

# **SAGICOR FINANCIAL COMPANY LTD.**

Condensed Consolidated Financial Statements

Six-months ended June 30, 2021

## SAGICOR FINANCIAL COMPANY LTD.

### ACRONYMS

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

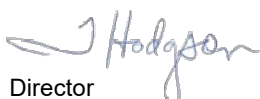
The more frequent acronyms and associated phrases are set out below.

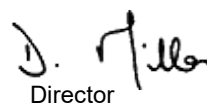
<b>Acronym</b>	<b>Phrase</b>
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
OCI	Other Comprehensive Income
IAS	International Accounting Standards

**SAGICOR FINANCIAL COMPANY LTD.**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<u>Amounts in US \$000</u>	<b>As of June 30, 2021 (unaudited)</b>	<b>As of December 31, 2020 (audited)</b>
<b>ASSETS</b>		
Investment property	74,660	78,295
Property, plant and equipment	260,878	266,569
Associates and joint ventures (note 19)	54,063	165,791
Intangible assets	90,993	95,872
Financial investments (note 7)	7,241,042	6,626,839
Financial investments repledged (note 7)	641,683	611,730
Reinsurance assets	698,899	715,739
Income tax assets	40,470	26,330
Miscellaneous assets and receivables	262,360	239,538
Cash	446,911	359,972
Restricted cash	79,420	79,638
<b>Total assets</b>	<b>9,891,379</b>	<b>9,266,313</b>
<b>LIABILITIES</b>		
Actuarial liabilities (note 14)	4,361,021	4,152,701
Other policy liabilities	318,640	292,676
Investment contract liabilities (note 8)	456,240	437,604
<b>Total policy liabilities</b>	<b>5,135,901</b>	<b>4,882,981</b>
Notes and loans payable (note 9)	734,108	471,622
Lease liabilities (note 15)	37,139	39,609
Deposit and security liabilities (note 10)	1,940,310	1,826,759
Other liabilities / retirement benefit liabilities	68,143	66,542
Income tax liabilities	51,435	65,128
Accounts payable and accrued liabilities	311,709	255,462
<b>Total liabilities</b>	<b>8,278,745</b>	<b>7,608,103</b>
<b>EQUITY</b>		
Share capital	1,456	1,463
Share premium	749,813	753,490
Reserves	(42,839)	(14,868)
Retained earnings	393,619	369,695
<b>Total shareholders' equity</b>	<b>1,102,049</b>	<b>1,109,780</b>
Participating accounts	1,190	1,607
Non-controlling interests	509,395	546,823
<b>Total equity</b>	<b>1,612,634</b>	<b>1,658,210</b>
<b>Total liabilities and equity</b>	<b>9,891,379</b>	<b>9,266,313</b>

These financial statements have been approved for issue by the Board of Directors on August 13, 2021.

  
 Director

  
 Director

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

**SAGICOR FINANCIAL COMPANY LTD.**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2021</b> (unaudited)	<b>Six months to June 30, 2020</b> (unaudited)	<b>Three months to June 30, 2021</b> (unaudited)	<b>Three months to June 30, 2020</b> (unaudited)
<b>REVENUE</b>				
Premium revenue (note 4)	693,277	678,109	393,519	335,813
Reinsurance premium expense (note 4)	(52,288)	(50,529)	(28,602)	(25,914)
Net premium revenue	640,989	627,580	364,917	309,899
Gain on derecognition of amortised cost investments	5,583	2,974	3,775	1,734
Gain / (loss) on derecognition of assets carried at FVOCI	3,411	15,193	(1,308)	5,713
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	160,616	159,349	80,350	79,253
Other investment income / (loss) (note 5)	58,256	(52,258)	27,406	41,729
Credit impairment losses	3,336	(27,216)	2,880	(11,604)
Fees and other revenue	75,526	76,083	38,245	31,804
<b>Total revenue, net</b>	<b>947,717</b>	<b>801,705</b>	<b>516,265</b>	<b>458,528</b>
<b>BENEFITS</b>				
Policy benefits and change in actuarial liabilities (note 6)	601,720	520,567	359,924	377,258
Policy benefits and change in actuarial liabilities reinsured (note 6)	(24,085)	(23,025)	(26,742)	(72,299)
Net policy benefits and change in actuarial liabilities	577,635	497,542	333,182	304,959
Interest costs	20,989	19,246	9,998	8,834
<b>Total benefits</b>	<b>598,624</b>	<b>516,788</b>	<b>343,180</b>	<b>313,793</b>
<b>EXPENSES</b>				
Administrative expenses	168,611	167,156	85,697	75,821
Commissions and related compensation	58,991	58,024	32,272	27,392
Premium and asset taxes	10,905	10,252	2,799	2,687
Finance costs	26,053	23,182	15,899	11,558
Depreciation and amortisation	16,793	21,007	8,028	9,291
<b>Total expenses</b>	<b>281,353</b>	<b>279,621</b>	<b>144,695</b>	<b>126,749</b>
Gain / (loss) arising on business combinations, acquisitions and divestitures (note 19)	10,691	(1,254)	12	(1,254)
Share of operating income / (loss) of associates and joint ventures	5,796	(11,190)	3,379	(8,938)
Loss on impairment of investment in associates and joint ventures	-	(12,908)	-	(9,530)
	<b>16,487</b>	<b>(25,352)</b>	<b>3,391</b>	<b>(19,722)</b>
<b>INCOME / (LOSS) BEFORE TAXES</b>	<b>84,227</b>	<b>(20,056)</b>	<b>31,781</b>	<b>(1,736)</b>

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

**SAGICOR FINANCIAL COMPANY LTD.**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2021</b> (unaudited)	<b>Six months to June 30, 2020</b> (unaudited)	<b>Three months to June 30, 2021</b> (unaudited)	<b>Three months to June 30, 2020</b> (unaudited)
<b>INCOME / (LOSS) BEFORE TAXES</b>	<b>84,227</b>	<b>(20,056)</b>	<b>31,781</b>	<b>(1,736)</b>
Income taxes	(23,135)	(16,115)	(12,289)	(9,315)
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>	<b>61,092</b>	<b>(36,171)</b>	<b>19,492</b>	<b>(11,051)</b>
<b>Net income / (loss) is attributable to:</b>				
Common shareholders	40,799	(29,606)	9,327	(281)
Participating policyholders	(7)	136	47	(63)
Non-controlling interests	20,300	(6,701)	10,118	(10,707)
	<b>61,092</b>	<b>(36,171)</b>	<b>19,492</b>	<b>(11,051)</b>
<b>Earnings per common share</b> (note 16):				
Basic earnings per common share	27.9 cents	(19.9) cents	6.4 cents	(0.2) cents
Fully diluted earnings per common share	27.6 cents	(19.9) cents	6.3 cents	(0.2) cents

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

**SAGICOR FINANCIAL COMPANY LTD.**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2021 (unaudited)</b>	<b>Six months to June 30, 2020 (unaudited)</b>	<b>Three months to June 30, 2021 (unaudited)</b>	<b>Three months to June 30, 2020 (unaudited)</b>
<b>NET INCOME / (LOSS) FOR THE PERIOD</b>	<b>61,092</b>	<b>(36,171)</b>	<b>19,492</b>	<b>(11,051)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>				
<b>Items net of tax that may be reclassified subsequently to income:</b>				
Financial assets measured at FVOCI:				
(Losses) / gains on revaluation	(5,520)	(32,530)	62,296	158,575
(Gains) / losses transferred to income	(3,221)	(9,024)	1,426	(2,353)
Net change in actuarial liabilities	(8,205)	19,894	(43,195)	(92,516)
Cash flow hedges	3,482	(1,692)	(28)	627
Retranslation of foreign currency operations	(55,241)	(26,866)	(21,660)	(16,866)
Other reserves	-	(9)	-	-
	<b>(68,705)</b>	<b>(50,227)</b>	<b>(1,161)</b>	<b>47,467</b>
<b>Items net of tax that will not be reclassified subsequently to income:</b>				
Gains / (losses) arising on revaluation of owner-occupied property and owner-managed property	1,799	(164)	(9)	(511)
(Losses) / gains on defined benefit plans	4	(202)	-	2,087
	<b>1,803</b>	<b>(366)</b>	<b>(9)</b>	<b>1,576</b>
<b>Other comprehensive (loss) / income</b>	<b>(66,902)</b>	<b>(50,593)</b>	<b>(1,170)</b>	<b>49,043</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>	<b>(5,810)</b>	<b>(86,764)</b>	<b>18,322</b>	<b>37,992</b>
<b>Total comprehensive (loss) / income is attributable to:</b>				
Common shareholders	14,968	(59,329)	16,571	37,098
Participating policyholders	(325)	(104)	(162)	(382)
Non-controlling interests	(20,453)	(27,331)	1,913	1,276
	<b>(5,810)</b>	<b>(86,764)</b>	<b>18,322</b>	<b>37,992</b>

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

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

<u>Amounts in US \$000</u>	<b>Share Capital</b> (unaudited)	<b>Share Premium</b> (unaudited)	<b>Reserves</b> (unaudited)	<b>Retained Earnings</b> (unaudited)	<b>Total Shareholders' Equity</b> (unaudited)
<b>Six months to June 30, 2021</b>					
Balance as of December 31, 2020	1,463	753,490	(14,868)	369,695	1,109,780
Total comprehensive (loss) / income	-	-	(25,835)	40,803	14,968
Transactions with holders of equity instruments:					
Allotment of common shares	8	3,963	-	-	3,971
Repurchase of shares (note 17)	(15)	(7,633)	-	124	(7,524)
Movements in treasury shares	-	(7)	-	-	(7)
Changes in reserve for equity compensation benefits	-	-	(2,758)	17	(2,741)
Dividends declared	-	-	-	(16,425)	(16,425)
Change in ownership interest in subsidiaries	-	-	-	(1)	(1)
Disposal of interests in subsidiaries (note 21)	-	-	-	(13)	(13)
Transfers and other movements	-	-	622	(581)	41
<b>Balance as of June 30, 2021</b>	<b>1,456</b>	<b>749,813</b>	<b>(42,839)</b>	<b>393,619</b>	<b>1,102,049</b>

<u>Amounts in US \$000</u>	<b>Total Shareholders' Equity</b> (unaudited)	<b>Participating Accounts</b> (unaudited)	<b>Non-controlling Interests</b> (unaudited)	<b>Total Equity</b> (unaudited)
<b>Six months to June 30, 2021</b>				
Balance as of December 31, 2020	1,109,780	1,607	546,823	1,658,210
Total comprehensive (loss) / income	14,968	(325)	(20,453)	(5,810)
Transactions with holders of equity instruments:				
Allotment of common shares	3,971	-	-	3,971
Repurchase of shares (note 17)	(7,524)	-	-	(7,524)
Movements in treasury shares	(7)	-	-	(7)
Changes in reserve for equity compensation benefits	(2,741)	-	-	(2,741)
Dividends declared	(16,425)	-	(11,987)	(28,412)
Change in ownership interest in subsidiaries	(1)	-	(6)	(7)
Disposal of interests in subsidiaries (note 21)	(13)	-	(3,181)	(3,194)
Transfers and other movements	41	(92)	(1,801)	(1,852)
<b>Balance as of June 30, 2021</b>	<b>1,102,049</b>	<b>1,190</b>	<b>509,395</b>	<b>1,612,634</b>

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

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

<u>Amounts in US \$000</u>	Share Capital	Share Premium	Reserves	Retained Earnings	Total Shareholders' Equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Six months to June 30, 2020</b>					
Balance as of December 31, 2019	1,477	762,015	(9,023)	399,582	1,154,051
Total comprehensive loss	-	-	(29,663)	(29,666)	(59,329)
Transactions with holders of equity instruments:					
Allotment of common shares	13	5,965	-	-	5,978
Repurchase of shares (note 17)	(3)	(1,074)	-	(228)	(1,305)
Movement in treasury shares (note 17)	(6)	(2,468)	-	-	(2,474)
Changes in reserve for equity compensation benefits	-	-	(7,703)	173	(7,530)
Dividends declared	-	-	-	(16,740)	(16,740)
Acquisition of interests in subsidiaries	-	-	-	(55)	(55)
Transfers and other movements	-	-	(1,662)	1,612	(50)
<b>Balance as of June 30, 2020</b>	<b>1,481</b>	<b>764,438</b>	<b>(48,051)</b>	<b>354,678</b>	<b>1,072,546</b>

<u>Amounts in US \$000</u>	Total Shareholders' Equity	Participating Accounts	Non-controlling Interests	Total Equity
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Six months to June 30, 2020</b>				
Balance as of December 31, 2019	1,154,051	1,223	594,506	1,749,780
Total comprehensive loss	(59,329)	(104)	(27,331)	(86,764)
Transactions with holders of equity instruments:				
Allotment of common shares	5,978	-	-	5,978
Repurchase of shares (note 17)	(1,305)	-	-	(1,305)
Movement in treasury shares (note 17)	(2,474)	-	-	(2,474)
Changes in reserve for equity compensation benefits	(7,530)	-	-	(7,530)
Dividends declared	(16,740)	-	(6,351)	(23,091)
Acquisition of interests in subsidiaries	(55)	-	(173)	(228)
Transfers and other movements	(50)	(96)	(491)	(637)
<b>Balance as of June 30, 2020</b>	<b>1,072,546</b>	<b>1,023</b>	<b>560,160</b>	<b>1,633,729</b>

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>	<b>Six months to June 30, 2021 (unaudited)</b>	<b>Six months to June 30, 2020 (unaudited)</b>
<b>OPERATING ACTIVITIES</b>		
Income / (loss) before taxes	84,227	(20,056)
Adjustments for non-cash items, interest and dividends (note 13)	61,471	167,850
Interest and dividends received	190,207	174,747
Interest paid	(44,715)	(40,269)
Income taxes paid	(41,613)	(22,687)
Net change in investments and operating assets (note 13)	(431,097)	(532,580)
Net change in operating liabilities (note 13)	265,376	42,779
<b>Net cash flows - operating activities</b>	<b>83,856</b>	<b>(230,216)</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment, net (note 13)	(6,481)	(6,621)
Associates and joint ventures	50,955	(5,951)
Acquisition of subsidiaries, net of cash and cash equivalents	(7)	(227)
Dividends received from associates and joint ventures	659	468
Purchase of intangible assets	(1,381)	(1,939)
<b>Net cash flows - investing activities</b>	<b>43,745</b>	<b>(14,270)</b>
<b>FINANCING ACTIVITIES</b>		
Repurchase of common shares	(7,524)	(1,473)
Shares purchased from non-controlling interests	(1,819)	(765)
Movement in treasury shares	(7)	(2,474)
Notes and loans payable, net (note 13)	262,880	(3,197)
Lease liability principal (note 13)	(3,923)	(3,787)
Dividends paid to common shareholders	(16,431)	(16,767)
Dividends paid to non-controlling interests	(11,987)	(2,603)
<b>Net cash flows - financing activities</b>	<b>221,189</b>	<b>(31,066)</b>
<b>Effect of exchange rate changes</b>	<b>(10,024)</b>	<b>(3,686)</b>
<b>Net change in cash and cash equivalents</b>	<b>338,766</b>	<b>(279,238)</b>
Cash and cash equivalents, beginning of period	547,208	775,344
<b>Cash and cash equivalents, end of period (note 13)</b>	<b>885,974</b>	<b>496,106</b>

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 2020 annual consolidated financial statements and the accompanying notes included in pages 137 to 307 of the Annual Report for 2020. The condensed financial statements however do include certain disclosures required in the annual financial statements, but which are additional to the requirements of IAS 34.

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

**2. ACCOUNTING POLICIES**

These condensed financial statements have been prepared using the same accounting policies and methods used in preparation of the audited 2020 annual consolidated financial statements. The principal accounting policies are described in note 2 of those annual consolidated financial statements.

**2.1 Exchange rates**

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

	<b>Closing rates as of June 30, 2021</b>	<b>Closing rates as of December 31, 2020</b>	<b>Average rates for the six months to June 30, 2021</b>	<b>Average rates for the three months to June 30, 2021</b>	<b>Average rates for the six months to June 30, 2020</b>	<b>Average rates for the three months to June 30, 2020</b>
Barbados dollar	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	149.7816	142.4534	148.2582	149.4026	138.3380	140.2336
Trinidad & Tobago dollar	6.7474	6.7612	6.7388	6.7360	6.7398	6.7236
Pound sterling	0.72360	0.73270	0.72066	0.71576	0.78436	0.80254

**SAGICOR FINANCIAL COMPANY LTD.**

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

**3. SEGMENTS**

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

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

There have been no changes in the reportable operating segments from 2020. Segmented financial information is set out in the sections 3.1 to 3.5.

**3.1 Statement of income by reportable operating segment**

<u>Amounts in US \$000</u>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Six months to June 30, 2021</b>						
Net premium revenue	184,226	172,073	266,071	18,619	-	640,989
Gain / (loss) on derecognition of amortised cost investments	14	5,639	3	(73)	-	5,583
Gain / (loss) on derecognition of assets carried at FVOCI	1,665	7,122	(6,153)	777	-	3,411
Interest income earned from financial assets measured at amortised cost and FVOCI	40,912	76,985	41,050	1,669	-	160,616
Other investment income / (loss)	7,246	15,526	18,300	17,235	(51)	58,256
Credit impairment losses	1,489	(1,473)	2,777	543	-	3,336
Fees and other revenue	4,430	65,963	(4,814)	10,303	(356)	75,526
Inter-segment revenue	12,587	-	-	4,715	(17,302)	-
<b>Total revenue, net</b>	<b>252,569</b>	<b>341,835</b>	<b>317,234</b>	<b>53,788</b>	<b>(17,709)</b>	<b>947,717</b>
Net policy benefits	128,102	111,748	84,643	5,365	-	329,858
Net change in actuarial liabilities	34,784	37,907	175,086	-	-	247,777
Interest costs	7,736	13,486	(1,183)	950	-	20,989
Administrative expenses	35,156	86,714	20,793	25,472	476	168,611
Commissions and premium and asset taxes	22,084	29,603	12,906	5,303	-	69,896
Finance costs	51	3,007	181	22,814	-	26,053
Depreciation and amortisation	4,198	9,010	2,310	1,275	-	16,793
Inter-segment expenses	4,194	894	863	11,956	(17,907)	-
<b>Total benefits and expenses</b>	<b>236,305</b>	<b>292,369</b>	<b>295,599</b>	<b>73,135</b>	<b>(17,431)</b>	<b>879,977</b>
Gain / (loss) arising on business combinations, acquisitions and divestitures (note 19)	-	(1,572)	-	12,263	-	10,691
Share of operating income of associates and joint ventures	2,449	3,347	-	-	-	5,796
<b>Segment income / (loss) before taxes</b>	<b>18,713</b>	<b>51,241</b>	<b>21,635</b>	<b>(7,084)</b>	<b>(278)</b>	<b>84,227</b>
Income taxes	(3,617)	(13,775)	(4,528)	(1,189)	(26)	(23,135)
<b>Segment net income / (loss)</b>	<b>15,096</b>	<b>37,466</b>	<b>17,107</b>	<b>(8,273)</b>	<b>(304)</b>	<b>61,092</b>
Net income / loss attributable to non-controlling interests	-	20,536	-	(236)	-	20,300
Net income / (loss) attributable to shareholders	15,103	16,930	17,107	(8,037)	(304)	40,799
Total comprehensive income / (loss) attributable to shareholders	12,979	(7,828)	18,769	(8,597)	(355)	14,968

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>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Six months to June 30, 2020</b>						
Net premium revenue	169,238	183,332	256,253	18,757	-	627,580
Gain on derecognition of amortised cost investments	283	2,691	-	-	-	2,974
Gain / (loss) on derecognition of assets carried at FVOCI	900	15,405	(929)	(183)	-	15,193
Interest income earned from financial assets measured at amortised cost and FVOCI	37,287	81,611	37,703	2,748	-	159,349
Other investment loss	(2,293)	(33,032)	(16,461)	(130)	(342)	(52,258)
Credit impairment losses	(9,051)	(11,896)	(6,073)	(196)	-	(27,216)
Fees and other revenue	3,736	61,167	180	10,758	242	76,083
Inter-segment revenue	10,270	-	-	3,638	(13,908)	-
<b>Total revenue, net</b>	<b>210,370</b>	<b>299,278</b>	<b>270,673</b>	<b>35,392</b>	<b>(14,008)</b>	<b>801,705</b>
Net policy benefits	97,377	115,706	86,982	6,535	-	306,600
Net change in actuarial liabilities	35,716	(15,147)	170,373	-	-	190,942
Interest costs	2,635	14,062	2,315	234	-	19,246
Administrative expenses	40,056	84,148	15,682	26,762	508	167,156
Commissions and premium and asset taxes	21,613	28,604	13,247	4,812	-	68,276
Finance costs	22	4,588	201	18,371	-	23,182
Depreciation and amortisation	3,683	10,802	1,963	4,559	-	21,007
Inter-segment expenses	2,319	854	1,671	9,914	(14,758)	-
<b>Total benefits and expenses</b>	<b>203,421</b>	<b>243,617</b>	<b>292,434</b>	<b>71,187</b>	<b>(14,250)</b>	<b>796,409</b>
(Loss) / gain arising on business combinations and acquisitions	-	(2,753)	-	1,499	-	(1,254)
Share of operating income / (loss) of associates and joint ventures	1,669	(12,859)	-	-	-	(11,190)
Loss on impairment of investment in associates and joint ventures	-	(12,908)	-	-	-	(12,908)
<b>Segment income / (loss) before taxes</b>	<b>8,618</b>	<b>27,141</b>	<b>(21,761)</b>	<b>(34,296)</b>	<b>242</b>	<b>(20,056)</b>
Income taxes	(4,360)	(15,495)	4,570	(930)	100	(16,115)
<b>Segment net income / (loss)</b>	<b>4,258</b>	<b>11,646</b>	<b>(17,191)</b>	<b>(35,226)</b>	<b>342</b>	<b>(36,171)</b>
Net loss attributable to non-controlling interests	-	(6,531)	-	(170)	-	(6,701)
Net income / (loss) attributable to shareholders	4,122	18,177	(17,191)	(35,056)	342	(29,606)
Total comprehensive income / (loss) attributable to shareholders	395	(1,073)	(23,384)	(35,835)	568	(59,329)

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>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Three months to June 30, 2021</b>						
Net premium revenue	89,328	86,971	179,250	9,368	-	364,917
Gain / (loss) on derecognition of amortised cost investments	24	3,763	3	(15)	-	3,775
Gain / (loss) on derecognition of assets carried at FVOCI	204	4,067	(6,356)	777	-	(1,308)
Interest income earned from financial assets measured at amortised cost and FVOCI	20,259	38,202	21,065	824	-	80,350
Other investment income / (loss)	3,706	11,288	11,879	558	(25)	27,406
Credit impairment losses	911	(1,065)	2,556	478	-	2,880
Fees and other revenue	1,696	33,209	(1,976)	5,489	(173)	38,245
Inter-segment revenues	6,312	-	-	2,418	(8,730)	-
<b>Total revenue, net</b>	<b>122,440</b>	<b>176,435</b>	<b>206,421</b>	<b>19,897</b>	<b>(8,928)</b>	<b>516,265</b>
Net policy benefits	64,185	58,063	41,764	2,741	-	166,753
Net change in actuarial liabilities	16,414	26,864	123,151	-	-	166,429
Interest costs	3,398	6,741	(714)	573	-	9,998
Administrative expenses	17,159	45,104	10,387	13,632	(585)	85,697
Commissions and premium and asset taxes	12,318	11,715	8,154	2,884	-	35,071
Finance costs	34	1,676	98	14,091	-	15,899
Depreciation and amortisation	1,755	4,520	1,152	601	-	8,028
Inter-segment expenses	428	424	2,133	6,009	(8,994)	-
<b>Total benefits and expenses</b>	<b>115,691</b>	<b>155,107</b>	<b>186,125</b>	<b>40,531</b>	<b>(9,579)</b>	<b>487,875</b>
Gain arising on business combinations, acquisitions and divestitures (note 19)	-	12	-	-	-	12
Share of operating income of associates and joint ventures	1,544	1,835	-	-	-	3,379
<b>Segment income / (loss) before taxes</b>	<b>8,293</b>	<b>23,175</b>	<b>20,296</b>	<b>(20,634)</b>	<b>651</b>	<b>31,781</b>
Income taxes	(1,484)	(5,879)	(4,247)	(655)	(24)	(12,289)
<b>Segment net income / (loss)</b>	<b>6,809</b>	<b>17,296</b>	<b>16,049</b>	<b>(21,289)</b>	<b>627</b>	<b>19,492</b>
Net income / (loss) attributable to non- controlling interests	-	10,284	-	(166)	-	10,118
Net income / (loss) attributable to shareholders	6,762	7,013	16,049	(21,124)	627	9,327
Total comprehensive income / (loss) attributable to shareholders	9,170	2,270	25,515	(20,801)	417	16,571

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>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Three months to June 30, 2020</b>						
Net premium revenue	75,640	89,139	135,807	9,313	-	309,899
Gain / (loss) on derecognition of amortised cost investments	(45)	1,779	-	-	-	1,734
Gain on derecognition of assets carried at FVOCI	(678)	7,711	(1,137)	(183)	-	5,713
Interest income earned from financial assets measured at amortised cost and FVOCI	19,377	40,923	18,466	487	-	79,253
Other investment income / (loss)	70	11,450	25,498	4,760	(49)	41,729
Credit impairment losses	(5,208)	(6,571)	91	84	-	(11,604)
Fees and other revenue	3,123	22,492	1,196	5,655	(662)	31,804
Inter-segment revenue	4,921	-	-	1,847	(6,768)	-
<b>Total revenue, net</b>	<b>97,200</b>	<b>166,923</b>	<b>179,921</b>	<b>21,963</b>	<b>(7,479)</b>	<b>458,528</b>
Net policy benefits	41,830	50,145	39,537	2,537	-	134,049
Net change in actuarial liabilities	19,700	24,740	126,470	-	-	170,910
Interest costs	1,601	6,996	117	120	-	8,834
Administrative expenses	17,919	38,378	7,923	12,166	(565)	75,821
Commissions and premium and asset taxes	9,813	10,726	7,078	2,462	-	30,079
Finance costs	11	2,345	87	9,115	-	11,558
Depreciation and amortisation	1,953	5,479	1,087	772	-	9,291
Inter-segment expenses	721	413	1,303	4,736	(7,173)	-
<b>Total benefits and expenses</b>	<b>93,548</b>	<b>139,222</b>	<b>183,602</b>	<b>31,908</b>	<b>(7,738)</b>	<b>440,542</b>
(Loss) / gain arising on business combinations and acquisitions	-	(2,753)	-	1,499	-	(1,254)
Share of operating income / (loss) of associates and joint ventures	927	(9,865)	-	-	-	(8,938)
Loss on impairment of investment in associates and joint ventures	-	(9,530)	-	-	-	(9,530)
<b>Segment income / (loss) before taxes</b>	<b>4,579</b>	<b>5,553</b>	<b>(3,681)</b>	<b>(8,446)</b>	<b>259</b>	<b>(1,736)</b>
Income taxes	(2,467)	(7,007)	773	(621)	7	(9,315)
<b>Segment net income / (loss)</b>	<b>2,112</b>	<b>(1,454)</b>	<b>(2,908)</b>	<b>(9,067)</b>	<b>266</b>	<b>(11,051)</b>
Net loss attributable to non-controlling interests	-	(10,527)	-	(180)	-	(10,707)
Net income / (loss) attributable to shareholders	2,175	9,073	(2,908)	(8,887)	266	(281)
Total comprehensive income / (loss) attributable to shareholders	13,283	20,041	11,569	(7,963)	168	37,098

**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>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>As of June 30, 2021</b>						
Financial investments	1,582,370	2,721,559	2,849,608	729,188	-	7,882,725
Other external assets	339,761	662,383	800,710	205,800	-	2,008,654
Inter-segment assets	431,566	9,850	56,751	183,131	(681,298)	-
<b>Total assets</b>	<b>2,353,697</b>	<b>3,393,792</b>	<b>3,707,069</b>	<b>1,118,119</b>	<b>(681,298)</b>	<b>9,891,379</b>
Policy liabilities	1,540,380	845,675	2,673,883	75,963	-	5,135,901
Other external liabilities	81,151	1,674,410	574,448	812,835	-	3,142,844
Inter-segment liabilities	109,934	9,246	169,683	392,435	(681,298)	-
<b>Total liabilities</b>	<b>1,731,465</b>	<b>2,529,331</b>	<b>3,418,014</b>	<b>1,281,233</b>	<b>(681,298)</b>	<b>8,278,745</b>
<b>Net assets</b>	<b>622,232</b>	<b>864,461</b>	<b>289,055</b>	<b>(163,114)</b>	<b>-</b>	<b>1,612,634</b>
Net assets attributable to non-controlling interests	-	496,280	-	13,115	-	509,395

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2021</b>	<b>Six months to June 30, 2020</b>	<b>Three months to June 30, 2021</b>	<b>Three months to June 30, 2020</b>
Life, health and annuity insurance contracts issued to individuals	624,972	497,035	360,343	309,165
Life, health and annuity insurance and pension administration contracts issued to groups	148,732	153,683	74,546	75,738
Property and casualty insurance	38,610	44,108	19,627	22,587
Banking, investment management and other financial services	84,522	81,849	41,267	40,727
Hospitality services	18,078	10,874	10,891	1,425
Unallocated revenues	32,803	14,156	9,591	8,886
<b>Total revenue</b>	<b>947,717</b>	<b>801,705</b>	<b>516,265</b>	<b>458,528</b>

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	<b>Six months to June 30, 2021</b>	<b>Six months to June 30, 2020</b>	<b>Three months to June 30, 2021</b>	<b>Three months to June 30, 2020</b>
Barbados	109,423	88,563	46,617	48,693
Jamaica	312,166	271,697	160,075	155,226
Trinidad & Tobago	111,356	87,644	52,988	36,333
Other Caribbean	86,535	72,665	44,036	37,515
USA	328,237	281,136	212,549	180,761
<b>Total revenue</b>	<b>947,717</b>	<b>801,705</b>	<b>516,265</b>	<b>458,528</b>



**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>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Six months to June 30, 2021</b>						
Fees recognised:						
At a point in time	-	20,091	69	-	-	20,160
Over time	4,257	28,247	-	1,517	-	34,021
Total included in fees and other revenue	4,257	48,338	69	1,517	-	54,181
<b>Six months to June 30, 2020</b>						
Fees recognised:						
At a point in time	-	20,163	75	-	-	20,238
Over time	3,977	28,943	-	-	-	32,920
Total included in fees and other revenue	3,977	49,106	75	-	-	53,158

**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>	<b>Sagicor Life</b>	<b>Sagicor Jamaica</b>	<b>Sagicor Life USA</b>	<b>Head office and other</b>	<b>Adjust- ments</b>	<b>Total</b>
<b>Three months to June 30, 2021</b>						
Fees recognised:						
At a point in time	-	10,706	38	-	-	10,744
Over time	2,173	17,837	-	776	-	20,786
Total included in fees and other revenue	<b>2,173</b>	<b>28,543</b>	<b>38</b>	<b>776</b>	-	<b>31,530</b>
<b>Three months to June 30, 2020</b>						
Fees recognised:						
At a point in time	-	7,046	37	-	-	7,083
Over time	2,048	10,321	-	-	-	12,369
Total included in fees and other revenue	<b>2,048</b>	<b>17,367</b>	<b>37</b>	-	-	<b>19,452</b>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. PREMIUM REVENUE

<u>Amounts in US \$000</u>	<b>Gross premium</b>		<b>Ceded to reinsurers</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Six months to June 30,</b>				
Life insurance	245,133	225,356	16,344	15,029
Annuity	307,068	298,208	134	13
Health insurance	83,103	92,123	2,536	2,547
Property and casualty insurance	57,973	62,422	33,274	32,940
<b>Total premium revenue</b>	<b>693,277</b>	<b>678,109</b>	<b>52,288</b>	<b>50,529</b>

<u>Amounts in US \$000</u>	<b>Gross premium</b>		<b>Ceded to reinsurers</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Three months to June 30,</b>				
Life insurance	121,618	107,642	9,884	8,204
Annuity	200,450	153,736	134	5
Health insurance	41,997	44,082	1,250	1,309
Property and casualty insurance	29,454	30,353	17,334	16,396
<b>Total premium revenue</b>	<b>393,519</b>	<b>335,813</b>	<b>28,602</b>	<b>25,914</b>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

<u>Amounts in US \$000</u>	Six months to June 30, 2021	Six months to June 30, 2020	Three months to June 30, 2021	Three months to June 30, 2020
<b>Investment income</b>				
Interest income (amortised cost assets):				
Debt securities	47,257	42,133	24,238	21,575
Mortgage loans	11,915	10,584	6,111	5,490
Policy loans	5,393	5,502	2,732	2,663
Finance loans	27,178	31,843	13,488	15,978
Securities purchased for resale	342	449	(47)	314
Deposits, cash and other items	457	297	212	231
	92,542	90,808	46,734	46,251
Interest income (FVOCI assets):				
Debt securities and money market funds	68,074	68,541	33,616	33,002
<b>Interest income earned from financial assets measured at amortised cost and FVOCI</b>	<b>160,616</b>	<b>159,349</b>	<b>80,350</b>	<b>79,253</b>
<b>Fair value changes and interest income (FVTPL assets):</b>				
Debt securities	9,241	78	8,897	12,433
Equity securities <sup>(1)</sup>	33,185	(35,438)	12,686	16,937
Mortgage loans	843	(1,487)	430	(1,243)
Derivative financial instruments	13,814	(15,060)	4,655	14,088
Other items	1	10	-	9
	57,084	(51,897)	26,668	42,224
<b>Investment income:</b>				
Other income on financial investments	240	263	118	162
Investment property – rental income	2,138	4,020	1,150	1,541
Investment property – realised losses	(294)	(103)	(294)	(103)
Investment property – unrealised (losses) / gains	(311)	96	(311)	96
Other investment income / (expenses)	999	(259)	939	(8)
	2,772	4,017	1,602	1,688
<b>Investment expenses:</b>				
Direct operating expenses of investment property that generated rental income	925	3,159	452	1,565
Direct operating expenses of investment property that did not generate rental income	-	164	-	164
Other direct investment expenses	675	1,055	412	454
	1,600	4,378	864	2,183
<b>Other investment income / (loss)</b>	<b>58,256</b>	<b>(52,258)</b>	<b>27,406</b>	<b>41,729</b>
<b>Net investment income</b>	<b>218,872</b>	<b>107,091</b>	<b>107,756</b>	<b>120,982</b>

(1) Included in fair value changes on equity securities is a gain of \$15,551 relating to the FVTPL investment in Playa post acquisition (see note 19).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. POLICY BENEFITS AND CHANGE IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	<u>Gross benefit</u>		<u>Ceded to reinsurers</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Six months to June 30,</b>				
Life insurance benefits	143,147	121,102	17,049	9,294
Annuity benefits	161,575	163,285	33,037	42,782
Health insurance claims	67,267	63,017	1,371	1,954
Property and casualty claims	12,937	14,515	3,611	1,289
Total policy benefits	384,926	361,919	55,068	55,319
Change in actuarial liabilities (note 14)	216,794	158,648	(30,983)	(32,294)
Total policy benefits and change in actuarial liabilities	<b>601,720</b>	<b>520,567</b>	<b>24,085</b>	<b>23,025</b>

<u>Amounts in US \$000</u>	<u>Gross benefit</u>		<u>Ceded to reinsurers</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Three months to June 30,</b>				
Life insurance benefits	72,088	50,965	8,811	4,778
Annuity benefits	81,145	79,769	16,909	21,942
Health insurance claims	33,286	26,222	(1,132)	856
Property and casualty claims	6,829	5,172	2,007	503
Total policy benefits	193,348	162,128	26,595	28,079
Change in actuarial liabilities	166,576	215,130	147	44,220
Total policy benefits and change in actuarial liabilities	<b>359,924</b>	<b>377,258</b>	<b>26,742</b>	<b>72,299</b>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS

Analysis of financial investments

<u>Amounts in US \$000</u>	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Financial assets at fair value through other comprehensive income</b>				
Debt securities and money market funds	3,876,641	3,876,641	3,611,917	3,611,917
Equity securities	1,145	1,145	1,054	1,054
	<b>3,877,786</b>	<b>3,877,786</b>	<b>3,612,971</b>	<b>3,612,971</b>
<b>Financial assets at fair value through profit and loss</b>				
Debt securities	412,234	412,234	348,874	348,874
Equity securities <sup>(1)</sup>	750,091	750,091	659,519	659,519
Derivative financial instruments	32,459	32,459	37,188	37,188
Mortgage loans	25,290	25,290	26,065	26,065
	<b>1,220,074</b>	<b>1,220,074</b>	<b>1,071,646</b>	<b>1,071,646</b>
<b>Investments at amortised cost</b>				
Debt securities	1,330,423	1,546,927	1,269,486	1,490,099
Mortgage loans	414,599	411,273	393,214	390,938
Policy loans	152,585	176,825	151,038	177,813
Finance loans	530,613	534,630	555,384	560,543
Securities purchased for resale	68,255	68,255	57,110	57,110
Deposits	288,390	288,390	127,720	127,720
	<b>2,784,865</b>	<b>3,026,300</b>	<b>2,553,952</b>	<b>2,804,223</b>
<b>Total financial investments</b>	<b>7,882,725</b>	<b>8,124,160</b>	<b>7,238,569</b>	<b>7,488,840</b>

<sup>(1)</sup> Included in equity securities are exchange-traded funds of \$250,569 as at June 30, 2021 (\$301,732 as at December 31, 2020).

**SAGICOR FINANCIAL COMPANY LTD.**

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

**7. FINANCIAL INVESTMENTS (continued)**

Analysis of financial investments (continued)

<b>Non-derivative investments at FVTPL</b>	<b>FVTPL mandatory designation</b>	<b>FVTPL designation by election</b>	<b>Total</b>
<u>Amounts in US \$000</u>			
<b>June 30, 2021</b>			
Equity securities	664,634	85,457	750,091
Debt securities	167,838	244,396	412,234
Mortgage loans	30	25,260	25,290
	832,502	355,113	1,187,615
<b>December 31, 2020</b>			
Equity securities	580,919	78,600	659,519
Debt securities	201,797	147,077	348,874
Mortgage loans	34	26,031	26,065
	782,750	251,708	1,034,458

**SAGICOR FINANCIAL COMPANY LTD.**

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

**7. FINANCIAL INVESTMENTS (continued)**

Financial assets repledged

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

<u>Amounts in US \$000</u>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Financial investments repledged	641,683	611,730

**Statement of financial position presentation**

Financial investments	7,241,042	6,626,839
Financial investments repledged	641,683	611,730
	7,882,725	7,238,569

**Analysis of financial investments repledged**

<u>Amounts in US \$000</u>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>Pledged value</b>	<b>Pledged value</b>
<b>Investments at FVOCI:</b>		
Debt securities and money market funds	637,936	610,684
<b>Investments at FVTPL:</b>		
Debt securities	781	-
<b>Investments at amortised cost:</b>		
Debt securities	601	632
Securities purchased for resale	37	37
Deposits	2,328	377
	2,966	1,046
<b>Financial investments repledged</b>	<b>641,683</b>	<b>611,730</b>



**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>	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Liabilities at amortised cost:</b>				
Deposit administration liabilities	117,368	117,368	117,046	117,046
Other investment contracts	176,970	176,370	166,116	169,002
	294,338	293,738	283,162	286,048
<b>Liabilities at FVTPL:</b>				
Unit linked deposit administration liabilities	161,902	161,902	154,442	154,442
<b>Total investment contract liabilities</b>	<b>456,240</b>	<b>455,640</b>	<b>437,604</b>	<b>440,490</b>

**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>	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair Value</b>
<b>Liabilities at amortised cost:</b>				
8.875% senior notes due 2022 (a)	193,701	196,259	315,938	324,704
5.30% senior notes due 2028 (b)	387,603	418,768	-	-
5.50% unsecured bond due 2022 (c)	32,012	32,681	31,957	32,790
6.25% unsecured bond due 2022 (c) & (d)	25,745	28,962	27,000	28,530
6.75% notes due 2024 (e)	14,679	15,479	15,434	16,275
Bank loans and other funding instruments (f)	27,907	27,907	21,686	21,686
Mortgage loans (g)	52,461	55,713	59,607	60,767
	<b>734,108</b>	<b>775,769</b>	<b>471,622</b>	<b>484,752</b>

(a) Senior notes due 2022

As at June 30, 2021, the Group had US \$188 million principal amount of senior unsecured notes (the "Notes"). The Notes are due August 11, 2022 and bear interest at an annual rate of 8.875%. Pursuant to the terms of the Notes, the Group may redeem the Notes under the scenario as summarised below:

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

In May 2021, the Group made a cash tender offer for the Notes and cash tenders totalling US \$130 million were accepted. On June 11, 2021, Sagicor announced that it had expected to repurchase all of the remaining US \$188 million principal amount of the Notes on August 11, 2021, pursuant to the terms of the note indenture governing the 2022 Notes, at an aggregate redemption price of approximately US \$188 million. (See note 22).

The Group has estimated that the fair value of the optional redemption embedded derivative is Nil as at June 30, 2021 (US \$5.9 million as at December 31, 2020).

(b) Senior notes due 2028

On May 13, 2021, Sagicor Financial Company Ltd. issued US \$400 million of senior notes due 2028 (the "New Notes"). The Company used partial proceeds of the transaction to repurchase the US \$130 million principal amount of the 8.875% Notes due 2022 which were issued by its subsidiary, Sagicor Finance 2015 Limited (see (a) above).

**SAGICOR FINANCIAL COMPANY LTD.**

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

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

(b) Senior notes due 2028 (continued)

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

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

The Group has estimated the fair value of the optional redemption embedded derivative at US \$5.8 million as at June 30, 2021.

Financial Covenants

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

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

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

**SAGICOR FINANCIAL COMPANY LTD.**

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

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

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

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

On October 27, 2020, Sagicor Financial Corporation Limited refinanced the above facilities with the issue of a bond in two Tranches, Tranche A up to J\$5,737,140,000 and Tranche B up to US \$31,807,000, carrying annual interest rates of 6.25% and 5.50% respectively. Interest is payable quarterly commencing January 27, 2021. The Tranches mature on April 26, 2022, with an option for further extension.

- (d) At June 30, 2021, Sagicor Investments Jamaica Limited held an investment of US \$12.9 million in Tranche A above (US \$13.5 million as at December 31, 2020).
- (e) On August 16, 2019, Sagicor Investments Jamaica Limited issued J\$4.4 billion notes in two Tranches, Tranche A J\$2.22 billion and Tranche B J\$2.18 billion, carrying annual rates of 5.00% and 6.75% respectively. Tranche A matured on September 16, 2020 and Tranche B has a maturity date of August 16, 2024.
- (f) Bank loans and other funding instruments include the following:

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

(g) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
4.90% USD mortgage notes due 2025	X Fund Properties LLC	44,458	45,822
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	-	2,188
9.00% JMD mortgage notes due 2048 <sup>(1)</sup>	X Fund Properties Limited	3,195	3,356
8.00% JMD mortgage notes due 2021	X Fund Properties Limited	-	3,134
10.00% JMD mortgage notes due 2026 <sup>(1)</sup>	X Fund Properties Limited	3,039	3,220
3.26% / 3.61% mortgage notes due 2026 <sup>(1)</sup>	X Fund Properties Limited	808	934
Development loan <sup>(2)</sup>	X Fund Properties Limited	961	953
		52,461	59,607

<sup>(1)</sup> These notes have a breach of loan covenant which is disclosed below along with the related covenant.

<sup>(2)</sup> This note is interest-free with annual forgiveness of debt over ten years, if certain conditions are met.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(g) Mortgage Loans (continued)

X Fund Properties LLC

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

Sagicor X-Fund Real Estate Limited

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

X Fund Properties Limited

These mortgage notes are secured by:

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

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

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

As at June 30, 2021, X Fund Properties Limited was not in compliance with the following financial covenant related to the mortgage notes detailed below:

9.00% JMD mortgage notes due 2048

10.00% JMD mortgage notes due 2026

3.26% / 3.61% mortgage notes due 2026

COVENANT	DESCRIPTION
Interest coverage ratio	The mortgage notes contain a minimum interest coverage of 1.5 which is EBITDA divided by interest charges.

As a result of the breach of covenant, the notes are considered to be payable on demand or within one year.

**SAGICOR FINANCIAL COMPANY LTD.**

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

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

<b>Movement for the six months to June 30,</b>	<b>2021</b>	<b>2020</b>
<u>Amounts in US \$000</u>		
Balance, beginning of period	471,622	517,732
Net change in valuation of call option embedded derivatives	160	2,190
Additions:		
Gross principal	406,781	-
Less: Expenses	(9,559)	-
	<u>397,222</u>	<u>-</u>
Repayments:		
Principal	(134,342)	(3,197)
Interest	(21,186)	(19,684)
	<u>(155,528)</u>	<u>(22,881)</u>
Amortisation during the period	4,041	1,858
Accrued interest	19,955	20,024
Effects of exchange rate changes	(3,364)	(5,219)
Balance, end of the period	<u><b>734,108</b></u>	<u><b>513,704</b></u>

**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>	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Carrying value</b>	<b>Fair Value</b>	<b>Carrying value</b>	<b>Fair value</b>
<b>Liabilities at amortised cost:</b>				
Other funding instruments	482,422	482,860	388,523	387,206
Customer deposits	845,547	848,155	861,652	867,317
Securities sold for repurchase	610,682	610,682	575,604	575,604
Bank overdrafts	1,659	1,659	980	980
	<b>1,940,310</b>	<b>1,943,356</b>	<b>1,826,759</b>	<b>1,831,107</b>

**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.

**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)**

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>	<b>As of June 30, 2021</b>	<b>As of December 31, 2020</b>
	<b>Level 3</b>	<b>Level 3</b>
Investment property	74,660	78,295
Owner-occupied properties	107,231	108,738
Owner-managed hotel properties	75,331	76,024
<b>Total properties</b>	<b>257,222</b>	<b>263,057</b>

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.

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>	<b>Six months to June 30, 2021</b>			<b>Twelve months to December 31, 2020</b>	
	<b>Investment property</b>	<b>Owner- occupied properties</b>	<b>Owner- managed properties</b>	<b>Total</b>	<b>Total</b>
Balance, beginning of period	78,295	108,738	76,024	263,057	302,357
Additions at cost	-	10	-	10	712
Fair value changes recorded in net investment income	(311)	-	-	(311)	(598)
Fair value changes recorded in other comprehensive income	-	619	1,547	2,166	(17,145)
Depreciation charge	-	(1,117)	(1,029)	(2,146)	(4,592)
Disposals and divestitures	(2,901)	-	(53)	(2,954)	(15,256)
Other transfers and reclassifications	-	(7)	-	(7)	-
Effect of exchange rate changes	(423)	(1,012)	(1,158)	(2,593)	(2,421)
<b>Balance, end of period</b>	<b>74,660</b>	<b>107,231</b>	<b>75,331</b>	<b>257,222</b>	<b>263,057</b>



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.

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

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

<u>Amounts in US \$000</u>	<b>As of June 30, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>FVOCI investments:</b>				
Debt securities and money market funds	425,158	3,451,483	-	3,876,641
Equity securities	596	508	41	1,145
	425,754	3,451,991	41	3,877,786
<b>FVTPL investments:</b>				
Debt securities	37,134	162,800	212,300	412,234
Equity securities	385,461	345,938	18,692	750,091
Derivative financial instruments	-	-	32,459	32,459
Mortgage loans	-	-	25,290	25,290
	422,595	508,738	288,741	1,220,074
<b>Total assets</b>	<b>848,349</b>	<b>3,960,729</b>	<b>288,782</b>	<b>5,097,860</b>
<b>Total assets by percentage</b>	16%	78%	6%	100%
<b>Investment contracts:</b>				
Unit linked deposit administration liabilities	-	-	161,902	161,902
<b>Total liabilities</b>	-	-	<b>161,902</b>	<b>161,902</b>
<b>Total liabilities by percentage</b>	-	-	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>	<b>As of December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>FVOCI investments:</b>				
Debt securities and money market funds	428,362	3,183,555	-	3,611,917
Equity securities	498	513	43	1,054
	428,860	3,184,068	43	3,612,971
<b>FVTPL investments:</b>				
Debt securities	21,160	194,394	133,320	348,874
Equity securities	347,056	286,545	25,918	659,519
Derivative financial instruments	-	-	37,188	37,188
Mortgage loans	-	-	26,065	26,065
	368,216	480,939	222,491	1,071,646
<b>Total assets</b>	<b>797,076</b>	<b>3,665,007</b>	<b>222,534</b>	<b>4,684,617</b>
<b>Total assets by percentage</b>	17%	78%	5%	100%
<b>FVTPL investment contracts:</b>				
Unit linked deposit administration liabilities	-	-	154,442	154,442
<b>Total liabilities</b>	-	-	<b>154,442</b>	<b>154,442</b>
<b>Total liabilities by percentage</b>	-	-	100%	100%

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Six months to June 30, 2021				Twelve months to December 31, 2020
	FVOCI investments	FVTPL investments	Derivative financial instruments	Total assets	Total assets
Balance, beginning of period	43	185,303	37,188	222,534	209,311
Additions	-	79,958	9,582	89,540	73,530
Fair value changes recorded in net investment income	-	478	13,974	14,452	6,471
Fair value changes recorded in other comprehensive income	-	(10)	-	(10)	-
Disposals and divestitures	-	(8,451)	(28,285)	(36,736)	(55,981)
Transfers (out of) Level 3 classification	-	(398)	-	(398)	(11,019)
Transfers to instruments carried at amortised cost	-	(369)	-	(369)	-
Effect of exchange rate changes	(2)	(229)	-	(231)	222
Balance, end of period	41	256,282	32,459	288,782	222,534
Fair value changes recorded in net investment income for instruments held at the end of the period	-	478	12,311	12,789	13,520

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>	<b>Six months to June 30, 2021</b>		<b>Twelve months to December 31, 2020</b>
	<b>FVTPL investment contracts</b>	<b>Total liabilities</b>	<b>Total liabilities</b>
Balance, beginning of period	154,442	154,442	169,141
Issues	9,983	9,983	19,792
Settlements	(4,234)	(4,234)	(33,155)
Gains / (losses) recorded in interest costs	1,384	1,384	(1,371)
Effect of exchange rate changes	327	327	35
Balance, end of period	161,902	161,902	154,442
Fair value changes recorded in interest expense for instruments held at the end of the period	1,384	1,384	(1,527)

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.

Amounts in US \$000	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Debt securities – amortised cost</b>						
Credit grade:						
Investment	373,441	-	-	-	373,441	346,233
Non-investment	751,805	5,223	-	178,675	935,703	895,072
Watch	667	17,889	10	4,473	23,039	32,335
Default	-	-	3,559	-	3,559	1,334
Unrated	574	-	-	11	585	593
Gross carrying amount	1,126,487	23,112	3,569	183,159	1,336,327	1,275,567
Loss allowance	(2,113)	(2,320)	(925)	(546)	(5,904)	(6,081)
Carrying amount	1,124,374	20,792	2,644	182,613	1,330,423	1,269,486

Amounts in US \$000	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	ECL Staging Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Mortgage loans – amortised cost</b>						
Credit grade:						
Investment	199,107	49,072	22	-	248,201	222,131
Non-investment	131,422	7,739	-	-	139,161	141,323
Watch	-	831	19,992	-	20,823	19,977
Default	-	68	10,976	-	11,044	13,391
Gross carrying amount	330,529	57,710	30,990	-	419,229	396,822
Loss allowance	(1,070)	(525)	(3,035)	-	(4,630)	(3,608)
Carrying amount	329,459	57,185	27,955	-	414,599	393,214

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

<u>Amounts in US \$000</u>	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Finance loans – amortised cost</b>						
Credit grade:						
Investment	253	-	-	-	253	258
Non-investment	502,235	23,862	-	-	526,097	549,724
Watch	-	3,408	-	-	3,408	7,099
Default	-	-	12,017	-	12,017	10,966
Gross carrying amount	502,488	27,270	12,017	-	541,775	568,047
Loss allowance	(5,124)	(504)	(5,534)	-	(11,162)	(12,663)
Carrying amount	497,364	26,766	6,483	-	530,613	555,384

<u>Amounts in US \$000</u>	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Securities purchased for resale – amortised cost</b>						
Credit grade:						
Non-investment	68,255	-	-	-	68,255	57,110
Gross carrying amount	68,255				68,255	57,110
Loss allowance	-	-	-	-	-	-
Carrying amount	68,255	-	-	-	68,255	57,110

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	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Policy loans – amortised cost</b>						
Credit grade:						
Investment	146,102	-	-	-	146,102	144,287
Non-investment grade	6,787	-	-	-	6,787	7,049
Gross carrying amount	152,889	-	-	-	152,889	151,336
Loss allowance	(304)	-	-	-	(304)	(298)
Carrying amount	152,585	-	-	-	152,585	151,038

Amounts in US \$000	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Deposits – amortised cost</b>						
Credit grade:						
Investment	235,253	-	-	-	235,253	35,702
Non-investment	40,960	623	-	-	41,583	81,466
Watch	10,249	1,506	-	-	11,755	11,674
Unrated	586	-	-	-	586	437
Gross carrying amount	287,048	2,129	-	-	289,177	129,279
Loss allowance	(700)	(87)	-	-	(787)	(1,559)
Carrying amount	286,348	2,042	-	-	288,390	127,720



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	June 30, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
<b>Debt securities and money market funds – FVOCI</b>						
Credit grade:						
Investment	2,779,534	4,590	-	-	2,784,124	2,443,377
Non-investment	806,600	102,400	-	28,165	937,165	961,435
Watch	-	-	-	-	-	45
Default	-	-	-	-	-	3,841
Unrated	324	-	-	-	324	75
Gross carrying amount	3,586,458	106,990	-	28,165	3,721,613	3,408,773
Loss allowance	(2,439)	(6,619)	-	-	(9,058)	(17,213)
Carrying amount	3,584,019	100,371	-	28,165	3,712,555	3,391,560

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.2 Credit impairment losses – financial investments subject to impairment

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

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

DEBT SECURITIES AND MONEY MARKET

FUNDS - FVOCI

Loss Allowances

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Six months ended June 30, 2021</b>					
Loss Allowance as at January 1, 2021	2,572	8,465	6,176	-	17,213
Transfers:					
Transfer from Stage 1 to Stage 2	(1)	1	-	-	-
New financial assets originated or purchased	435	-	-	-	435
Financial assets fully derecognised during the period	(304)	(2,890)	(6,064)	-	(9,258)
Changes in ECL inputs, models and / or assumptions	(207)	1,077	-	-	870
Effect of exchange rate changes	(56)	(34)	(112)	-	(202)
<b>Loss Allowance as at June 30, 2021</b>	<b>2,439</b>	<b>6,619</b>	<b>-</b>	<b>-</b>	<b>9,058</b>
Credit impairment loss reduction recorded in income					
– Six months ended June 30, 2021					3,417
– Three months ended June 30, 2021					2,459

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES AND MONEY MARKET

FUNDS - FVOCI

Loss Allowances

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Six months ended June 30, 2020</b>					
Loss Allowance as at January 1, 2020	2,484	5,733	-	-	8,217
Transfers:					
Transfer from Stage 1 to Stage 2	(922)	922	-	-	-
Transfer from Stage 2 to Stage 3	-	(999)	999	-	-
New financial assets originated or purchased	2,588	-	-	-	2,588
Financial assets fully derecognised during the period	(316)	(2,599)	-	-	(2,915)
Changes in ECL inputs, models and / or assumptions	2,223	7,138	3,483	-	12,844
Effect of exchange rate changes	(92)	(11)	(15)	-	(118)
<b>Loss Allowance as at June 30, 2020</b>	<b>5,965</b>	<b>10,184</b>	<b>4,467</b>	<b>-</b>	<b>20,616</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					(12,804)
– Three months ended June 30, 2020					(4,194)

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	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
<b>Six months ended June 30, 2021</b>					
Loss Allowance as at January 1, 2021	2,378	1,887	1,402	414	<b>6,081</b>
New financial assets originated or purchased	190	-	-	-	<b>190</b>
Financial assets fully derecognised during the period	(148)	(116)	-	-	<b>(264)</b>
Changes in ECL inputs, models and / or assumptions	(270)	549	(477)	132	<b>(66)</b>
Effect of exchange rate changes	(37)	-	-	-	<b>(37)</b>
<b>Loss Allowance as at June 30, 2021</b>	<b>2,113</b>	<b>2,320</b>	<b>925</b>	<b>546</b>	<b>5,904</b>
Credit impairment loss reduction recorded in income					
– Six months ended June 30, 2021					<u>28</u>
Credit impairment loss recorded in income					
– Three months ended June 30, 2021					<u>(95)</u>
<b>Six months ended June 30, 2020</b>					
Loss Allowance as at January 1, 2020	1,378	759	-	371	<b>2,508</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(220)	220	-	-	-
New financial assets originated or purchased	966	-	-	4	<b>970</b>
Financial assets fully derecognised during the period	(159)	(2)	-	-	<b>(164)</b>
Changes in ECL inputs, models and / or assumptions	1,698	1,543	-	79	<b>3,320</b>
Effect of exchange rate changes	(32)	-	-	-	<b>(32)</b>
<b>Loss Allowance as at June 30, 2020</b>	<b>3,631</b>	<b>2,520</b>	<b>-</b>	<b>451</b>	<b>6,602</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					<u>(4,128)</u>
– Three months ended June 30, 2020					<u>(1,750)</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

Loss Allowances	ECL staging				
	Stage 1	Stage 2	Stage 3	Purchased	Total
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
<b>Six months ended June 30, 2021</b>					
Loss Allowance as at January 1, 2021	1,261	556	1,791	-	<b>3,608</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(84)	84	-	-	-
Transfer from Stage 1 to Stage 3	(4)	-	4	-	-
Transfer from Stage 2 to Stage 1	174	(174)	-	-	-
Transfer from Stage 2 to Stage 3	-	(40)	40	-	-
Transfer from Stage 3 to Stage 2	-	277	(277)	-	-
Transfer from Stage 3 to Stage 1	8	-	(8)	-	-
New financial assets originated or purchased	159	-	-	-	<b>159</b>
Financial assets fully derecognised during the period	(35)	(13)	(504)	-	<b>(552)</b>
Changes in ECL inputs, models and / or assumptions	(401)	(158)	2,033	-	<b>1,474</b>
Effect of exchange rate changes	(8)	(7)	(44)	-	<b>(59)</b>
<b>Loss Allowance as at June 30, 2021</b>	<b>1,070</b>	<b>525</b>	<b>3,035</b>	-	<b>4,630</b>
Credit impairment loss reduction recorded in income					
– Six months ended June 30, 2021					442
– Three months ended June 30, 2021					1,671
<b>Six months ended June 30, 2020</b>					
Loss Allowance as at January 1, 2020	611	339	942	-	<b>1,892</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(171)	171	-	-	-
Transfer from Stage 1 to Stage 3	(2)	-	2	-	-
Transfer from Stage 2 to Stage 1	28	(28)	-	-	-
Transfer from Stage 2 to Stage 3	-	(346)	346	-	-
Transfer from Stage 3 to Stage 2	-	856	(856)	-	-
Transfer from Stage 3 to Stage 1	2	-	(2)	-	-
New financial assets originated or purchased	91	-	-	-	<b>91</b>
Financial assets fully derecognised during the period	(13)	(5)	(81)	-	<b>(99)</b>
Changes in ECL inputs, models and / or assumptions	217	155	2,616	-	<b>2,988</b>
Effect of exchange rate changes	(4)	(3)	(12)	-	<b>(19)</b>
<b>Loss Allowance as at June 30, 2020</b>	<b>759</b>	<b>1,139</b>	<b>2,955</b>	-	<b>4,853</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					(2,784)
– Three months ended June 30, 2020					(855)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

FINANCE LOANS - AMORTISED COST

Loss Allowances

Amounts in US \$000

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Six months ended June 30, 2021</b>					
Loss Allowance as at January 1, 2021	5,208	903	6,552	-	<b>12,663</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(82)	82	-	-	-
Transfer from Stage 1 to Stage 3	(56)	-	56	-	-
Transfer from Stage 2 to Stage 1	111	(111)	-	-	-
Transfer from Stage 2 to Stage 3	-	(123)	123	-	-
Transfer from Stage 3 to Stage 1	174	-	(174)	-	-
New financial assets originated or purchased	662	-	-	-	<b>662</b>
Financial assets fully derecognised during the period	(381)	(116)	(2,228)	-	<b>(2,725)</b>
Changes in inputs, models and / or assumptions	(289)	(109)	1,467	-	<b>1,069</b>
Effect of exchange rate changes	(223)	(22)	(262)	-	<b>(507)</b>
<b>Loss Allowance as at June 30, 2021</b>	<b>5,124</b>	<b>504</b>	<b>5,534</b>	-	<b>11,162</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2021					(1,329)
– Three months ended June 30, 2021					(1,537)
<b>Six months ended June 30, 2020</b>					
Loss Allowance as at January 1, 2020	3,757	729	5,754	-	<b>10,240</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(232)	232	-	-	-
Transfer from Stage 1 to Stage 3	(114)	-	114	-	-
Transfer from Stage 2 to Stage 1	162	(162)	-	-	-
Transfer from Stage 2 to Stage 3	-	(148)	148	-	-
Transfer from Stage 3 to Stage 1	40	-	(40)	-	-
New financial assets originated or purchased	849	-	-	-	<b>849</b>
Financial assets fully derecognised during the period	(288)	(148)	(991)	-	<b>(1,427)</b>
Changes in inputs, models and / or assumptions	752	1,087	2,193	-	<b>4,032</b>
Effect of exchange rate changes	(143)	(31)	(200)	-	<b>(374)</b>
<b>Loss Allowance as at June 30, 2020</b>	<b>4,783</b>	<b>1,559</b>	<b>6,978</b>	-	<b>13,320</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					(6,572)
– Three months ended June 30, 2020					(3,884)

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

Six months ended June 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	288	1,271	-	-	1,559
Transfers:					
Transfer from Stage 1 to Stage 2	(1)	1	-	-	-
Transfer from Stage 2 to Stage 1	1,114	(1,114)	-	-	-
New financial assets originated or purchased	104	-	-	-	104
Financial assets fully derecognised during the period	(863)	-	-	-	(863)
Changes in ECL inputs, models and / or assumptions	60	(72)	-	-	(12)
Effect of exchange rate changes	(2)	1	-	-	(1)
<b>Loss Allowance as at June 30, 2021</b>	<b>700</b>	<b>87</b>	<b>-</b>	<b>-</b>	<b>787</b>

Credit impairment loss reduction recorded in income

– Six months ended June 30, 2021	778
– Three months ended June 30, 2021	382

Six months ended June 30, 2020

Loss Allowance as at January 1, 2020	261	51	-	-	312
Transfers:					
Transfer from Stage 1 to Stage 2	(156)	156	-	-	-
New financial assets originated or purchased	132	-	-	-	132
Financial assets fully derecognised during the period	(112)	(24)	-	-	(136)
Changes in ECL inputs, models and / or assumptions	101	762	-	-	863
Effect of exchange rate changes	(1)	-	-	-	(1)
<b>Loss Allowance as at June 30, 2020</b>	<b>225</b>	<b>945</b>	<b>-</b>	<b>-</b>	<b>1,170</b>

Credit impairment loss recorded in income

– Six months ended June 30, 2020	(860)
– Three months ended June 30, 2020	(890)

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

Six months ended June 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	298	-	-	-	298
New financial assets originated or purchased	14	-	-	-	14
Effect of exchange rate changes	(8)	-	-	-	(8)
<b>Loss Allowance as at June 30, 2021</b>	<b>304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>304</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2021					-
– Three months ended June 30, 2021					-

Six months ended June 30, 2020

Loss Allowance as at January 1, 2020	197	-	-	-	197
Changes in ECL inputs, models and / or assumptions	43	-	-	-	43
Effect of exchange rate changes	(11)	-	-	-	(11)
<b>Loss Allowance as at June 30, 2020</b>	<b>229</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229</b>
Credit impairment loss recorded in income					
– Six months ended June 30, 2020					(68)
– Three months ended June 30, 2020					(31)



**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:

		<b>As of June 30, 2021</b>		
		<b>2022</b>	<b>2023</b>	<b>2024</b>
GDP Growth (USA)	Base	5.1%	2.9%	1.8%
	Upside	6.3%	3.7%	2.1%
	Downside	2.8%	1.2%	1.4%
World GDP	Base	5.2%	4.0%	3.5%
	Upside	7.8%	5.9%	5.2%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	\$6.65	\$6.31	\$5.89
	Upside	\$9.39	\$9.39	\$9.39
	Downside	\$2.79	\$2.65	\$2.47
DOW Jones Industrial Average Index - EPS	Base	\$1,779.46	\$1,932.71	\$2,023.04
	Upside	\$2,643.61	\$2,871.29	\$3,005.48
	Downside	\$1,043.36	\$1,133.21	\$1,186.18
S&P 500 Financial Index – EPS	Base	\$43.03	\$45.28	\$47.58
	Upside	\$64.92	\$68.32	\$71.80
	Downside	\$28.21	\$29.68	\$31.19
GBP/USD	Base	\$1.38	\$1.39	\$1.39
	Upside	\$1.49	\$1.55	\$1.60
	Downside	\$1.28	\$1.22	\$1.18
NZD/USD	Base	\$0.70	\$0.69	\$0.69
	Upside	\$0.76	\$0.79	\$0.81
	Downside	\$0.63	\$0.60	\$0.57

**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)**

		<b>As of December 31, 2020</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
GDP Growth (USA)	Base	2.0%	3.7%	2.8%
	Upside	4.5%	3.3%	2.4%
	Downside	-0.2%	1.5%	1.5%
World GDP	Base	5.2%	4.2%	3.8%
	Upside	7.8%	6.3%	5.7%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	\$4.82	\$4.67	\$4.58
	Upside	\$9.39	\$9.39	\$9.39
	Downside	\$2.02	\$1.96	\$1.92
DOW Jones Industrial Average Index - EPS	Base	\$1,505.82	\$1,739.89	\$1,739.89
	Upside	\$2,237.09	\$2,584.83	\$2,584.83
	Downside	\$882.91	\$1,020.16	\$1,020.16
S&P 500 Financial Index – EPS	Base	\$33.11	\$38.95	\$38.95
	Upside	\$49.96	\$58.77	\$58.77
	Downside	\$21.71	\$25.54	\$25.54
GBP/USD	Base	\$1.37	\$1.37	\$1.38
	Upside	\$1.49	\$1.55	\$1.61
	Downside	\$1.25	\$1.20	\$1.15
NZD/USD	Base	\$0.72	\$0.72	\$0.72
	Upside	\$0.79	\$0.83	\$0.85
	Downside	\$0.64	\$0.61	\$0.58

**SAGICOR FINANCIAL COMPANY LTD.**

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

**12. CREDIT RISK (continued)**

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

**Economic variable assumptions (continued)**

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

<b>As of June 30, 2021</b>		
<b>Barbados</b>	<b>Expected state for the next 12 months</b>	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
<b>Trinidad &amp; Tobago</b>	<b>Expected state for the next 12 months</b>	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
<b>Jamaica</b>	<b>Expected state for the next 12 months</b>	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative

**SAGICOR FINANCIAL COMPANY LTD.**

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

**12. CREDIT RISK (continued)**

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

**Economic variable assumptions (continued)**

<b>As of December 31, 2020</b>		
<b>Barbados</b>	<b>Expected state for the next 12 months</b>	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
<b>Trinidad &amp; Tobago</b>	<b>Expected state for the next 12 months</b>	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
<b>Jamaica</b>	<b>Expected state for the next 12 months</b>	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative

**SAGICOR FINANCIAL COMPANY LTD.**

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

**12. CREDIT RISK (continued)**

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

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

**As of June 30, 2021**

**Amounts in US \$000**

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

<b>SICR criteria</b>	<b>Actual threshold applied</b>	<b>Change in threshold</b>	<b>ECL impact of</b>	
			<b>Change in threshold</b>	
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$2,854	

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

<b>Loss Given Default</b>	<b>Actual value applied</b>	<b>Change in value</b>	<b>ECL impact of</b>	
			<b>Increase in value</b>	<b>Decrease in value</b>
Corporate	53%	( - /+ 5) %	\$725	(\$725)
Sovereign, excluding Barbados and Jamaica	35%	( - /+ 5) %	\$611	(\$611)
Sovereign – Barbados - BAICO	17%	( - /+ 5) %	\$47	(47)
Sovereign - Jamaica	15%	( - /+ 5) %	\$595	(\$595)

**Scenario design**

The weightings assigned to each economic scenario as at June 30, 2021 are set out in the following table.

	<b>Base</b>	<b>Upside</b>	<b>Downside</b>
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:

	<b>Base – 80%</b>	
	<b>Upside – 5%</b>	<b>Upside – 15%</b>
	<b>Downside – 15%</b>	
	<b>Increase in ECL</b>	<b>Decrease in ECL</b>
Debt securities	\$440	(\$440)
Lending products	\$227	(\$227)

**SAGICOR FINANCIAL COMPANY LTD.**

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

**12. CREDIT RISK (continued)**

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

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

**As of December 31, 2020**

**Amounts in US \$000**

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

<b>SICR criteria</b>	<b>Actual threshold applied</b>	<b>Change in threshold</b>	<b>ECL impact of</b>	
			<b>Change in threshold</b>	
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$4,988	

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

<b>Loss Given Default</b>	<b>Rate applied</b>	<b>Change in value</b>	<b>ECL impact of</b>	
			<b>Increase in value</b>	<b>Decrease in value</b>
Corporate	53%	( - /+ 5 ) %	1,198	(1,198)
Sovereign, excluding Barbados and Jamaica	35%	( - /+ 5 ) %	509	(509)
Sovereign - Barbados - BAICO	17%	( - /+ 5 ) %	50	(50)
Sovereign - Jamaica	15%	( - /+ 5 ) %	650	(650)

**Scenario design**

The weightings assigned to each economic scenario as at December 31, 2020 are set out in the following table.

	<b>Base</b>	<b>Upside</b>	<b>Downside</b>
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:

	<b>Base – 80%</b>	
	<b>Upside – 5%</b>	<b>Upside – 15%</b>
	<b>Downside – 15%</b>	
	<b>Increase in ECL</b>	<b>Decrease in ECL</b>
Debt securities	\$628	(\$628)
Lending products	\$253	(\$208)

**SAGICOR FINANCIAL COMPANY LTD.**

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

**12. CREDIT RISK (continued)**

**12.3 Gross carrying values – financial investments subject to impairment**

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

**DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
<b>Six months ended June 30, 2021</b>					
Gross carrying amount as at January 1, 2021	3,208,171	164,073	7,912	28,617	<b>3,408,773</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(4,069)	4,069	-	-	-
Transfer from Stage 2 to Stage 1	92	(92)	-	-	-
New financial assets originated or purchased	1,147,410	-	-	-	<b>1,147,410</b>
Financial assets fully derecognised during the period	(662,684)	(58,607)	(7,752)	(356)	<b>(729,399)</b>
Changes in principal and interest	(69,563)	(1,982)	-	(68)	<b>(71,613)</b>
Effect of exchange rate changes	(32,899)	(471)	(160)	(28)	<b>(33,558)</b>
<b>Gross carrying amount as at June 30, 2021</b>	<b>3,586,458</b>	<b>106,990</b>	<b>-</b>	<b>28,165</b>	<b>3,721,613</b>
<b>Six months ended June 30, 2020</b>					
Gross carrying amount as at January 1, 2020	3,458,152	70,695	-	30,144	<b>3,558,991</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(103,874)	103,874	-	-	-
Transfer from Stage 1 to Stage 3	(164)	-	164	-	-
Transfer from Stage 2 to Stage 3	-	(5,548)	5,548	-	-
New financial assets originated or purchased	867,925	-	-	43	<b>867,968</b>
Financial assets fully derecognised during the period	(953,725)	(15,930)	-	-	<b>(969,655)</b>
Changes in principal and interest	(83,001)	(2,157)	735	161	<b>(84,262)</b>
Effect of exchange rate changes	(35,582)	(90)	(28)	(77)	<b>(35,777)</b>
<b>Gross carrying amount as at June 30, 2020</b>	<b>3,149,731</b>	<b>150,844</b>	<b>6,419</b>	<b>30,271</b>	<b>3,337,265</b>

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	
<b>Six months ended June 30, 2021</b>					
Gross carrying amount as at January 1, 2021	1,066,119	28,340	3,926	177,182	<b>1,275,567</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(1,011)	1,011	-	-	-
New financial assets originated or purchased	296,719	-	-	16	<b>296,735</b>
Financial assets fully derecognised during the period	(219,401)	(6,193)	(82)	(1,292)	<b>(226,968)</b>
Changes in principal and interest	4,436	(46)	(275)	7,252	<b>11,367</b>
Effect of exchange rate changes	(20,375)	-	-	1	<b>(20,374)</b>
<b>Gross carrying amount as at June 30, 2021</b>	<b>1,126,487</b>	<b>23,112</b>	<b>3,569</b>	<b>183,159</b>	<b>1,336,327</b>
<b>Six months ended June 30, 2020</b>					
Gross carrying amount as at January 1, 2020	988,324	4,555	-	158,368	<b>1,151,247</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(29,123)	29,123	-	-	-
Transfer from Stage 1 to Stage 3	(10)	-	10	-	-
New financial assets originated or purchased	116,921	-	-	207	<b>117,128</b>
Financial assets fully derecognised during the period	(95,658)	-	-	(59)	<b>(95,717)</b>
Changes in principal and interest	(3,551)	1,793	-	2,224	<b>466</b>
Effect of exchange rate changes	(15,565)	-	-	-	<b>(15,565)</b>
<b>Gross carrying amount as at June 30, 2020</b>	<b>961,338</b>	<b>35,471</b>	<b>10</b>	<b>160,740</b>	<b>1,157,559</b>



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	
<b>Six months ended June 30, 2021</b>					
Gross carrying amount as at January 1, 2021	306,115	42,821	47,886	-	<b>396,822</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(15,848)	15,848	-	-	-
Transfer from Stage 1 to Stage 3	(820)	-	820	-	-
Transfer from Stage 2 to Stage 1	11,099	(11,099)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,850)	1,850	-	-
Transfer from Stage 3 to Stage 2	-	14,594	(14,594)	-	-
Transfer from Stage 3 to Stage 1	1,874	-	(1,874)	-	-
New financial assets originated or purchased	42,948	-	-	-	<b>42,948</b>
Financial assets fully derecognised during the period	(10,599)	(1,191)	(3,064)	-	<b>(14,854)</b>
Changes in principal and interest	109	(1,136)	273	-	<b>(754)</b>
Effect of exchange rate changes	(4,349)	(277)	(307)	-	<b>(4,933)</b>
<b>Gross carrying amount as at June 30, 2021</b>	<b>330,529</b>	<b>57,710</b>	<b>30,990</b>	-	<b>419,229</b>
<b>Six months ended June 30, 2020</b>					
Gross carrying amount as at January 1, 2020	300,647	38,766	25,026	-	<b>364,439</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(96,333)	96,333	-	-	-
Transfer from Stage 1 to Stage 3	(2,530)	-	2,530	-	-
Transfer from Stage 2 to Stage 1	11,422	(11,422)	-	-	-
Transfer from Stage 2 to Stage 3	-	(17,248)	17,248	-	-
Transfer from Stage 3 to Stage 2	-	1,685	(1,685)	-	-
Transfer from Stage 3 to Stage 1	606	-	(606)	-	-
New financial assets originated or purchased	29,107	-	-	-	<b>29,107</b>
Financial assets fully derecognised during the period	(4,057)	(258)	(344)	-	<b>(4,659)</b>
Changes in principal and interest	(3,638)	(1,378)	408	-	<b>(4,608)</b>
Effect of exchange rate changes	(3,588)	(282)	(163)	-	<b>(4,033)</b>
<b>Gross carrying amount as at June 30, 2020</b>	<b>231,636</b>	<b>106,196</b>	<b>42,414</b>	-	<b>380,246</b>

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	
<b>Six months ended June 30, 2021</b>					
Gross carrying amount as at January 1, 2021	523,594	33,487	10,966	-	<b>568,047</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(9,202)	9,202	-	-	-
Transfer from Stage 1 to Stage 3	(2,134)	-	2,134	-	-
Transfer from Stage 2 to Stage 1	4,799	(4,799)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,288)	4,288	-	-
Transfer from Stage 3 to Stage 2	-	284	(284)	-	-
Transfer from Stage 3 to Stage 1	286	-	(286)	-	-
New financial assets originated or purchased	80,712	-	-	-	<b>80,712</b>
Financial assets fully derecognised during the period	(48,405)	(4,259)	(3,761)	-	<b>(56,425)</b>
Write-offs	(9)	-	-	-	<b>(9)</b>
Changes in principal and interest	(25,773)	(1,678)	(607)	-	<b>(28,058)</b>
Effect of exchange rate changes	(21,380)	(679)	(433)	-	<b>(22,492)</b>
<b>Gross carrying amount as at June 30, 2021</b>	<b>502,488</b>	<b>27,270</b>	<b>12,017</b>	<b>-</b>	<b>541,775</b>
<b>Six months ended June 30, 2020</b>					
Gross carrying amount as at January 1, 2020	579,856	12,975	12,716	-	<b>605,547</b>
Transfers:					
Transfer from Stage 1 to Stage 2	(21,669)	21,669	-	-	-
Transfer from Stage 1 to Stage 3	(2,897)	-	2,897	-	-
Transfer from Stage 2 to Stage 1	2,648	(2,648)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2,505)	2,505	-	-
Transfer from Stage 3 to Stage 1	83	-	(83)	-	-
New financial assets originated or purchased	77,491	-	-	-	<b>77,491</b>
Financial assets fully derecognised during the period	(44,391)	(2,055)	(2,241)	-	<b>(48,687)</b>
Changes in principal and interest	(12,590)	(1,102)	(89)	-	<b>(13,781)</b>
Effect of exchange rate changes	(22,245)	(473)	(471)	-	<b>(23,189)</b>
<b>Gross carrying amount as at June 30, 2020</b>	<b>556,286</b>	<b>25,861</b>	<b>15,234</b>	<b>-</b>	<b>597,381</b>

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	
<b>Six months ended June 30, 2021</b>					
Gross carrying amount as at January 1, 2021	57,110	-	-	-	<b>57,110</b>
New financial assets originated or purchased	521,421	-	-	-	<b>521,421</b>
Financial assets fully derecognised during the period	(507,025)	-	-	-	<b>(507,025)</b>
Changes in principal and interest	(54)	-	-	-	<b>(54)</b>
Effect of exchange rate changes	(3,196)	-	-	-	<b>(3,196)</b>
<b>Gross carrying amount as at June 30, 2021</b>	<b>68,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,256</b>
<b>Six months ended June 30, 2020</b>					
Gross carrying amount as at January 1, 2020	10,904	-	-	-	<b>10,904</b>
New financial assets originated or purchased	973,525	-	-	-	<b>973,525</b>
Financial assets fully derecognised during the period	(944,305)	-	-	-	<b>(944,305)</b>
Changes in principal and interest	108	-	-	-	<b>108</b>
Effect of exchange rate changes	(1,324)	-	-	-	<b>(1,324)</b>
<b>Gross carrying amount as at June 30, 2020</b>	<b>38,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,908</b>

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	
<b>Six months ended June 30, 2021</b>					
Gross carrying amount as at January 1, 2021	117,784	11,495	-	-	129,279
Transfers:					
Transfer from Stage 1 to Stage 2	(1,759)	1,759	-	-	-
Transfer from Stage 2 to Stage 1	7,323	(7,323)	-	-	-
New financial assets originated or purchased	3,044,896	-	-	-	3,044,896
Financial assets fully derecognised during the period	(2,879,844)	(3,893)	-	-	(2,883,737)
Changes in principal and interest	325	91	-	-	416
Effect of exchange rate changes	(1,676)	-	-	-	(1,676)
<b>Gross carrying amount as at June 30, 2021</b>	<b>287,049</b>	<b>2,129</b>	<b>-</b>	<b>-</b>	<b>289,178</b>
<b>Six months ended June 30, 2020</b>					
Gross carrying amount as at January 1, 2020	62,493	617	-	-	63,110
Transfers:					
Transfer from Stage 1 to Stage 2	(10,821)	10,821	-	-	-
New financial assets originated or purchased	34,190	-	-	-	34,190
Financial assets fully derecognised during the period	(27,015)	(179)	-	-	(27,194)
Changes in principal and interest	(1,348)	109	-	-	(1,239)
Effect of exchange rate changes	(182)	-	-	-	(182)
<b>Gross carrying amount as at June 30, 2020</b>	<b>57,317</b>	<b>11,368</b>	<b>-</b>	<b>-</b>	<b>68,685</b>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

**POLICY LOANS – AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2021					
Gross carrying amount as at January 1, 2021	151,336	-	-	-	151,336
New financial assets originated or purchased	2,129	-	-	-	2,129
Financial assets fully derecognised during the period	(1,673)	-	-	-	(1,673)
Changes in principal and interest	1,265	-	-	-	1,265
Effect of exchange rate changes	(168)	-	-	-	(168)
<b>Gross carrying amount as at June 30, 2021</b>	<b>152,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,889</b>

**POLICY LOANS – AMORTISED COST**

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Six months ended June 30, 2020					
Gross carrying amount as at January 1, 2020	151,730	-	-	-	151,730
New financial assets originated or purchased	2,120	-	-	-	2,120
Financial assets fully derecognised during the period	(1,530)	-	-	-	(1,530)
Changes in principal and interest	1,241	-	-	-	1,241
Effect of exchange rate changes	(323)	-	-	-	(323)
<b>Gross carrying amount as at June 30, 2020</b>	<b>153,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153,238</b>

**SAGICOR FINANCIAL COMPANY LTD.**

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

**13. CASH FLOWS**

Amounts in US \$000

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<b>Adjustments for non-cash items, interest and dividends:</b>		
Income from financial investments	(227,933)	(125,882)
(Gain) / loss arising on business combinations, acquisitions and divestitures	(10,691)	1,254
Loss on impairment of investment in associates and joint ventures	-	12,908
Net increase in actuarial liabilities	247,777	190,942
Interest costs and finance costs	47,042	42,428
Credit impairment losses	(3,336)	27,216
Depreciation and amortisation	16,793	21,007
Increase in provision for unearned premiums	1,262	9,176
Other items	(9,443)	(11,199)
	61,471	167,850
 <b>Net change in investments and operating assets:</b>		
Investment property	3,401	298
Debt securities	(322,497)	(172,510)
Equity securities	(22,690)	(286,003)
Mortgage loans	(24,259)	(17,144)
Policy loans	(1,369)	(1,269)
Finance loans	2,035	(14,560)
Securities purchased for resale	(32,567)	(1,319)
Deposits	(12,220)	6,608
Other assets and receivables	(20,931)	(46,681)
	(431,097)	(532,580)

**SAGICOR FINANCIAL COMPANY LTD.**

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

**13. CASH FLOWS (continued)**

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

<u>Amounts in US \$000</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Investment property:</b>		
Purchases	-	(129)
Disposal proceeds	3,401	427
	<u>3,401</u>	<u>298</u>
<b>Debt securities:</b>		
Purchases	(1,992,164)	(1,239,439)
Disposal proceeds	1,669,667	1,066,929
	<u>(322,497)</u>	<u>(172,510)</u>
<b>Equity securities:</b>		
Purchases	(155,005)	(376,035)
Disposal proceeds	132,315	90,032
	<u>(22,690)</u>	<u>(286,003)</u>
<b>Net change in operating liabilities:</b>		
Insurance liabilities	22,940	(532)
Investment contract liabilities	22,840	(4,538)
Other funding instruments	96,077	22,606
Deposits	50,231	17,487
Securities sold for repurchase	12,191	32,636
Other liabilities and payables	61,097	(24,880)
	<u>265,376</u>	<u>42,779</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

<u>Amounts in US \$000</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Investing activities</b>		
<b>Property, plant and equipment:</b>		
Purchases	(6,641)	(6,692)
Disposal proceeds	160	71
	<u>(6,481)</u>	<u>(6,621)</u>
 <b>Financing activities</b>		
<b>Notes and loans payable:</b>		
Proceeds	397,222	-
Repayments	(134,342)	(3,197)
	<u>262,880</u>	<u>(3,197)</u>
 <b>Lease liability payments</b>		
Principal paid	(3,923)	(3,787)
Interest paid	(921)	(1,185)
	<u>(4,844)</u>	<u>(4,972)</u>
 <b>Cash and cash equivalents</b>		
Cash	446,911	294,951
Call deposits and other liquid balances	440,722	201,720
Bank overdrafts	(1,659)	(565)
	<u>885,974</u>	<u>496,106</u>



SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. MOVEMENT IN ACTUARIAL LIABILITIES

<u>Amounts in US \$000</u>	Gross liability		Reinsurers' share	
	Six months to June 30,	Twelve months to December 31,	Six months to June 30,	Twelve months to December 31,
	2021	2020	2021	2020
Balance, beginning of period	4,152,701	3,604,653	639,797	661,811
Changes in actuarial liabilities:				
Recorded in income (note 6)	216,794	512,140	(30,983)	(22,026)
Recorded in OCI	10,147	65,039	-	-
Other movements	8	(1,057)	(3)	5
Effect of exchange rate changes	(18,629)	(28,074)	(5)	7
Balance, end of period	4,361,021	4,152,701	608,806	639,797

**Analysis of changes in actuarial liabilities**

Arising from increments and decrements of inforce policies and from the issuance of new policies	230,367	589,905	(30,540)	(23,881)
Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistency, investment yields and asset default	(1,855)	9,918	-	187
Other changes:				
Actuarial modelling, refinements and improvements	(1,571)	5,221	(443)	1,664
Arising from fair value changes of Segregated Funds	-	(15,471)	-	-
Other items	-	(12,394)	-	4
Total	226,941	577,179	(30,983)	(22,026)

**SAGICOR FINANCIAL COMPANY LTD.**

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

**15. LEASE LIABILITIES**

The lease liabilities recognised are as follows:

<u>Amounts in US \$000</u>	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current lease liabilities	8,557	8,556
Non-current lease liabilities	28,582	31,053
	<u>37,139</u>	<u>39,609</u>

The lease liabilities relate to right-of-use assets of \$29,625 as at June 30, 2021 (\$30,951 as at December 31, 2020).

**16. EARNINGS PER COMMON SHARE**

For the six-month period ended June 30, 2021, basic earnings per share exceeded fully diluted earnings per share. Certain instruments which are considered to be antidilutive have been excluded from the computation of fully diluted earnings per share. This treatment is in accordance with IAS 33 – Earnings Per Share, which indicates that such instruments are antidilutive only when the exercise price is exceeded by the market price of common shares.

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

**17. REPURCHASE OF SHARES**

During the period, the Company repurchased 1,482,121 shares, at a total cost of US \$7.5 million, which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount paid on the repurchase of shares has been recorded directly in retained earnings.

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

## SAGICOR FINANCIAL COMPANY LTD.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 18. IMPACT OF COVID-19 CORONAVIRUS

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

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

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

In response to the changing, and increasingly uncertain, economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 12 on credit risk and impairment. As part of this process, goodwill was reviewed and stress testing was performed on assessment assumptions. During the period ended March 31, 2021, there was a disposal of Playa shares and the investment has been designated as a FVTPL investment (see note 19). Management has also considered the potential impact of the pandemic on actuarial reserves but has concluded that it has not had a significant impact on actuarial assumptions and the valuation of actuarial liabilities of the Group.

The Group continues to monitor the health crisis and the economic impact on its investments, actuarial reserves, customer and trading partners, and the effect on the industries in which it operates. While global vaccination programmes should allow the world, and more particularly the markets in which the Group operates, to gradually return to normal, this will take time. As a result, the pandemic may continue to negatively impact levels of new business and the level of policyholder lapses and surrenders, as well as loan and credit card delinquencies.

**SAGICOR FINANCIAL COMPANY LTD.**

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

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

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

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

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

The transactions gave rise to a net loss of US \$1.584 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of US \$12.263 million on remeasuring the investment in Playa to FVTPL as at March 31, 2021, as follows:

**i. Disposal of holding by SGJ:**

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

Amounts in US \$000

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

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

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

Amounts in US \$000

As at January 15, 2021

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

Post acquisition, a fair value gain of \$15,551 was recognised for the period to June 30, 2021 (see note 5).

## SAGICOR FINANCIAL COMPANY LTD.

### NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 20. COMMITMENTS

Effective June 25, 2020, the Group entered into a letter of credit arrangement with a facility up to the amount of US \$40 million, whereby an irrevocable standby letter of credit was issued on behalf of Sagicor Reinsurance Bermuda Ltd. (SRBL) in favour of Sagicor Life Insurance Company, USA, in support of a coinsurance agreement between the two parties (note 1). The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. The letter of credit expires annually on June 26 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date. No such notification has been made in 2020, therefore the revised expiration date is June 26, 2022.

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

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

#### 21. DISPOSAL OF INTEREST IN SUBSIDIARY

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

**SAGICOR FINANCIAL COMPANY LTD.**

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

**22. SUBSEQUENT EVENTS**

- i. On August 11, 2021, Sagicor Financial Company Ltd. redeemed US \$188 million of its 8.875% senior notes due 2022, representing 100% of the remaining principal amount of the 2022 notes (see note 9 (a)).
- ii. On August 13, 2021, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on September 20, 2021 to the shareholders of record at the close of business on August 30, 2021.