss Allowance as at September 30, 2022	2,774	71	-	-	2,845
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2022					379
Credit impairment loss recorded in income					
– Three months ended September 30, 2022					(266)
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)

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

Amounts in US \$000

Nine months ended September 30, 2022

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Loss Allowance as at January 1, 2022	457	-	-	-	457
Changes in ECL inputs, models and / or assumptions	18	-	-	-	18
Effect of exchange rate changes	1	-	-	-	1
Loss Allowance as at September 30, 2022	476	-	-	-	476
Credit impairment loss recorded in income					
– Nine months ended September 30, 2022					(13)
– Three months ended September 30, 2022					(51)

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)

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, 2022		
		2023	2024	2025
GDP Growth (USA)	Base	1.8%	1.8%	1.7%
	Upside	1.8%	1.8%	1.7%
	Downside	0.4%	3.2%	2.5%
World GDP	Base	3.0%	2.9%	2.9%
	Upside	4.5%	4.4%	4.4%
	Downside	2.1%	2.1%	2.1%
WTI Oil Prices/10	Base	\$7.88	\$6.93	\$6.52
	Upside	\$9.35	\$9.35	\$9.35
	Downside	\$3.21	\$2.82	\$2.65
DOW Jones Industrial Average Index - EPS	Base	\$2,011.26	\$2,202.31	\$2,249.59
	Upside	\$3,371.42	\$3,691.66	\$3,770.92
	Downside	\$1,169.81	\$1,280.93	\$1,308.43
S&P 500 Financial Index – EPS	Base	\$46.50	\$50.99	\$52.03
	Upside	\$74.65	\$81.86	\$83.54
	Downside	\$30.37	\$33.30	\$33.98
GBP/USD	Base	\$1.11	\$1.10	\$1.09
	Upside	\$1.29	\$1.35	\$1.40
	Downside	\$0.93	\$0.84	\$0.78
NZD/USD	Base	\$0.56	\$0.56	\$0.55
	Upside	\$0.64	\$0.67	\$0.69
	Downside	\$0.48	\$0.44	\$0.41

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

Sagicor's lending operations in Barbados, Trinidad & Tobago, and Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

As of September 30, 2022		
Barbados	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad & Tobago	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Stable
	Downside	Negative

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of September 30, 2022

Amounts in US \$000

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

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of
			Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	2,694

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) %	810	(810)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	330	(330)
Sovereign - Barbados - BAICO	17%	(- /+ 5) %	45	(45)
Sovereign - Barbados - Series B6 Bonds	35%	(- /+ 5) %	3	(3)
Sovereign - Jamaica	15%	(- /+ 5) %	542	(542)

Scenario design

The weightings assigned to each economic scenario as at September 30, 2022 are set out in the following table.

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

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

	Base – 80% Upside – 5% Downside – 15%	Base – 80% Upside – 15% Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	421	(421)
Lending products	130	(126)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of December 31, 2021

Amounts in US \$000

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	\$2,916

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

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

Scenario design

The weightings assigned to each economic scenario as at December 31, 2021 are set out in the following table.

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

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

	Base – 80%	Base – 80%
	Upside – 5%	Upside – 15%
	Downside – 15%	Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$422	(\$422)
Lending products	\$192	(\$158)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross carrying values – financial investments subject to impairment

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

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

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, 2022					
Gross carrying amount as at January 1, 2022	4,260,801	89,416	-	28,205	4,378,422
Transfers:					
Transfer from Stage 1 to Stage 2	(34,390)	34,390	-	-	-
Transfer from Stage 2 to Stage 1	1,567	(1,567)	-	-	-
New financial assets originated or purchased	1,621,765	-	-	-	1,621,765
Financial assets fully derecognised during the period	(635,867)	(5,492)	-	-	(641,359)
Changes in principal and interest	(120,067)	(2,273)	-	493	(121,847)
Effect of exchange rate changes	7,141	43	-	-	7,184
Gross carrying amount as at September 30, 2022	5,100,950	114,517	-	28,698	5,244,165
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

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, 2022					
Gross carrying amount as at January 1, 2022	1,190,560	22,642	10	189,257	1,402,469
Transfers:					
Transfer from Stage 1 to Stage 2	(823)	823	-	-	-
Transfer from Stage 2 to Stage 1	15,082	(15,082)	-	-	-
New financial assets originated or purchased	163,037	-	-	1,718	164,755
Financial assets fully derecognised during the period	(104,405)	(37)	-	(1,218)	(105,660)
Changes in principal and interest	(5,019)	27	(1)	8,919	3,926
Effect of exchange rate changes	4,675	3	-	-	4,678
Gross carrying amount as at September 30, 2022	1,263,107	8,376	9	198,676	1,470,168
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

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, 2022					
Gross carrying amount as at January 1, 2022	330,759	61,792	37,876	-	430,427
Transfers:					
Transfer from Stage 1 to Stage 2	(3,929)	3,929	-	-	-
Transfer from Stage 1 to Stage 3	(2,036)	-	2,036	-	-
Transfer from Stage 2 to Stage 1	8,347	(8,347)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,984)	1,984	-	-
Transfer from Stage 3 to Stage 2	-	311	(311)	-	-
Transfer from Stage 3 to Stage 1	1,237	-	(1,237)	-	-
New financial assets originated or purchased	139,162	-	-	-	139,162
Financial assets fully derecognised during the period	(8,231)	(1,348)	(791)	-	(10,370)
Write-offs	-	-	(77)	-	(77)
Changes in principal and interest	14,302	(27,242)	(12,738)	-	(25,678)
Effect of exchange rate changes	1,427	57	59	-	1,543
Gross carrying amount as at September 30, 2022	481,038	27,168	26,801	-	535,007
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

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, 2022					
Gross carrying amount as at January 1, 2022	508,966	22,540	11,528	-	543,034
Transfers:					
Transfer from Stage 1 to Stage 2	(10,912)	10,912	-	-	-
Transfer from Stage 1 to Stage 3	(3,435)	-	3,435	-	-
Transfer from Stage 2 to Stage 1	1,928	(1,928)	-	-	-
Transfer from Stage 2 to Stage 3	-	(946)	946	-	-
Transfer from Stage 3 to Stage 2	-	12	(12)	-	-
Transfer from Stage 3 to Stage 1	414	-	(414)	-	-
New financial assets originated or purchased	76,522	-	-	-	76,522
Financial assets fully derecognised during the period	(18,098)	(643)	(2,524)	-	(21,265)
Write-offs	-	-	(60)	-	(60)
Changes in principal and interest	25,690	(1,165)	(2,910)	-	21,615
Effect of exchange rate changes	5,539	105	109	-	5,753
Gross carrying amount as at September 30, 2022	586,614	28,887	10,098	-	625,599
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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross carrying values – financial investments subject to impairment (continued)

SECURITIES PURCHASED FOR RESALE - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2022					
Gross carrying amount as at January 1, 2022	68,007	-	-	-	68,007
New financial assets originated or purchased	36,255	-	-	-	36,255
Financial assets fully derecognised during the period	(68,204)	-	-	-	(68,204)
Changes in principal and interest	591	-	-	-	591
Effect of exchange rate changes	254	-	-	-	254
Gross carrying amount as at September 30, 2022	36,903	-	-	-	36,903
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

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, 2022					
Gross carrying amount as at January 1, 2022	214,520	623	-	-	215,143
Transfers:					
Transfer from Stage 1 to Stage 2	(253)	253	-	-	-
New financial assets originated or purchased	122,975	-	-	-	122,975
Financial assets fully derecognised during the period	(227,781)	(252)	-	-	(228,033)
Changes in principal and interest	(1,000)	-	-	-	(1,000)
Effect of exchange rate changes	577	-	-	-	577
Gross carrying amount as at September 30, 2022	109,038	624	-	-	109,662
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

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

Amounts in US \$000

Nine months ended September 30, 2022

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Gross carrying amount as at January 1, 2022	154,296	-	-	-	154,296
New financial assets originated or purchased	37,825	-	-	-	37,825
Financial assets fully derecognised during the period	(34,444)	-	-	-	(34,444)
Write-offs	(542)	-	-	-	(542)
Changes in principal and interest	1,705	-	-	-	1,705
Effect of exchange rate changes	25	-	-	-	25
Gross carrying amount as at September 30, 2022	158,865	-	-	-	158,865

POLICY LOANS – AMORTISED COST

Amounts in US \$000

Nine months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

Amounts in US \$000

Adjustments for non-cash items, interest and dividends:

	September 30, 2022	September 30, 2021
Income from financial investments	(186,093)	(348,555)
Gain arising on business combinations, acquisitions and divestitures	(1,683)	(10,698)
Net increase in actuarial liabilities	733,884	597,956
Interest costs and finance costs	73,548	67,835
Credit impairment losses	4,070	(1,517)
Depreciation and amortisation	23,706	24,872
Increase in provision for unearned premiums	553	2,645
Other items	2,778	(12,186)
	650,763	320,352

Net change in investments and operating assets:

Investment property	(829)	2,800
Debt securities	(1,186,989)	(803,866)
Equity securities	(15,873)	(112,582)
Mortgage loans	(101,745)	(22,472)
Policy loans	(4,967)	(5,194)
Finance loans	(78,055)	(17,659)
Securities purchased for resale	2,764	(13,150)
Deposits	(2,716)	(14,444)
Other assets and receivables	(65,302)	(25,787)
	(1,453,712)	(1,012,354)

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>	September 30, 2022	September 30, 2021
Investment property:		
Purchases	(1,309)	(684)
Disposal proceeds	480	3,484
	<u>(829)</u>	<u>2,800</u>
Debt securities:		
Purchases	(1,955,276)	(2,724,871)
Disposal proceeds	768,287	1,921,005
	<u>(1,186,989)</u>	<u>(803,866)</u>
Equity securities:		
Purchases	(223,515)	(275,964)
Disposal proceeds	207,642	163,382
	<u>(15,873)</u>	<u>(112,582)</u>
Net change in operating liabilities:		
Insurance liabilities	5,683	38,536
Investment contract liabilities	4,288	30,991
Other funding instruments	5,986	100,032
Deposits	43,770	93,090
Securities sold for repurchase	24,207	(9,324)
Other liabilities and payables	17,474	36,840
	<u>101,408</u>	<u>290,165</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

Amounts in US \$000

Investing activities

Property, plant and equipment:

Purchases	(11,827)	(9,168)
Disposal proceeds	73	160
	<u>(11,754)</u>	<u>(9,008)</u>

Financing activities

Notes and loans payable:

Proceeds	60,369	396,647
Repayments	(71,336)	(322,908)
	<u>(10,967)</u>	<u>73,739</u>

Lease liability payments

Principal paid	(6,185)	(5,859)
Interest paid	(1,160)	(1,364)
	<u>(7,345)</u>	<u>(7,223)</u>

Cash and cash equivalents

Cash	336,946	351,525
Call deposits and other liquid balances	181,688	185,182
Bank overdrafts	(1,919)	(621)
	<u>516,715</u>	<u>536,086</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. MOVEMENT IN ACTUARIAL LIABILITIES

	Gross liability		Reinsurers' share	
	Nine months to September 30,	Twelve months to December 31,	Nine months to September 30,	Twelve months to December 31,
<u>Amounts in US \$000</u>	2022	2021	2022	2021
Balance, beginning of period	4,792,627	4,152,701	545,196	639,797
Changes in actuarial liabilities:				
Recorded in income (note 6)	654,270	686,329	(79,614)	(94,586)
Recorded in OCI	(365,035)	(19,030)	-	-
Other movements	(33)	(53)	-	(6)
Effect of exchange rate changes	6,064	(27,320)	-	(9)
Balance, end of period	5,087,893	4,792,627	465,582	545,196
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	791,067	750,742	(79,913)	(96,016)
Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistency and indexation, critical illness plan benefit modelling, investment yields and asset default ⁽¹⁾	(483,786)	(79,155)	610	1,986
Other changes:				
Actuarial modelling, refinements and improvements	(1,783)	(5,593)	(311)	(556)
Changes in margins for adverse deviations	-	(19,056)	-	-
Arising from fair value changes of Segregated Funds	-	32,311	-	-
Other items	(16,263)	(11,950)	-	-
Total	289,235	667,299	(79,614)	(94,586)

⁽¹⁾ Amounts arising from changes in assumptions include a decrease in actuarial liabilities relating to investment yields and asset default of \$485,981 as at September 30, 2022 (\$37,827 as at December 31, 2021).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RESERVES

	Fair value reserves							
	Owner-occupied and owner-managed property	FVOCI assets	Actuarial liabilities	Cash flow hedges	Currency translation reserves	Warrant reserve ⁽¹⁾	Other reserves	Total reserves
Balance, December 31, 2021	25,469	119,739	(114,384)	(35)	(169,254)	20,062	57,931	(60,472)
Total comprehensive income	2,457	(464,986)	280,284	-	4,533	-	-	(177,712)
Transactions with holders of equity instruments:								
Allocated to reserve for equity compensation benefits	-	-	-	-	-	-	3,926	3,926
Eliminated from reserve for equity compensation benefits	-	-	-	-	-	-	(5,239)	(5,239)
Transfers to retained earnings and other movements	(1,225)	-	-	-	-	-	1,468	243
Balance, September 30, 2022	26,701	(345,247)	165,900	(35)	(164,721)	20,062	58,086	(239,254)

⁽¹⁾ The Group has 34,774,993 warrants outstanding as at September 30, 2022 (34,774,993 warrants outstanding as at December 31, 2021) which have an exercise price of CDN \$11.50 per share. These warrants expire on December 5, 2024. The warrants are listed on the Toronto Stock Exchange.

SAGICOR FINANCIAL COMPANY LTD.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****16. LEASE LIABILITIES**

The lease liabilities recognised are as follows:

<u>Amounts in US \$000</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Current lease liabilities	7,710	8,262
Non-current lease liabilities	24,403	24,574
	32,113	32,836

The lease liabilities relate to right-of-use assets of \$27,675 as at September 30, 2022 (\$26,476 as at December 31, 2021).

17. EARNINGS PER COMMON SHARE

For the nine-month period ended September 30, 2022, certain instruments which are considered to be antidilutive have been excluded from the computation of fully diluted earnings per share. This treatment is in accordance with IAS 33 – Earnings Per Share, which indicates that such instruments are antidilutive only when the exercise price is exceeded by the market price of common shares.

18. REPURCHASE OF SHARES

During the nine-month period ended September 30, 2022, the Company repurchased 1,119,176 shares at a total cost of US \$5.7 million (3,817,021 shares at a total cost of US \$19.1 million for the nine-month period ended September 30, 2021), which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount paid on the repurchase of shares has been recorded directly in retained earnings.

The cost of shares totalling US \$0.01 million, which were repurchased at the period end date but not cancelled, (US \$0.04 million as at September 30, 2021), has been reflected in treasury shares.

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

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

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

The Group's shareholding in Playa was reduced from 16% to 6% based on the total of 10,001,000 shares held by SFCL in Playa following these transactions. The transactions gave rise to a net loss of US \$1.6 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of US \$12.3 million on remeasurement of the investment in Playa to FVTPL as at March 31, 2021, representing a net gain on the transactions of US \$10.7 million in the three-month period ended March 31, 2021. Subsequent to these transactions, Sagicor purchased an additional 950,451 shares in Playa which has increased its interest to 10,951,451 shares representing a 7% shareholding in Playa.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION / DISPOSAL OF INTERESTS IN SUBSIDIARIES

Alliance Financial Services Limited

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

Effective April 1, 2022, the purchase of 100% of the shares of AFSL by SGJ was finalised. On April 4, 2022, following the successful completion of due diligence procedures and receipt of regulatory approval, AFSL resumed its operations.

AFSL is a provider of cambio and remittance services in Jamaica. The acquisition represents a move into a new business segment and affords the Sagicor Jamaica Group an opportunity to expand its product offerings to its customers. The purchase consideration includes an initial cash consideration of US \$16.8 million with provision for contingent cash consideration up to US \$22.6 million, based on specified performance criteria.

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

	Total Fair Value	Acquiree's Carrying Value
Net assets acquired:		
Property, plant and equipment	86	86
Intangible assets	4,310	26
Financial investments	1,935	1,923
Miscellaneous assets and receivables	3,662	3,640
Cash resources	10,573	10,508
Deposit and security liabilities	(14,248)	(14,161)
Income tax liabilities	(1,658)	(229)
Accounts payable and accrued liabilities	(340)	(337)
Total net assets	4,320	1,456
 Share of net assets acquired	 4,321	
Purchase consideration	22,750	
Goodwill arising on acquisition	18,429	

The acquiree's net income / (loss) and total revenue are as follows:

	Net Income / (Loss)	Total Revenue
For the period from January 1, 2022 to September 30, 2022	(9,638)	2,352
Consolidated from the date of acquisition to September 30, 2022	122	2,720

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION / DISPOSAL OF INTERESTS IN SUBSIDIARIES (continued)

Alliance Investment Management Limited

On April 25, 2022, SGJ announced that its subsidiary, Sagicor Investments Jamaica Limited (SIJL), entered into a definitive agreement for the purchase of the securities dealer book of business of Alliance Investment Management Limited (AIML).

In August 2022, SGJ further announced that the purchase of the securities dealer book of business of AIML had been completed, following the completion of due diligence procedures and having met all regulatory requirements. The purchase of the portfolio expands SIJL's business and provides an opportunity to serve a wider client base.

The purchase price for the portfolio was US \$0.1 million and the carrying value of net assets assumed in the transaction was US \$0.1 million.

Sagicor Real Estate X-Fund Limited

On March 24, 2022, SGJ sold 191,913,423 shares of Sagicor Real Estate X-Fund Limited ("X-Fund Limited") to related parties, Sagicor Sigma Global Unit Trust and Sagicor Pooled Investment Fund Limited, at market value. Net proceeds were US \$10.3 million, resulting in a gain of US \$0.8 million as at March 31, 2022.

During the quarter ended September 30, 2022, SGJ sold the remaining 281,500,577 shares of X-Fund Limited to Sagicor Sigma Global Unit Trust and Sagicor Pooled Investment Fund Limited, at market value, for net proceeds of US \$25.0 million, representing a gain of US \$1.7 million.

Details of the net assets which have been derecognised and the gain on disposal of X-Fund Limited are as follows:

	Total Carrying Value
Net assets derecognised on disposal of X-Fund Limited:	
Property, plant and equipment	(108,354)
Intangible assets	(1,752)
Financial investments	(46,936)
Income tax assets	(839)
Miscellaneous assets and receivables	(5,726)
Cash resources	(21,227)
Notes and loans payable (note 9)	44,655
Income tax liabilities	11,869
Accounts payable and accrued liabilities	4,733
Total net assets derecognised	<u>(123,577)</u>
Gain on disposal of X-Fund Limited:	
Net proceeds received on disposal of X-Fund Limited	25,036
Share of net assets derecognised	<u>(24,347)</u>
	689
Net unrealised foreign exchange gains in OCI recycled to income	<u>994</u>
Gain on disposal of X-Fund Limited	<u>1,683</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION / DISPOSAL OF INTERESTS IN SUBSIDIARIES (continued)

Jamziv MoBay Jamaica Portfolio Limited

On June 13, 2022, a resolution was passed for the wind-up of Jamziv MoBay Jamaica Portfolio Limited ("Jamziv"), a subsidiary of Sagicor Real Estate X-Fund Limited in the Sagicor Jamaica Group. This resulted in the cancellation of a promissory note of US \$37.4 million, issued by holders of the non-controlling interest in Jamziv, and the removal of the non-controlling interest from the statement of financial position.

ivari

On August 24, 2022, Sagicor entered into a definitive agreement to indirectly acquire ivari, a leading middle-market individual life insurer in Canada and a subsidiary of Wilton Re Ltd., subject to various customary conditions, including receipt of required regulatory approvals.

The expected consideration to be paid in cash at the closing of the transaction is estimated to be CDN \$325 million, subject to certain adjustments.

The transaction is expected to be financed mainly through new debt and cash on hand. The Group has entered into a commitment for up to US \$320 million of new debt financing in the form of a five-year senior secured loan facility. Certain terms, conditions and covenants come into effect when the loan is drawn down and the acquisition is finalised. The transaction is currently expected to close in mid-2023.

Fees totalling US \$5.6 million have been paid to date in relation to the financing commitment entered into for the acquisition of ivari.

21. COMMITMENTS

- i. Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US \$40 million, whereby an irrevocable standby letter of credit was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL) in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties. The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. 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. The facility was automatically extended on June 26, 2022.
- ii. Effective May 3, 2022, the Group entered into a letter of credit arrangement up to the amount of US \$10 million, whereby an irrevocable and unconditional standby letter of credit, except for any stated condition therein, was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL). The letter of credit expires on May 4, 2023. A condition of the letter of credit is that it will be automatically extended for periods of one year, without amendment, from the relevant expiration date, unless notice is sent in writing at least six months prior to the relevant expiration date.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. COVID-19 CORONAVIRUS

Since the World Health Organisation declared the emergence of COVID-19 coronavirus as a global pandemic in March 2020, COVID-19 has affected many countries, all levels of society and our economic environment in significant ways. The situation continues to evolve and many of the markets in which Sagicor operates have implemented public health safety protocols. Over two years on from the initial outbreak, the availability of vaccines has aided recovery efforts.

COVID-19 continues to cause some disruption in certain of the economies in which the Sagicor Group operates. However, in response to the changing economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. 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 economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates.

23. SUBSEQUENT EVENTS

- i. On October 5, 2022, the Group entered into an agreement for the sale of its operations in Curacao and St Maarten. The sale is subject to receipt of regulatory approval. The effective date of disposal shall be the last business day of the month in which all regulatory approvals are obtained. The agreement may be terminated by either party if regulatory approval is not received within nine months of the signing date.

The purchaser is expected to assume the insurance and other liabilities of the Group's operations in Curacao & St Maarten as at the effective date, in exchange for assets which shall exceed the value of the liabilities transferred by US \$3.038 million.

- ii. On November 10, 2022, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on December 14, 2022 to the shareholders of record at the close of business on November 23, 2022.