

SAGICOR FINANCIAL COMPANY LTD.

Condensed Consolidated Financial Statements

Three-months ended March 31, 2021

SAGICOR FINANCIAL COMPANY LTD.

ACRONYMS

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

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

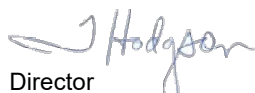
Acronym	Phrase
ECL	Expected Credit Losses
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
OCI	Other Comprehensive Income
IAS	International Accounting Standards

SAGICOR FINANCIAL COMPANY LTD.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>Amounts in US \$000</u>	As of March 31, 2021 (unaudited)	As of December 31, 2020 (audited)
ASSETS		
Investment property	78,079	78,295
Property, plant and equipment	263,776	266,569
Associates and joint ventures (note 19)	51,353	165,791
Intangible assets	92,957	95,872
Financial investments (note 7)	6,806,920	6,626,839
Financial investments repledged (note 7)	621,592	611,730
Reinsurance assets	682,081	715,739
Income tax assets	32,409	26,330
Miscellaneous assets and receivables	232,136	239,538
Cash	281,411	359,972
Restricted cash	75,993	79,638
Total assets	9,218,707	9,266,313
LIABILITIES		
Actuarial liabilities	4,151,736	4,152,701
Other policy liabilities	300,124	292,676
Investment contract liabilities (note 8)	448,238	437,604
Total policy liabilities	4,900,098	4,882,981
Notes and loans payable (note 9)	458,376	471,622
Lease liabilities (note 15)	37,671	39,609
Deposit and security liabilities (note 10)	1,824,131	1,826,759
Other liabilities / retirement benefit liabilities	68,104	66,542
Income tax liabilities	46,095	65,128
Accounts payable and accrued liabilities	261,775	255,462
Total liabilities	7,596,250	7,608,103
EQUITY		
Share capital	1,463	1,463
Share premium	753,652	753,490
Reserves	(47,707)	(14,868)
Retained earnings	393,077	369,695
Total shareholders' equity	1,100,485	1,109,780
Participating accounts	1,398	1,607
Non-controlling interests	520,574	546,823
Total equity	1,622,457	1,658,210
Total liabilities and equity	9,218,707	9,266,313

These financial statements have been approved for issue by the Board of Directors on May 14, 2021


Director


Director

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

	Three months to March 31, 2021 (unaudited)	Three months to March 31, 2020 (unaudited)
<u>Amounts in US \$000</u>		
REVENUE		
Premium revenue (note 4)	299,758	342,296
Reinsurance premium expense (note 4)	(23,686)	(24,615)
Net premium revenue	276,072	317,681
Gain on derecognition of amortised cost investments	1,808	1,240
Gain on derecognition of assets carried at FVOCI	4,719	9,480
Interest income earned from financial assets measured at amortised cost and FVOCI (note 5)	80,266	80,096
Other investment income / (loss) (note 5)	30,850	(93,987)
Credit impairment losses	456	(15,612)
Fees and other revenue	37,281	44,279
Total revenue, net	431,452	343,177
BENEFITS		
Policy benefits and change in actuarial liabilities (note 6)	241,796	143,309
Policy benefits and change in actuarial liabilities reinsured (note 6)	2,657	49,274
Net policy benefits and change in actuarial liabilities	244,453	192,583
Interest costs	10,991	10,412
Total benefits	255,444	202,995
EXPENSES		
Administrative expenses	82,914	91,335
Commissions and related compensation	26,719	30,632
Premium and asset taxes	8,106	7,565
Finance costs	10,154	11,624
Depreciation and amortisation	8,765	11,716
Total expenses	136,658	152,872
OTHER		
Gain arising on business combinations, acquisitions and divestitures (note 19)	10,679	-
Share of operating income / (loss) of associates and joint ventures	2,417	(2,252)
Loss on impairment of investment in associates and joint ventures	-	(3,378)
Total other income / (loss)	13,096	(5,630)
INCOME / (LOSS) BEFORE TAXES	52,446	(18,320)
Income taxes	(10,846)	(6,800)
NET INCOME / (LOSS) FOR THE PERIOD	41,600	(25,120)

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF INCOME

<u>Amounts in US \$000</u>	Three months to March 31, 2021 (unaudited)	Three months to March 31, 2020 (unaudited)
NET INCOME / (LOSS) FOR THE PERIOD	41,600	(25,120)
Net income / (loss) is attributable to:		
Common shareholders:	31,472	(29,325)
Participating policyholders	(54)	199
Non-controlling interests	10,182	4,006
	41,600	(25,120)
Earnings per common share (note 16):		
Basic earnings per common share	21.5 cents	(19.7) cents
Fully diluted earnings per common share	21.3 cents	(19.7) cents

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<u>Amounts in US \$000</u>	Three months to March 31, 2021 (unaudited)	Three months to March 31, 2020 (unaudited)
NET INCOME / (LOSS) FOR THE PERIOD	41,600	(25,120)
OTHER COMPREHENSIVE INCOME:		
Items net of tax that may be reclassified subsequently to income:		
Financial assets measured at FVOCI:		
Losses on revaluation	(67,816)	(191,105)
Gains transferred to income	(4,647)	(6,671)
Net change in actuarial liabilities	34,990	112,410
Cash flow hedges	3,510	(2,319)
Retranslation of foreign currency operations	(33,581)	(10,000)
Other reserves	-	(9)
	(67,544)	(97,694)
Items net of tax that will not be reclassified subsequently to income:		
Gains on revaluation of owner-occupied property and owner-managed property	1,808	347
Gains / (losses) on defined benefit plans	4	(2,289)
	1,812	(1,942)
Other comprehensive loss	(65,732)	(99,636)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(24,132)	(124,756)
Total comprehensive loss is attributable to:		
Common shareholders	(1,603)	(96,427)
Participating policyholders	(163)	278
Non-controlling interests	(22,366)	(28,607)
	(24,132)	(124,756)

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

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

The accompanying notes form an integral part of these financial statements

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

	Share Capital	Share Premium	Reserves	Retained earnings	Total Shareholders' Equity
<u>Amounts in US \$000</u>	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Three months to March 31, 2020					
Balance as of December 31, 2019	1,477	762,015	(9,023)	399,582	1,154,051
Total comprehensive loss	-	-	(66,018)	(30,409)	(96,427)
Transactions with holders of equity instruments:					
Allotment of common shares	7	3,237	-	-	3,244
Changes in reserve for equity compensation benefits	-	-	(2,763)	(317)	(3,080)
Dividends declared	-	-	-	(8,353)	(8,353)
Transfers and other movements	-	-	(935)	1,043	108
Balance as of March 31, 2020	1,484	765,252	(78,739)	361,546	1,049,543

The accompanying notes form an integral part of these financial statements

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

<u>Amounts in US \$000</u>	Total Shareholders' Equity (unaudited)	Participating Accounts (unaudited)	Non-controlling interests (unaudited)	Total Equity (unaudited)
Three months to March 31, 2020				
Balance as of December 31, 2019	1,154,051	1,223	594,506	1,749,780
Total comprehensive (loss) / income	(96,427)	278	(28,607)	(124,756)
Transactions with holders of equity instruments:				
Allotment of common shares	3,244	-	-	3,244
Changes in reserve for equity compensation benefits	(3,080)	-	-	(3,080)
Dividends declared	(8,353)	-	(587)	(8,940)
Transfers and other movements	108	(48)	151	211
Balance as of March 31, 2020	1,049,543	1,453	565,463	1,616,459

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<u>Amounts in US \$000</u>	Three months to March 31, 2021 (unaudited)	Three months to March 31, 2020 (unaudited)
OPERATING ACTIVITIES		
Income / (loss) before taxes	52,446	(18,320)
Adjustments for non-cash items, interest and dividends (note 13)	(22,079)	79,004
Interest and dividends received	103,862	89,147
Interest paid	(28,586)	(27,543)
Income taxes paid	(26,139)	(14,878)
Net change in investments and operating assets (note 13)	(136,425)	(451,294)
Net change in operating liabilities (note 13)	33,816	107,770
Net cash flows - operating activities	(23,105)	(236,114)
INVESTING ACTIVITIES		
Property, plant and equipment, net (note 13)	(2,246)	(3,445)
Associates and joint ventures	51,668	-
Dividends received from associates and joint ventures	160	308
Purchase of intangible assets	(379)	(1,116)
Net cash flows - investing activities	49,203	(4,253)
FINANCING ACTIVITIES		
Allotment of common shares	-	(168)
Repurchase of common shares	(1,321)	-
Movement in treasury shares	(3)	-
Shares issued to non-controlling interests	-	80
Notes and loans payable, net (note 13)	(3,677)	(2,544)
Lease liability principal paid (note 13)	(1,957)	(2,171)
Dividends paid to common shareholders	(2)	(8,377)
Dividends paid to non-controlling interests	(3,807)	(587)
Net cash flows - financing activities	(10,767)	(13,767)
Effect of exchange rate changes	(2,978)	(1,397)
Net change in cash and cash equivalents	12,353	(255,531)
Cash and cash equivalents, beginning of period	547,208	775,344
Cash and cash equivalents, end of period (note 13)	559,561	519,813

The accompanying notes form an integral part of these financial statements

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These unaudited interim condensed consolidated financial statements (“condensed financial statements”) of Sagicor Financial Company Ltd. and its subsidiaries (the “Group”), (“Sagicor”) are presented in compliance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. The common shares and warrants of Sagicor are listed on the Toronto Stock Exchange and are traded under the symbols “SFC” and “SFC.WT”, respectively. The condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 2020 annual consolidated financial statements and the accompanying notes included in pages 137 to 307 of the Annual Report for 2020. The condensed financial statements however do include certain disclosures required in the annual financial statements, but which are additional to the requirements of IAS 34.

During the period ended June 30, 2020, Sagicor Reinsurance Bermuda Ltd. (“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, SLIC transferred the insurance risks associated with certain life products, and financial instruments supporting those liabilities, to SRBL for a ceding commission. This ceding commission will be 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 March 31, 2021, and inter-entity balances have been appropriately eliminated.

2. ACCOUNTING POLICIES

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

2.1 Exchange rates

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

	Closing rates as of March 31, 2021	Closing rates as of December 31, 2020	Average rates for the three months to March 31, 2021	Average rates for the three months to March 31, 2020
Barbados dollar	2.0000	2.0000	2.0000	2.0000
Eastern Caribbean dollar	2.7000	2.7000	2.7000	2.7000
Jamaica dollar	145.6936	142.4534	147.1138	136.4424
Trinidad & Tobago dollar	6.7604	6.7612	6.7416	6.7558
Pound sterling	0.72480	0.73270	0.72554	0.76616

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEGMENTS

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

- Sagicor Life: Engages in life and health insurance, annuities and pension administration in Barbados, Eastern Caribbean, Dutch Caribbean, Bahamas, Belize, Panama and Trinidad & Tobago.
- 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 products, and financial instruments supporting those liabilities, to Sagicor Reinsurance Bermuda Ltd.

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

3.1 Statement of income by reportable operating segment

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.1 Statement of income by reportable operating segment (continued)

<u>Amounts in US \$000</u>	Sagicor	Sagicor	Sagicor Life	Head office	Adjust-	Total
Three months to March 31, 2020	Life	Jamaica	USA	and other	ments	
Net premium revenue	93,598	94,193	120,446	9,444	-	317,681
Gain on derecognition of amortised cost investments	328	912	-	-	-	1,240
Gain on derecognition of assets carried at FVOCI	1,578	7,694	208	-	-	9,480
Interest income earned from financial assets measured at amortised cost and FVOCI	17,910	40,688	19,237	2,261	-	80,096
Other investment loss	(2,363)	(44,482)	(41,959)	(4,890)	(293)	(93,987)
Credit impairment losses	(3,843)	(5,325)	(6,164)	(280)	-	(15,612)
Fees and other revenue	613	38,675	(1,016)	5,103	904	44,279
Inter-segment revenue	5,349	-	-	1,791	(7,140)	-
Total revenue, net	113,170	132,355	90,752	13,429	(6,529)	343,177
Net policy benefits	55,547	65,561	47,445	3,998	-	172,551
Net change in actuarial liabilities	16,016	(39,887)	43,903	-	-	20,032
Interest costs	1,034	7,066	2,198	114	-	10,412
Administrative expenses	22,137	45,770	7,759	14,596	1,073	91,335
Commissions and premium and asset taxes	11,800	17,878	6,169	2,350	-	38,197
Finance costs	11	2,243	114	9,256	-	11,624
Depreciation and amortisation	1,730	5,323	876	3,787	-	11,716
Inter-segment expenses	1,598	441	368	5,178	(7,585)	-
Total benefits and expenses	109,873	104,395	108,832	39,279	(6,512)	355,867
Share of operating income / (loss) of associates and joint ventures	742	(2,994)	-	-	-	(2,252)
Loss on impairment of investment in associates and joint ventures	-	(3,378)	-	-	-	(3,378)
Segment income / (loss) before taxes	4,039	21,588	(18,080)	(25,850)	(17)	(18,320)
Income taxes	(1,893)	(8,488)	3,797	(309)	93	(6,800)
Segment net income / (loss) from continuing operations	2,146	13,100	(14,283)	(26,159)	76	(25,120)
Net income attributable to non-controlling interests	-	3,996	-	10	-	4,006
Net income / (loss) attributable to shareholders	1,947	9,104	(14,283)	(26,169)	76	(29,325)
Total comprehensive income / (loss) attributable to shareholders	(12,888)	(21,114)	(34,953)	(27,872)	400	(96,427)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.2 Statement of financial position by reportable operating segment

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
As of March 31, 2021						
Financial investments	1,561,543	2,728,831	2,651,938	486,200	-	7,428,512
Other external assets	332,783	583,815	686,762	186,835	-	1,790,195
Inter-segment assets	435,170	12,633	58,912	210,248	(716,963)	-
Total assets	2,329,496	3,325,279	3,397,612	883,283	(716,963)	9,218,707
Policy liabilities	1,509,532	826,156	2,492,819	71,591	-	4,900,098
Other external liabilities	83,765	1,600,954	471,812	539,621	-	2,696,152
Inter-segment liabilities	139,800	12,639	169,614	394,910	(716,963)	-
Total liabilities	1,733,097	2,439,749	3,134,245	1,006,122	(716,963)	7,596,250
Net assets	596,399	885,530	263,367	(122,839)	-	1,622,457
Net assets attributable to non-controlling interests	-	504,105	-	16,469	-	520,574

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.3 Revenues by products and services

<u>Amounts in US \$000</u>	Three months to March 31, 2021	Three months to March 31, 2020
Life, health and annuity insurance contracts issued to individuals	264,629	187,870
Life, health and annuity insurance and pension administration contracts issued to groups	74,186	77,945
Property and casualty insurance	18,983	21,521
Banking, investment management and other financial services	43,255	41,122
Hospitality services	7,187	9,449
Unallocated revenues	23,212	5,270
Total revenue	431,452	343,177

3.4 Revenues by geographical area

<u>Amounts in US \$000</u>	Three months to March 31, 2021	Three months to March 31, 2020
Barbados	62,806	39,870
Jamaica	152,091	116,471
Trinidad & Tobago	58,368	51,311
Other Caribbean	42,499	35,150
USA	115,688	100,375
Total revenue	431,452	343,177

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENTS (continued)

3.5 Revenues from fees recognised

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

<u>Amounts in US \$000</u>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office and other	Adjust- ments	Total
Three months to March 31, 2021						
Fees recognised:						
At a point in time	-	9,385	31	-	-	9,416
Over time	2,084	10,410	-	741	-	13,235
Total included in fees and other revenue	2,084	19,795	31	741	-	22,651
Three months to March 31, 2020						
Fees recognised:						
At a point in time	-	13,117	38	-	-	13,155
Over time	1,929	18,622	-	-	-	20,551
Total included in fees and other revenue	1,929	31,739	38	-	-	33,706

4. PREMIUM REVENUE

<u>Amounts in US \$000</u>	Gross premium		Ceded to reinsurers	
	2021	2020	2021	2020
Three months to March 31,				
Life insurance	123,515	117,714	6,460	6,825
Annuity	106,618	144,472	-	8
Health insurance	41,106	48,041	1,286	1,238
Property and casualty insurance	28,519	32,069	15,940	16,544
Total premium revenue	299,758	342,296	23,686	24,615

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. NET INVESTMENT INCOME

<u>Amounts in US \$000</u>	<u>Three months to March 31, 2021</u>	<u>Three months to March 31, 2020</u>
Investment income		
Interest income (amortised cost assets):		
Debt securities	23,019	20,558
Mortgage loans	5,804	5,094
Policy loans	2,661	2,839
Finance loans	13,690	15,865
Securities purchased for resale	389	135
Deposits, cash and other items	245	66
	<u>45,808</u>	<u>44,557</u>
Interest income (FVOCI assets):		
Debt securities and money market funds	34,458	35,539
Interest income earned from financial assets measured at amortised cost and FVOCI	<u>80,266</u>	<u>80,096</u>
Fair value changes and interest income (FVTPL assets):		
Debt securities	344	(12,355)
Equity securities ⁽¹⁾	20,499	(52,375)
Mortgage loans	413	(244)
Derivative financial instruments	9,159	(29,148)
Other items	1	1
	<u>30,416</u>	<u>(94,121)</u>
Investment income:		
Other income on financial investments	122	101
Investment property – rental income	988	2,479
Other investment income / (expenses)	60	(251)
	<u>1,170</u>	<u>2,329</u>
Investment expenses:		
Direct operating expenses of investment property that generated rental income	473	1,594
Other direct investment expenses	263	601
	<u>736</u>	<u>2,195</u>
Other investment income / (loss)	<u>30,850</u>	<u>(93,987)</u>
Net investment income / (loss)	<u>111,116</u>	<u>(13,891)</u>

⁽¹⁾ Included in fair value changes on equity securities is a gain of \$14,251 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>	Gross benefit		Ceded to reinsurers	
Three months to March 31,	2021	2020	2021	2020
Life insurance benefits	71,059	70,137	8,238	4,516
Annuity benefits	80,430	83,516	16,128	20,840
Health insurance claims	33,981	36,795	2,503	1,098
Property and casualty claims	6,108	9,343	1,604	786
Total policy benefits	191,578	199,791	28,473	27,240
Change in actuarial liabilities (note 14)	50,218	(56,482)	(31,130)	(76,514)
Total policy benefits and change in actuarial liabilities	241,796	143,309	(2,657)	(49,274)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS

Analysis of financial investments

Amounts in US \$000

	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Investments at FVOCI:				
Debt securities and money market funds	3,666,749	3,666,749	3,611,917	3,611,917
Equity securities	1,164	1,164	1,054	1,054
	3,667,913	3,667,913	3,612,971	3,612,971
Investments at FVTPL:				
Debt securities	495,303	495,303	348,874	348,874
Equity securities ⁽¹⁾	676,268	676,268	659,519	659,519
Derivative financial instruments	38,319	38,319	37,188	37,188
Mortgage loans	25,541	25,541	26,065	26,065
Deposits	1,312	1,312	-	-
	1,236,743	1,236,743	1,071,646	1,071,646
Investments at amortised cost:				
Debt securities	1,301,143	1,513,550	1,269,486	1,490,099
Mortgage loans	396,659	393,516	393,214	390,938
Policy loans	150,779	172,736	151,038	177,813
Finance loans	536,359	542,512	555,384	560,543
Securities purchased for resale	34,879	34,879	57,110	57,110
Deposits	104,037	104,037	127,720	127,720
	2,523,856	2,761,230	2,553,952	2,804,223
Total financial investments	7,428,512	7,665,886	7,238,569	7,488,840

⁽¹⁾ Included in equity securities are exchange-traded funds of \$192,216 as at March 31, 2021 (\$301,732 as at December 31, 2020).

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

Non-derivative investments at FVTPL	FVTPL mandatory designation	FVTPL designation by election	Total
<u>Amounts in US \$000</u>			
March 31, 2021			
Equity securities	595,925	80,343	676,268
Debt securities	189,933	305,370	495,303
Mortgage loans	32	25,509	25,541
Deposits	1,312	-	1,312
	787,202	411,222	1,198,424
December 31, 2020			
Equity securities	580,919	78,600	659,519
Debt securities	201,797	147,077	348,874
Mortgage loans	34	26,031	26,065
	782,750	251,708	1,034,458

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. FINANCIAL INVESTMENTS (continued)

Financial investments repledged

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

<u>Amounts in US \$000</u>	March 31, 2021	December 31, 2020
Financial investments repledged	621,592	611,730
Statement of financial position presentation		
Financial investments	6,806,920	6,626,839
Financial investments repledged	621,592	611,730
	<u>7,428,512</u>	<u>7,238,569</u>

Analysis of financial investments repledged

<u>Amounts in US \$000</u>	March 31, 2021	December 31, 2020
	Pledged value	Pledged value
Investments at FVOCI:		
Debt securities and money market funds	616,662	610,684
Investments at FVTPL:		
Debt securities	872	-
Investments at amortised cost:		
Debt securities	618	632
Securities purchased for resale	37	37
Deposits	3,403	377
	<u>4,058</u>	<u>1,046</u>
Financial investments repledged	<u>621,592</u>	<u>611,730</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. INVESTMENT CONTRACT LIABILITIES

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

<u>Amounts in US \$000</u>	March 31, 2021		December 31, 2020	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Deposit administration liabilities	117,605	117,605	117,046	117,046
Other investment contracts	172,465	171,729	166,116	169,002
	290,070	289,334	283,162	286,048
Liabilities at FVTPL:				
Unit linked deposit administration liabilities	158,168	158,168	154,442	154,442
Total investment contract liabilities	448,238	447,502	437,604	440,490

9. NOTES AND LOANS PAYABLE

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

<u>Amounts in US \$000</u>	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair Value
Liabilities at amortised cost:				
8.875% senior notes due 2022 (a)	307,780	324,771	315,938	324,704
5.50% unsecured bond due 2022 (b)	31,977	32,599	31,957	32,790
6.25% unsecured bond due 2022 (b) & (c)	26,426	28,508	27,000	28,530
6.75% notes due 2024 (d)	15,085	15,913	15,434	16,275
Mortgage loans (f)	55,703	58,478	59,607	60,767
Bank loans and other funding instruments (e)	21,405	21,405	21,686	21,686
	458,376	481,674	471,622	484,752

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(a) Valuation of Call Option Embedded Derivative

As at March 31, 2021, the Group had US \$318 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 and described in more detail herein:

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.

The Group has estimated the fair value of this embedded derivative at US \$7.5 million as at March 31, 2021 (US \$5.9 million as at December 31, 2020).

Subsequent to period end, the Group made a cash tender offer for the Notes and cash tenders were accepted (see note 22).

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

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

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

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

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

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

- (i) On May 24, 2019, Sagicor General Insurance Inc entered into a US\$12 million loan agreement. The interest rate is 3.50% per annum and the loan matures on July 31, 2024.
- (ii) On October 1, 2020, The Estates (Residential Properties) Limited issued cumulative preference shares in the amount of US\$9 million. Dividends accrue at a rate of 6.75% per annum and are payable semi-annually. The preference shares are redeemable on September 30, 2027.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(f) Mortgage Loans

<u>Amounts in US \$000</u>	<u>Issuer / mortgagor</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
4.90% USD mortgage notes due 2025 ⁽¹⁾	X Fund Properties LLC	45,218	45,822
4.75% USD mortgage notes due 2021 ⁽¹⁾	Sagicor X-Fund Real Estate Limited	2,194	2,188
9.00% JMD mortgage notes due 2048 ⁽¹⁾	X Fund Properties Limited	3,359	3,356
8.00% JMD mortgage notes due 2021	X Fund Properties Limited	-	3,134
10.00% JMD mortgage notes due 2026 ⁽¹⁾	X Fund Properties Limited	3,053	3,220
3.26% / 3.61% mortgage notes due 2026 ⁽¹⁾	X Fund Properties Limited	914	934
Development loan ⁽²⁾	X Fund Properties Limited	965	953
		55,703	59,607

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

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

X Fund Properties LLC

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

Sagicor X-Fund Real Estate Limited

This mortgage note was issued in three tranches (A,B,C). Tranches A and B have matured while Tranche C, which attracts interest of 4.75%, has a maturity date of May 2021 with an option for further extension. This loan was originally secured by a debenture over units in the Sigma Real Estate Portfolio. This had been substituted for shares in Jamziv MoBay Jamaica Portfolio Limited which held shares of Playa Hotel and Resorts N.V. (Playa); however, in January 2021, the shares held in Playa were sold (see note 19), which resulted in a breach of the related loan covenant at March 31, 2021. Subsequent to period end, alternative security for the loan was put in place in the form of repurchase agreements.

X Fund Properties Limited

These mortgage notes are secured by:

- a charge over Jamziv MoBay Jamaica Portfolio Limited 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 (outlined above), 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.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(f) Mortgage Loans (continued)

Financial Covenants

As at March 31, 2021, the subsidiary group, X Fund, was not in compliance with certain financial covenants related to mortgage loans, which are outlined below:

(i) 4.90% USD mortgage notes due 2025

COVENANT	DESCRIPTION
Debt service coverage ratio	<p>The mortgage note contains a minimum debt service coverage ratio of 1.25 and, upon failing to meet the debt service coverage ratio, substantially all the cash flows from the hotel must be directed to accounts controlled by the lender.</p> <p>As at March 31, 2021, the subsidiary was not in compliance with the debt service coverage ratio covenant.</p>

(ii) 4.75% USD mortgage notes due 2021

COVENANT	DESCRIPTION
Interest coverage ratio, Debt to EBIDTA ratio and a maximum loan to security value ratio.	<p>The company must maintain a minimum interest coverage of 1.35. The company was not compliant at March 31, 2021.</p> <p>The company must maintain a maximum ratio of 4.75 for total debt to EBITDA. The company was not compliant at March 31, 2021.</p> <p>The company must maintain a maximum loan to security value ratio of 75%. The company was not compliant at March 31, 2021.</p> <p>There were no penalties for the breaches.</p>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NOTES AND LOANS PAYABLE (continued)

(f) Mortgage Loans (continued)

Financial Covenants (continued)

(iii) 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 and maximum debt to equity ratio	<p>The mortgage notes contain a minimum interest coverage of 1.5 which is EBITDA divided by interest charges. The company was not compliant at March 31, 2021.</p> <p>As a result of the breach of covenant, the notes are considered to be payable on demand or within one year.</p> <p>A maximum debt to equity ratio of 1.8 is to be maintained. The company was compliant at March 31, 2021.</p>

Movement for the three months to March 31,	2021	2020
<u>Amounts in US \$000</u>		
Balance, beginning of period	471,622	517,732
Valuation of call option embedded derivative	(1,621)	1,739
Repayments:		
Principal	(3,677)	(2,544)
Interest	(15,878)	(16,853)
	<u>(19,555)</u>	<u>(19,397)</u>
Amortisation during the period	744	949
Accrued interest	9,050	10,238
Effects of exchange rate changes	(1,864)	(2,154)
Balance, end of the period	<u>458,376</u>	<u>509,107</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>	March 31, 2021		December 31, 2020	
	Carrying value	Fair Value	Carrying value	Fair value
Liabilities at amortised cost:				
Other funding instruments	406,645	406,864	388,523	387,206
Customer deposits	818,713	822,057	861,652	867,317
Securities sold for repurchase	597,954	597,954	575,604	575,604
Bank overdrafts	819	819	980	980
	1,824,131	1,827,694	1,826,759	1,831,107

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

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>	As of March 31, 2021	As of December 31, 2020
	Level 3	Level 3
Investment property	78,079	78,295
Owner-occupied properties	108,050	108,738
Owner-managed hotel properties	77,033	76,024
Total properties	263,162	263,057

For Level 3 investment property, reasonable changes in fair value would affect net income. For Level 3 owner-occupied properties and owner-managed 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>	Three months to March 31, 2021			Twelve months to December 31, 2020	
	Investment property	Owner-occupied properties	Owner-managed properties	Total	Total
Balance, beginning of period	78,295	108,738	76,024	263,057	302,357
Additions at cost	-	3	-	3	712
Fair value changes recorded in net investment income	-	-	-	-	(598)
Fair value changes recorded in other comprehensive income	-	619	1,506	2,125	(17,145)
Depreciation charge	-	(861)	(518)	(1,379)	(4,592)
Disposals and divestitures	-	-	-	-	(15,256)
Other transfers and reclassifications	-	(7)	-	(7)	-
Effect of exchange rate changes	(216)	(442)	21	(637)	(2,421)
Balance, end of period	78,079	108,050	77,033	263,162	263,057

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value

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

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

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

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

A financial instrument is classified as Level 2 if:

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

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

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

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

A financial instrument is classified as Level 3 if:

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

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

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

<u>Amounts in US \$000</u>	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
FVOCI investments:				
Debt securities and money market funds	431,281	3,235,468	-	3,666,749
Equity securities	605	517	42	1,164
	431,886	3,235,985	42	3,667,913
FVTPL investments:				
Debt securities	98,599	185,228	211,476	495,303
Equity securities	326,341	324,325	25,602	676,268
Derivative financial instruments	-	-	38,319	38,319
Mortgage loans	-	-	25,541	25,541
Deposits	-	-	1,312	1,312
	424,940	509,553	302,250	1,236,743
Total assets	856,826	3,745,538	302,292	4,904,656
Total assets by percentage	18%	76%	6%	100%
FVTPL investment contracts:				
Unit linked deposit administration liabilities	-	-	158,168	158,168
Total liabilities	-	-	158,168	158,168
Total liabilities by percentage	-	-	100%	100%

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

Movements in Level 3 Instruments

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

<u>Amounts in US \$000</u>	Three months to March 31, 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	-	79,262	4,154	83,416	73,530
Transfers into Level 3 classification	-	82	-	82	-
Fair value changes recorded in net investment income	-	372	7,538	7,910	6,471
Fair value changes recorded in interest expense	-	44	-	44	-
Disposals and divestitures	-	(422)	(10,561)	(10,983)	(55,981)
Transfers (out of) Level 3 classification ⁽¹⁾	-	(398)	-	(398)	(11,019)
Effect of exchange rate changes	(1)	(312)	-	(313)	222
Balance, end of period	42	263,931	38,319	302,292	222,534
Fair value changes recorded in net investment income for instruments held at the end of the period	-	425	6,168	6,593	13,520

⁽¹⁾ In the course of reviewing the classification of fair value assets, the Group determined that fixed income assets previously classified as Level 3 would be more appropriately disclosed as Level 2. The fair value of these assets is determined by third party investment brokers based on observable market inputs.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

11.2 Financial instruments carried at fair value (continued)

<u>Amounts in US \$000</u>	Three months to March 31, 2021		Twelve months to December 31, 2020
	FVTPL Investment contracts	Total liabilities	Total liabilities
Balance, beginning of period	154,442	154,442	169,141
Issues	6,123	6,123	19,792
Settlements	(2,596)	(2,596)	(33,155)
Gains / (losses) recorded in interest costs	521	521	(1,371)
Effect of exchange rate changes	(322)	(322)	35
Balance, end of period	158,168	158,168	154,442
Fair value changes recorded in interest expense for instruments held at the end of the period	521	521	(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.

<u>Amounts in US \$000</u>	March 31, 2021				December 31, 2020	
	ECL Staging			Purchased credit-impaired	Total	Total
Debt securities – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	366,846	-	-	-	366,846	346,233
Non-investment	730,426	5,328	-	175,555	911,309	895,072
Watch	620	18,806	9	4,963	24,398	32,335
Default	-	-	3,836	-	3,836	1,334
Unrated	570	-	-	18	588	593
Gross carrying amount	1,098,462	24,134	3,845	180,536	1,306,977	1,275,567
Loss allowance	(2,287)	(1,740)	(1,402)	(405)	(5,834)	(6,081)
Carrying amount	1,096,175	22,394	2,443	180,131	1,301,143	1,269,486

<u>Amounts in US \$000</u>	March 31, 2021				December 31, 2020	
	ECL Staging			Purchased credit-impaired	Total	Total
Mortgage loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Credit grade:						
Investment	195,329	27,666	-	-	222,995	222,131
Non-investment	116,759	19,425	23	-	136,207	141,323
Watch	-	11,100	20,143	-	31,243	19,977
Default	-	68	10,555	-	10,623	13,391
Gross carrying amount	312,088	58,259	30,721	-	401,068	396,822
Loss allowance	(994)	(543)	(2,872)	-	(4,409)	(3,608)
Carrying amount	311,094	57,716	27,849	-	396,659	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>	March 31, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Finance loans – amortised cost						
Credit grade:						
Investment	253	-	-	-	253	258
Non-investment	498,176	32,792	-	-	530,968	549,724
Watch	-	3,981	-	-	3,981	7,099
Default	-	-	12,174	-	12,174	10,966
Gross carrying amount	498,429	36,773	12,174	-	547,376	568,047
Loss allowance	(5,059)	(520)	(5,438)	-	(11,017)	(12,663)
Carrying amount	493,370	36,253	6,736	-	536,359	555,384

<u>Amounts in US \$000</u>	March 31, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Securities purchased for resale – amortised cost						
Credit grade:						
Non-investment	34,879	-	-	-	34,879	57,110
Gross carrying amount	34,879	-	-	-	34,879	57,110
Loss allowance	-	-	-	-	-	-
Carrying amount	34,879	-	-	-	34,879	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)

<u>Amounts in US \$000</u>	March 31, 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
Policy loans – amortised cost						
Credit grade:						
Investment	144,216	-	-	-	144,216	144,287
Non-investment	6,861	-	-	-	6,861	7,049
Gross carrying amount	151,077	-	-	-	151,077	151,336
Loss allowance	(298)	-	-	-	(298)	(298)
Carrying amount	150,779	-	-	-	150,779	151,038

<u>Amounts in US \$000</u>	March 31, 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
Deposits – amortised cost						
Credit grade:						
Investment	67,558	604	-	-	68,162	35,702
Non-investment	24,644	619	-	-	25,263	81,466
Watch	10,062	1,119	-	-	11,181	11,674
Unrated	585	-	-	-	585	437
Gross carrying amount	102,849	2,342	-	-	105,191	129,279
Loss allowance	(1,044)	(110)	-	-	(1,154)	(1,559)
Carrying amount	101,805	2,232	-	-	104,037	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)

<u>Amounts in US \$000</u>	March 31, 2021				December 31, 2020	
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Debt securities and money market funds – FVOCI						
Credit grade:						
Investment	2,600,428	5,520	-	-	2,605,948	2,443,377
Non-investment	776,693	131,605	1,994	28,631	938,923	961,435
Watch	-	-	-	-	-	45
Default	-	-	3,120	-	3,120	3,841
Unrated	104	-	-	-	104	75
Gross carrying amount	3,377,225	137,125	5,114	28,631	3,548,095	3,408,773
Loss allowance	(2,558)	(7,493)	(4,145)	-	(14,196)	(17,213)
Carrying amount	3,374,667	129,632	969	28,631	3,533,899	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 an analysis of loss allowances in respect of financial investments subject to impairment.

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

Loss Allowances	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
	ECL	ECL	ECL	impaired	
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	2,572	8,465	6,176	-	17,213
Transfers:					
Transfer from Stage 1 to Stage 2	(3)	3	-	-	-
Transfer from Stage 2 to Stage 1	72	(72)	-	-	-
New financial assets originated or purchased	167	-	-	-	167
Financial assets fully derecognised during the period	(105)	(1,796)	(1,993)	-	(3,894)
Changes in ECL inputs, models and / or assumptions	(130)	898	39	-	807
Effect of exchange rate changes	(15)	(5)	(77)	-	(97)
Loss Allowance as at March 31, 2021	2,558	7,493	4,145	-	14,196
Credit impairment loss reduction recorded in income					958

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Credit impairment losses – financial investments subject to impairment

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

Loss Allowances <u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	2,484	5,733	-	-	8,217
Transfers:					
Transfer from Stage 1 to Stage 2	(661)	661	-	-	-
New financial assets originated or purchased	1,456	-	-	-	1,456
Financial assets fully derecognised during the period	(231)	(475)	-	-	(706)
Changes in ECL inputs, models and / or assumptions	590	7,063	-	-	7,653
Effect of exchange rate changes	(28)	10	-	-	(18)
Loss Allowance as at March 31, 2020	3,610	12,992	-	-	16,602
Credit impairment loss recorded in income					(8,610)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES – AMORTISED COST

Loss Allowances <u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	2,378	1,887	1,402	414	6,081
New financial assets originated or purchased	181	-	-	-	181
Financial assets fully derecognised during the period	(73)	(89)	-	-	(162)
Changes in ECL inputs, models and / or assumptions	(189)	(58)	-	(9)	(256)
Effect of exchange rate changes	(10)	-	-	-	(10)
Loss Allowance as at March 31, 2021	2,287	1,740	1,402	405	5,834
Credit impairment loss reduction recorded in income					123
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	1,378	759	-	371	2,508
Transfers:					
Transfer from Stage 1 to Stage 2	(2)	2	-	-	-
New financial assets originated or purchased	1,232	-	-	-	1,232
Financial assets fully derecognised during the period	(100)	(1)	-	-	(101)
Changes in ECL inputs, models and / or assumptions	1,103	104	-	37	1,244
Effect of exchange rate changes	(9)	-	-	-	(9)
Loss Allowance as at March 31, 2020	3,602	864	-	408	4,874
Credit impairment loss recorded in income					(2,378)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

Loss Allowances	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
<u>Amounts in US \$000</u>	12-month	Lifetime	Lifetime	credit-	
Three months ended March 31, 2021	ECL	ECL	ECL	impaired	
Loss Allowance as at January 1, 2021	1,261	556	1,791	-	3,608
Transfers:					
Transfer from Stage 1 to Stage 2	(44)	44	-	-	-
Transfer from Stage 2 to Stage 1	165	(165)	-	-	-
Transfer from Stage 2 to Stage 3	-	(15)	15	-	-
Transfer from Stage 3 to Stage 2	-	142	(142)	-	-
Transfer from Stage 3 to Stage 1	5	-	(5)	-	-
New financial assets originated or purchased	121	-	-	-	121
Financial assets fully derecognised during the period	(14)	(3)	(493)	-	(510)
Changes in ECL inputs, models and / or assumptions	(496)	(15)	1,730	-	1,219
Effect of exchange rate changes	(4)	(1)	(24)	-	(29)
Loss Allowance as at March 31, 2021	994	543	2,872	-	4,409
Credit impairment loss recorded in income					<u>(1,229)</u>
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	611	339	942	-	1,892
Transfers:					
Transfer from Stage 1 to Stage 2	(36)	36	-	-	-
Transfer from Stage 2 to Stage 1	60	(60)	-	-	-
Transfer from Stage 2 to Stage 3	-	(49)	49	-	-
Transfer from Stage 3 to Stage 2	-	111	(111)	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	37	-	-	-	37
Financial assets fully derecognised during the period	(11)	(6)	(15)	-	(32)
Changes in ECL inputs, models and / or assumptions	144	77	2,115	-	2,336
Effect of exchange rate changes	1	(1)	(9)	-	(9)
Loss Allowance as at March 31, 2020	809	447	2,968	-	4,224
Credit impairment loss recorded in income					<u>(1,929)</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)

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	
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	5,208	903	6,552	-	12,663
Transfers:					
Transfer from Stage 1 to Stage 2	(144)	144	-	-	-
Transfer from Stage 1 to Stage 3	(27)	-	27	-	-
Transfer from Stage 2 to Stage 1	99	(99)	-	-	-
Transfer from Stage 2 to Stage 3	-	(116)	116	-	-
Transfer from Stage 3 to Stage 1	346	-	(346)	-	-
New financial assets originated or purchased	249	-	-	-	249
Financial assets fully derecognised during the period	(195)	(36)	(1,889)	-	(2,120)
Changes in ECL inputs, models and / or assumptions	(382)	(264)	1,101	-	455
Effect of exchange rate changes	(95)	(12)	(123)	-	(230)
Loss Allowance as at March 31, 2021	5,059	520	5,438	-	11,017
Credit impairment loss reduction recorded in income					208
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	3,757	729	5,754	-	10,240
Transfers:					
Transfer from Stage 1 to Stage 2	(262)	262	-	-	-
Transfer from Stage 1 to Stage 3	(11)	-	11	-	-
Transfer from Stage 2 to Stage 1	83	(83)	-	-	-
Transfer from Stage 2 to Stage 3	-	(68)	68	-	-
Transfer from Stage 3 to Stage 1	3	-	(3)	-	-
New financial assets originated or purchased	504	-	-	-	504
Financial assets fully derecognised during the period	(145)	(29)	(400)	-	(574)
Changes in ECL inputs, models and / or assumptions	661	301	1,123	-	2,085
Effect of exchange rate changes	(71)	(10)	(113)	-	(194)
Loss Allowance as at March 31, 2020	4,519	1,102	6,440	-	12,061
Credit impairment loss recorded in income					(2,688)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

Loss Allowances <u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit- impaired	
Three months ended March 31, 2021					
Loss Allowance as at January 1, 2021	288	1,271	-	-	1,559
Transfer from Stage 1 to Stage 2	(101)	101	-	-	-
Transfer from Stage 2 to Stage 1	1,111	(1,111)	-	-	-
New financial assets originated or purchased	98	-	-	-	98
Financial assets fully derecognised during the period	(52)	-	-	-	(52)
Changes in ECL inputs, models and / or assumptions	(300)	(152)	-	-	(452)
Foreign exchange adjustment	-	1	-	-	1
Loss Allowance as at March 31, 2021	1,044	110	-	-	1,154
Credit impairment loss reduction recorded in income					396
Three months ended March 31, 2020					
Loss Allowance as at January 1, 2020	261	51	-	-	312
New financial assets originated or purchased	58	-	-	-	58
Financial assets fully derecognised during the period	(87)	-	-	-	(87)
Changes in ECL inputs, models and / or assumptions	(5)	5	-	-	-
Loss Allowance as at March 31, 2020	227	56	-	-	283
Credit impairment loss reduction recorded in income					30

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

Three months ended March 31, 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	7	-	-	-	7
Effect of exchange rate changes	(7)	-	-	-	(7)
Loss Allowance as at March 31, 2021	298	-	-	-	298
Credit impairment loss recorded in income					-

Three months ended March 31, 2020

Loss Allowance as at January 1, 2020	197	-	-	-	197
Changes in ECL inputs, models and / or assumptions	37	-	-	-	37
Effect of exchange rate changes	(4)	-	-	-	(4)
Loss Allowance as at March 31, 2020	230	-	-	-	230
Credit impairment loss recorded in income					(37)

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

The most significant period-end assumptions used for the ECL were as follows:

Economic variable assumptions

Sagicor has selected seven economic factors which provide the overall macroeconomic environment in considering forward-looking information for base, upside and downside forecasts. These are as follows:

		As of March 31, 2021		
		2022	2023	2024
GDP Growth (USA)	Base	4.5%	2.9%	1.4%
	Upside	5.6%	3.2%	0.7%
	Downside	2.4%	0.8%	0.9%
World GDP	Base	5.2%	4.2%	4.2%
	Upside	7.8%	6.3%	6.3%
	Downside	2.6%	2.6%	2.6%
WTI Oil Prices/10	Base	\$5.81	\$5.43	\$5.17
	Upside	\$9.39	\$9.39	\$9.39
	Downside	\$2.44	\$2.28	\$2.17
DOW Jones Industrial Average Index - EPS	Base	\$1,603.52	\$1,816.02	\$1,954.16
	Upside	\$2,382.23	\$2,697.92	\$2,903.15
	Downside	\$940.19	\$1,064.79	\$1,145.79
S&P 500 Financial Index – EPS	Base	\$37.87	\$42.09	\$45.34
	Upside	\$57.15	\$63.51	\$68.42
	Downside	\$24.83	\$27.59	\$29.73
GBP/USD	Base	\$1.38	\$1.38	\$1.39
	Upside	\$1.50	\$1.56	\$1.62
	Downside	\$1.26	\$1.20	\$1.16
NZD/USD	Base	\$0.70	\$0.70	\$0.69
	Upside	\$0.77	\$0.80	\$0.83
	Downside	\$0.62	\$0.59	\$0.56

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

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

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of March 31, 2021

Amounts in US \$000

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

SICR criteria	Actual threshold applied	Change in threshold	ECL impact of	
			Change in	threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$3,504	

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

Loss Given Default	Rate applied	Change in value	ECL impact of	
			Increase in value	Decrease in value
Corporate	53%	(- /+ 5) %	933	(933)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	497	(497)
Sovereign - Barbados - BAICO	17%	(- /+ 5) %	51	(51)
Sovereign - Jamaica	15%	(- /+ 5) %	666	(666)

Scenario design

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

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

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

	Base – 80% Upside – 5% Downside – 15%	Base – 80% Upside – 15% Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$489	(\$489)
Lending products	\$231	(\$195)

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

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

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

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

Scenario design

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

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

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

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

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

12.3 Gross Carrying Values – financial investments subject to impairment

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

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	3,208,171	164,073	7,912	28,617	3,408,773
Transfers:					
Transfer from Stage 1 to Stage 2	(3,308)	3,308	-	-	-
Transfer from Stage 2 to Stage 1	1,060	(1,060)	-	-	-
New financial assets originated or purchased	382,972	-	-	-	382,972
Financial assets fully derecognised during the period	(177,243)	(43,171)	(2,737)	(358)	(223,509)
Changes in principal and interest	(24,217)	14,004	5	382	(9,826)
Effect of exchange rate changes	(10,210)	(29)	(66)	(10)	(10,315)
Gross carrying amount as at March 31, 2021	3,377,225	137,125	5,114	28,631	3,548,095
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	3,458,152	70,695	-	30,144	3,558,991
Transfers:					
Transfer from Stage 1 to Stage 2	(74,129)	74,129	-	-	-
New financial assets originated or purchased	439,376	-	-	44	439,420
Financial assets fully derecognised during the period	(612,401)	(9,680)	-	-	(622,081)
Changes in principal and interest	(74,687)	(2,464)	-	533	(76,618)
Effect of exchange rate changes	(13,786)	87	-	(30)	(13,729)
Gross carrying amount as at March 31, 2020	3,122,525	132,767	-	30,691	3,285,983

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEBT SECURITIES - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	1,066,119	28,340	3,926	177,182	1,275,567
New financial assets originated or purchased	244,444	-	-	8	244,452
Financial assets fully derecognised during the period	(204,402)	(4,067)	(82)	-	(208,551)
Changes in principal and interest	(592)	(139)	1	3,346	2,616
Effect of exchange rate changes	(7,107)	-	-	-	(7,107)
Gross carrying amount as at March 31, 2021	1,098,462	24,134	3,845	180,536	1,306,977
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	988,324	4,555	-	158,368	1,151,247
Transfers:					
Transfer from Stage 1 to Stage 2	(5,169)	5,169	-	-	-
New financial assets originated or purchased	100,782	-	-	-	100,782
Financial assets fully derecognised during the period	(59,019)	-	-	-	(59,019)
Write-offs	(167)	-	-	-	(167)
Changes in principal and interest	3,177	(89)	-	1,244	4,332
Effect of exchange rate changes	(10,928)	-	-	-	(10,928)
Gross carrying amount as at March 31, 2020	1,017,000	9,635	-	159,612	1,186,247

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	306,115	42,821	47,886	-	396,822
Transfers:					
Transfer from Stage 1 to Stage 2	(20,790)	20,790	-	-	-
Transfer from Stage 1 to Stage 3	(61)	-	61	-	-
Transfer from Stage 2 to Stage 1	19,104	(19,104)	-	-	-
Transfer from Stage 2 to Stage 3	-	(810)	810	-	-
Transfer from Stage 3 to Stage 2	-	14,734	(14,734)	-	-
Transfer from Stage 3 to Stage 1	622	-	(622)	-	-
New financial assets originated or purchased	15,370	-	-	-	15,370
Financial assets fully derecognised during the period	(3,866)	(415)	(2,331)	-	(6,612)
Changes in principal and interest	(2,617)	340	(181)	-	(2,458)
Effect of exchange rate changes	(1,789)	(97)	(168)	-	(2,054)
Gross carrying amount as at March 31, 2021	312,088	58,259	30,721	-	401,068
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	300,647	38,766	25,026	-	364,439
Transfers:					
Transfer from Stage 1 to Stage 2	(5,560)	5,560	-	-	-
Transfer from Stage 1 to Stage 3	(39)	-	39	-	-
Transfer from Stage 2 to Stage 1	12,351	(12,351)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,620)	4,620	-	-
Transfer from Stage 3 to Stage 2	-	2,127	(2,127)	-	-
Transfer from Stage 3 to Stage 1	237	-	(237)	-	-
New financial assets originated or purchased	13,367	-	-	-	13,367
Financial assets fully derecognised during the period	(1,338)	(150)	(102)	-	(1,590)
Changes in principal and interest	(2,385)	(1,490)	405	-	(3,470)
Effect of exchange rate changes	(920)	(86)	(41)	-	(1,047)
Gross carrying amount as at March 31, 2020	316,360	27,756	27,583	-	371,699

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

FINANCE LOANS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	523,594	33,487	10,966	-	568,047
Transfers:					
Transfer from Stage 1 to Stage 2	(14,138)	14,138	-	-	-
Transfer from Stage 1 to Stage 3	(1,604)	-	1,604	-	-
Transfer from Stage 2 to Stage 1	4,335	(4,335)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4,087)	4,087	-	-
Transfer from Stage 3 to Stage 1	569	-	(569)	-	-
New financial assets originated or purchased	29,805	-	-	-	29,805
Financial assets fully derecognised during the period	(19,537)	(1,383)	(3,106)	-	(24,026)
Changes in principal and interest	(15,524)	(1,060)	(654)	-	(17,238)
Effect of exchange rate changes	(9,071)	13	(154)	-	(9,212)
Gross carrying amount as at March 31, 2021	498,429	36,773	12,174	-	547,376
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	579,856	12,975	12,716	-	605,547
Transfers:					
Transfer from Stage 1 to Stage 2	(27,822)	27,822	-	-	-
Transfer from Stage 1 to Stage 3	(311)	-	311	-	-
Transfer from Stage 2 to Stage 1	1,950	(1,950)	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,168)	1,168	-	-
Transfer from Stage 3 to Stage 2	-	57	(57)	-	-
Transfer from Stage 3 to Stage 1	6	-	(6)	-	-
New financial assets originated or purchased	53,915	-	-	-	53,915
Financial assets fully derecognised during the period	(22,358)	(415)	(1,015)	-	(23,788)
Changes in principal and interest	3,367	(325)	(377)	-	2,665
Effect of exchange rate changes	(8,938)	327	(213)	-	(8,824)
Gross carrying amount as at March 31, 2020	579,665	37,323	12,527	-	629,515

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

SECURITIES PURCHASED FOR RESALE - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	57,110	-	-	-	57,110
New financial assets originated or purchased	367,531	-	-	-	367,531
Financial assets fully derecognised during the period	(388,438)	-	-	-	(388,438)
Changes in principal and interest	(34)	-	-	-	(34)
Effect of exchange rate changes	(1,290)	-	-	-	(1,290)
Gross carrying amount as at March 31, 2021	34,879	-	-	-	34,879
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	10,904	-	-	-	10,904
New financial assets originated or purchased	301,221	-	-	-	301,221
Financial assets fully derecognised during the period	(289,479)	-	-	-	(289,479)
Changes in principal and interest	50	-	-	-	50
Effect of exchange rate changes	(588)	-	-	-	(588)
Gross carrying amount as at March 31, 2020	22,108	-	-	-	22,108

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	117,784	11,495	-	-	129,279
Transfers:					
Transfer from Stage 1 to Stage 2	(1,967)	1,967	-	-	-
New financial assets originated or purchased	1,690,885	-	-	-	1,690,885
Financial assets fully derecognised during the period	(1,702,873)	(11,123)	-	-	(1,713,996)
Changes in principal and interest	48	3	-	-	51
Effect of exchange rate changes	(1,028)	-	-	-	(1,028)
Gross carrying amount as at March 31, 2021	102,849	2,342	-	-	105,191
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	62,493	617	-	-	63,110
Transfers:					
Transfer from Stage 1 to Stage 2	(246)	246	-	-	-
New financial assets originated or purchased	21,731	-	-	-	21,731
Financial assets fully derecognised during the period	(19,460)	(246)	-	-	(19,706)
Changes in principal and interest	1,209	1	-	-	1,210
Effect of exchange rate changes	(55)	(1)	-	-	(56)
Gross carrying amount as at March 31, 2020	65,672	617	-	-	66,289

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CREDIT RISK (continued)

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

POLICY LOANS – AMORTISED COST

<u>Amounts in US \$000</u>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Three months ended March 31, 2021					
Gross carrying amount as at January 1, 2021	151,336	-	-	-	151,336
New financial assets originated or purchased	557	-	-	-	557
Financial assets fully derecognised during the period	(1,072)	-	-	-	(1,072)
Changes in principal and interest	298	-	-	-	298
Effect of exchange rate changes	(42)	-	-	-	(42)
Gross carrying amount as at March 31, 2021	151,077	-	-	-	151,077
Three months ended March 31, 2020					
Gross carrying amount as at January 1, 2020	151,730	-	-	-	151,730
New financial assets originated or purchased	1,514	-	-	-	1,514
New financial assets fully derecognised during the period	(1,069)	-	-	-	(1,069)
Changes in principal and interest	924	-	-	-	924
Effect of exchange rate changes	(126)	-	-	-	(126)
Gross carrying amount as at March 31, 2020	152,973	-	-	-	152,973

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS

Amounts in US \$000

Adjustments for non-cash items, interest and dividends:

	March 31, 2021	March 31, 2020
(Loss) / income from financial investments	(117,391)	3,204
Gain arising on business combinations, acquisitions and divestitures	(10,679)	-
Loss on impairment of investment in associates and joint ventures	-	3,378
Net increase in actuarial liabilities	81,348	20,032
Interest costs and finance costs	21,145	22,036
Credit impairment losses	(456)	15,612
Depreciation and amortisation	8,765	11,716
Increase in provision for unearned premiums	721	549
Other items	(5,532)	2,477
	<u>(22,079)</u>	<u>79,004</u>

Net change in investments and operating assets:

Investment property	-	(60)
Debt securities	(213,075)	(112,214)
Equity securities	55,436	(273,489)
Mortgage loans	(7,584)	(6,677)
Policy loans	241	(1,608)
Finance loans	11,408	(32,848)
Securities purchased for resale	(40)	6
Deposits	3,392	(6,647)
Other assets and receivables	13,797	(17,757)
	<u>(136,425)</u>	<u>(451,294)</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

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

<u>Amounts in US \$000</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Investment property:		
Purchases	-	60
Debt securities:		
Purchases	(1,193,128)	(716,591)
Disposal proceeds	980,053	604,377
	<u>(213,075)</u>	<u>112,214</u>
Equity securities:		
Purchases	(63,299)	(291,281)
Disposal proceeds	118,735	17,792
	<u>55,436</u>	<u>(273,489)</u>
Net change in operating liabilities:		
Insurance liabilities	8,838	2,777
Investment contract liabilities	12,270	5,191
Other funding instruments	18,656	30,413
Deposits	4,714	68,308
Securities sold for repurchase	(10,222)	(1,627)
Other liabilities and payables	(440)	2,708
	<u>33,816</u>	<u>107,770</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. CASH FLOWS (continued)

<u>Amounts in US \$000</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Investing activities		
Property, plant and equipment:		
Purchases	(2,347)	(3,463)
Disposal proceeds	101	18
	<u>(2,246)</u>	<u>(3,445)</u>
Financing activities		
Notes and loans payable:		
Repayments	(3,677)	(2,544)
Lease liability payments		
Principal paid	(1,957)	(2,171)
Interest paid	(436)	(591)
	<u>(2,393)</u>	<u>(2,762)</u>
Cash and cash equivalents		
Cash	281,411	307,256
Call deposits and other liquid balances	278,969	214,053
Bank overdrafts	(819)	(1,496)
	<u>559,561</u>	<u>519,813</u>

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. MOVEMENT IN ACTUARIAL LIABILITIES

	Gross liability		Reinsurers' share	
	Three months to March 31,	Twelve months to December 31,	Three months to March 31,	Twelve months to December 31,
	2021	2020	2021	2020
<u>Amounts in US \$000</u>				
Balance, beginning of period	4,152,701	3,604,653	639,797	661,811
Changes in actuarial liabilities:				
Recorded in income (note 6)	50,218	512,140	(31,130)	(22,026)
Recorded in OCI	(43,129)	65,039	-	-
Other movements	10	(1,057)	(2)	5
Effect of exchange rate changes	(8,064)	(28,074)	(4)	7
Balance, end of period	4,151,736	4,152,701	608,661	639,797
Analysis of changes in actuarial liabilities				
Arising from increments and decrements of inforce policies and from the issuance of new policies	57,782	589,905	(30,724)	(23,881)
Arising from changes in assumptions for mortality, lapse, expenses, partial withdrawal, universal life premium persistency, investment yields and asset default	(49,218)	9,918	-	187
Other changes:				
Actuarial modelling, refinements and improvements	(1,475)	5,221	(406)	1,664
Arising from fair value changes of Segregated Funds	-	(15,471)	-	-
Other items	-	(12,394)	-	4
Total	7,089	577,179	(31,130)	(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>March 31, 2021</u>	<u>December 31, 2020</u>
Current lease liabilities	8,754	8,556
Non-current lease liabilities	28,917	31,053
	<u>37,671</u>	<u>39,609</u>

The lease liabilities relate to right-of-use assets of \$29,562 as at March 31, 2021 (\$30,951 as at December 31, 2020).

16. EARNINGS PER COMMON SHARE

For the three-month period ended March 31, 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 three-month period ended March 31, 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 266,600 shares, at a total cost of US \$1.3 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 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, 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 \$14,251 was recognised for the period to March 31, 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. It is due to expire on June 26, 2021 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date.

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

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

21. DIVIDEND

On March 18, 2021, the Board of Directors declared a dividend of US \$0.05625 per share, on the issued and outstanding common shares held by shareholders of record at the close of business on March 31, 2021. This dividend was paid on April 21, 2021.

SAGICOR FINANCIAL COMPANY LTD.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SUBSEQUENT EVENTS

- i. On May 3, 2021, Sagicor Financial Company Ltd. (the Company) announced that it had commenced a cash tender offer for the outstanding 8.875% senior notes due 2022 (the “Notes”) issued by its subsidiary, Sagicor Finance (2015) Limited.

The obligation of the Company to accept and pay for the Notes in the tender offer was subject to the waiver of a number of conditions, including the receipt by the Company of proceeds from a proposed separate issuance of securities (the “New Notes”), on terms satisfactory to the Company. The proceeds generated were to be used to finance the repurchase of the Notes following the tender offer, which expired on May 7, 2021.

On May 13, 2021, the Company issued 5.30% senior notes due 2028 in the amount of US \$400 million. The Company also accepted cash tenders, for the outstanding 8.875% senior notes, totalling US \$130.2 million. Certain companies within the Group are subject to financial covenants related to the New Notes.

- ii. On May 14, 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 June 15, 2021 to the shareholders of record at the close of business on May 25, 2021.