FINAL TRANSCRIPT

Sagicor Financial Company Limited

Fourth Quarter and Full Year 2020 Earnings Call

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PRESENTATION

Operator

At this time, I'd like to welcome everyone to the Sagicor Financial Company Limited Fourth Quarter and Full Year 2020 Earnings Call.

Ms. Samantha Cheung, EVP of Investor Relations, you may begin your conference.

Samantha Cheung — Executive Vice President, Investor Relations, Sagicor Financial Company Limited

Hello, everyone, and thanks for joining our call today.

A link to our live webcast and published information for this call is posted on our website at www.sagicor.com under the Investor Relations tab.

Please refer to the cautionary language and disclaimers in our materials regarding the use of forward-looking statements and the use of non-IFRS financial measures, which may be mentioned as part of our remarks today.

Unless otherwise noted, all dollar amounts referenced will be in U.S. dollars, which is consistent with our reporting practice.

Joining me today are Dodridge Miller, our President and CEO; Andre Mousseau, our CFO; and Anthony Chandler, our Chief Controller.

We'll begin with prepared remarks by Dodridge and Andre, followed by a question-and-answer session.

With that, I'll turn the call to our Group President and CEO, Dodridge Miller. Dodridge?

Dodridge Miller — Group President and Chief Executive Officer, Sagicor Financial Company Limited

Thank you, Samantha, and thanks to everyone for taking the time to join us.

Today, I will give some brief remarks focusing on our operating environment and our overall performance for the quarter and for the full year 2020. Then, I will turn it over to our CFO, Andre Mousseau, who will provide more granular details on our performance.

It has been an unprecedented time over the last 12 months, which also coincided with our first year listed on the Toronto Stock Exchange. After several quarters of volatility during this time, we are pleased to report financial results for the fourth quarter which demonstrate the earnings power of our resilient franchise. As global conditions continue to improve, we look forward to more positive earnings calls like this one in the future.

For the fourth quarter of 2020, revenue grew 43 percent year-over-year to $675 million. This was supported by higher individual life and annuity sales in the U.S., the southern Caribbean, and higher net investment income across all segments.

Net income to shareholders for the quarter was $29 million, and total comprehensive income to shareholders for the quarter was $53 million.

We are pleased to be back on track in terms of profitability this quarter, and it was an overall solid performance.

While the pandemic overshadowed the operating environment from early in the year, our team at Sagicor swiftly responded to the emergence of the virus by placing our staff and our customers at the centre of our operating response. This has had the positive impact of accelerating digital initiatives and enhancing our stakeholder engagement. We were quick to implement digital methods of payment and claim settlements, and we've also set up virtual meeting rooms to safely serve our customers. Through it all, while we transform our business to operate and grow in a COVID and post-pandemic environment, we continue to execute on our growth strategy. This was evidenced by the level of business written in the fourth quarter.

Turning to the outlook, even as there remains some uncertainty given the operating and economic environment, we are optimistic about our future. Our Company is financially strong, and our operating results continue to improve quarter-over-quarter.

While our countries are generally managing these conditions reasonably well, the economies in the Caribbean are directly impacted by lockdowns at home and abroad. Since it is not clear when the pandemic will fully recede, there are still economic and operating challenges. We believe, however, there is light at the end of the tunnel with the aggressive vaccine rollout and the eventual return of tourism, which is critical to many of the geographies in which we operate. Our Board and Management remain focused on long-term growth by ensuring our customers are top-of-mind and our operations are capital efficient and profitable. We also continue to aggressively pursue inorganic growth opportunities.

We believe we are well-positioned to execute on our growth strategy as we transition to a post-pandemic world.

I want to thank our staff and Leadership for the level of engagement displayed during a very challenging year.

Before handing it over to our CFO, let me take a moment to comment on the leadership change at Sagicor Life, our southern Caribbean business segment.

At the end of the year, we bid farewell to Mr. Ravi Rambarran. Ravi was instrumental to growth at Sagicor in various leadership roles during his over two decades of service to our Company. We wish him well in his retirement.

With this change, Mr. Robert Trestrail assumed the role of President and CEO of Sagicor Life. Robert has been with Sagicor for many years, and was most recently the Head of our Trinidad and Tobago operations. I have every confidence that Robert has the knowledge and the experience to lead Sagicor Life on its next journey of growth.

I now turn the presentation over to our Group CFO, Andre Mousseau. Thank you.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Thank you, Dodridge, and good afternoon, everyone.

As Dodridge alluded to, it is nice to be here reporting strong results that represent the profitability that we believe we can generate, really, for the first time since we announced our fourth quarter 2019 results by which time we were in the first wave of the pandemic. After the asset price volatility late in Q1, then recovery of assets but slower new business generation in Q2 and Q3, Q4 is a better representation of what our business is capable of.

Total revenues in the quarter increased 43 percent year-over-year to $675 million. Revenues were driven by significantly higher individual annuity sales in the U.S., single premium annuities in the southern Caribbean, and higher net investment income across all of our segments.

Net income to shareholders was $29 million in Q4. Contributing to this were strong new business sales in the U.S.A. in SLI, profits associated with better asset liability matching in SLI, and offset, in part, by strengthening of reserves in our U.S. operations and some one-time restructuring charges. This compares with $11 million in Q4 2019, which was an unusual quarter. Q4 2019 was exceptionally strong operationally, as we benefited from some positive changes in reserve assumptions, but took $44 million of cash and non-cash charges related to our SPAC transaction, which was completed in December of that year.

Turning to our full year consolidated performance, total revenue of nearly $1.9 billion for 2020 was about flat, increasing 1 percent against last year.

Our assets grew by over $500 million to $9.3 billion, and our overall Group net income to shareholders in 2020 was a loss of $4 million.

Now, I'll speak about the fourth quarter performance of our major operating segments.

At Sagicor Life, our operating segment in the southern Caribbean, total revenue increased 18 percent year-over-year to $191 million. We benefited from a large single premium annuity sale of $64 million and $7 million of annualized new life premium sold in the quarter, bringing total annualized new life premium for the segment to $21 million for the year.

Net income to shareholders in the quarter was $35 million, increasing by 20 percent over a strong Q4 2019. In this quarter, we benefited from improved asset liability matching related to the acquisition of some long-dated assets to match our long-dated life insurance liabilities in the segment. This matching contributed approximately $25 million to our net income in the quarter.

At Sagicor Jamaica, total revenue, including premiums, was $177 million, which declined 9 percent year-over-year in U.S. dollars, driven principally by devaluation of 8 percent year-over-year in the Jamaican dollar; so, nearly flat in local currency.

Our share of Sagicor Jamaica's net income was $11 million compared to a profit of $18 million in the same quarter last year. The primary reason for the decrease is that last year, Sagicor Jamaica made its major reserving changes in Q4, while this year, it did it in Q3 to match the rest of the SFC Group.

Sagicor Life USA in Q4 nearly tripled its revenue year-over-year to $295 million, including $254 million of new business production as we had a very strong production quarter, particularly in multi-year guaranteed annuities. This brought our total new production for the year to $582 million.

Net income to shareholders in Q4 was $9 million relative to a profit of $15 million in the same quarter in the prior period. We would have expected higher profits from the segment given the amount of production in the quarter, but this year the gains from the strong growth were offset by an $18 million strengthening of actuarial liabilities associated with forward-looking assumptions.

In addition to these segment results, we took approximately $8 million of non-recurring restructuring expenses in the fourth quarter at head office. This brought our total comprehensive income to $53 million in the quarter, which increased our book value about 5 percent to US$7.58. That is book value per share, although that stayed relatively flat at CA$9.63 per share as the Canadian dollar is appreciated significantly against the U.S. in the last few months.

We remain well-capitalized, with significant liquidity available at the holding company, a debt-to-capital ratio of 22 percent, and an MCCSR of 252 percent.

My last prepared point is that, in March, we announced our latest quarterly dividend, and continue to pay at an annualized US$0.225 per share.

With that, I will turn it back to Dodridge and Samantha.

Samantha Cheung — Executive Vice President, Investor Relations, Sagicor Financial Company Limited

Thank you, Andre.

We are now ready to take your questions. Operator, please open the lines to the analysts for their questions.

Q & A

Operator

Your first question comes from Meny Grauman from Scotiabank. Please go ahead.

Meny Grauman — Analyst, Scotiabank

Hi. Good afternoon.

First question is just about the U.S. segment, the reserve charge in the quarter. I was just wondering if you could provide more detail. What’s driving that? I know the prior quarter you talked about reserving tied to rates, so I'm wondering if it's the same issue or something else. Thank you.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

It's not the exact same issue with respect to rates, but I think it's from the continuing re-evaluation of our U.S. book, we did the main re-look at assumptions in the third quarter, but we took a look at a couple specific models that we use to model the reserves for a couple of our products, and this came out of our year-end audit process, and decided to take a slightly more conservative posture with a couple of the individual calculations, so in the overall context of the U.S.'s reserves, the actuaries like to say that this is virtually immaterial. Obviously, it has a meaningful impact on the quarterly P&L, because that's the way it has to run, but it's just part of the continual exercise to reassess our reserves.

Meny Grauman — Analyst, Scotiabank

In terms of reserving, we're seeing rates in the U.S. move up, and I think a lot of people are wondering could we see reserves releases related to that. If you could just provide us with some context, how to think about rising rates and the potential for that to benefit your business in 2021.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

All things being equal, rising rates will be positive for our income statement, so a meaningful proportion of the reserve strengthening, particularly in the U.S. this year, was due to rates falling, and so while I wouldn't necessarily think that it was one-to-one, there would be—if we continue to see rates increase throughout the year, all things being equal, it could have some positive tailwinds in terms of reversing some of the reserve changes that we saw in 2020.

Meny Grauman — Analyst, Scotiabank

Okay, and then just more broadly in the U.S., you talk about achieving scale in the U.S. I'm just wondering if you could provide some more context, especially as we're looking out to '21 now. Can scale be achieved in 2021, or is it still farther out? And how do you define scale? And if you could, just kind of give us a little bit of an outlook for '21 for the U.S. in terms of being able to achieve that scale.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Right. Well, I do think that, as we've communicated before, we'd like to see more assets under management for the U.S. business. As I said in the prepared remarks, we put about a quarter billion dollars worth of new business production onto the U.S. balance sheet just in the fourth quarter, so I wouldn't necessarily extrapolate that for a full year run rate, but I think it does give an indication of the speed at which we can add assets to that business when we decide to, to accelerate our production. I think in 2021, by the end of the year, we will be closer to scale, but I think that we're scale in terms of generating IFRS-positive net income in good quarters, but I think that it will really be a year-end 2021, 2022 when we really start getting to the metrics that we'd like to see.

Meny Grauman — Analyst, Scotiabank

Okay. I have a few more questions, but I'll re-queue if anyone else is in the queue, and then I can come back. Thank you.

Operator

Your next question comes from Aditya Gupta from Desjardins. Please go ahead.

Aditya Gupta — Analyst, Desjardins Securities, Inc.

Thank you. Good afternoon.

Just a couple of quick ones here on the U.S. We've seen recent transaction activity on blocks of business, and just want to get a sense. As more insurers look to divest these blocks, how do you think that this impacts the competitive environment in this market, and how do you see—do you see this as an opportunity for Sagicor to grow this business by being an acquirer? Thank you.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Well, thank you for the question.

There has certainly been an active market in the U.S., both in terms of blocks and in terms of entire businesses transacting: small, medium, and very large. There's obviously a lot of competition in the space, and so you have to be mindful of that when you're going out to acquire to get scale, but that said, while we're looking to—as I said in response to Meny's question, we're obviously growing the U.S. by adding to it organically, and we’re constantly evaluating what is the most capital-efficient way to do that, whether it is just organically through our traditional sales channel, or through larger blocks, so it is not something that we've participated in recently, but we’re certainly active in taking a look.

Dodridge Miller — Group President and Chief Executive Officer, Sagicor Financial Company Limited

Andre, I would just add that the activity in the market is kind of reinforcing that if you have a viable platform, there's an opportunity to get more business then to scale, and we remain very, very confident that the path we’re on for the U.S. is the right one, although we continue to re-examine all our options.

Aditya Gupta — Analyst, Desjardins Securities, Inc.

Thank you, and just if I could sneak another one in here. Just if you can, how would you—how do you think about, or how would you rank, capital allocation priorities when we’re thinking about growing the U.S. or maybe consolidating the Caribbean, versus other methods such as buying back stock? If you could just give us a little bit of colour on that, that would be helpful. Thank you.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

I'd say in terms of growing the U.S. versus growing the Caribbean, I think we're in a fortunate situation of being well-capitalized from the transaction just over a year ago that it's not either/or, and we’re continuing to examine opportunities and grow our U.S. business, and we are certainly active in looking at ways that we can consolidate the Caribbean, so we don't have, necessarily, defined buckets for one versus the other, but we intend to continue to pursue both.

In terms of returning capital to shareholders through buying back shares, I mean, I think that while we obviously see great accretion from shares that you can buy back at these levels, one of the things we’re seeing is that there's not a tremendous amount of stock for sale at these levels. It's an accretive use of capital and a good use of capital for us to buy shares back at these levels, but in terms of sizing that, we’re limited to eight million shares, which would tell you that, at today's levels, the amount of cash that we intend to spend on buying back these shares would be a fraction of what we would be prepared to spend to grow our operating businesses.

Operator

Your next question comes from Darko Mihelic from RBC. Please go ahead.

Darko Mihelic — Analyst, RBC Capital Markets

Hi. Good afternoon. Thanks for taking my questions.

My first one's actually just a simple straightforward one. It's administrative. It's April 6, and you've already finished your first quarter, but we’re talking about Q4 here, so are you intending to go back to a normal cadence of reporting. I guess the question, and we can answer this real quick, when do you intend to report and have a conference call for Q1 results? Will it be May?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Yes. Hi, Darko.

Yes, it will be May. I'd expect it would be in the second week of May. We took a couple extra weeks than we intended on our year-end close. You see in the numbers there wasn't anything that was particularly controversial, but when you think about the manner in which our operating structure is stacked where some of our operating subsidiaries have operating subsidiaries themselves, and you kind of have a three-layer audit, it can take time. We wouldn't want to be sitting here next year on April 6 doing our annual conference call, but that's where we got to with this year-end, but yes, not a lot of time, I think, between this call and our Q1 quarter—or Q1 call.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Fair enough. That's good. Thank you, and so, a couple of questions with respect to some of the numbers here.

The first, I just want to sort of revisit Sagicor Life. You mentioned that there was a $25 million help from the matching, and so on, so that would leave you with about 11 million excluding that. Now, was there any of this kind of activity in last year's numbers, and if not, if I exclude that activity, what would account for the major sort of year-over-year weakness in the underlying actual results of Sagicor Life?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

No, there was some similar gains in the fourth quarter of 2019, so even though in both cases they're very big earnings numbers, year-over-year, they're actually relatively comparable. In SLI, where the markets for the securities in which we trade in aren't as deep and aren't as liquid, the matching of the liabilities to the assets isn't quite as frequent as it's done in the U.S., where, in the U.S., you're almost rolling it on a weekly basis as we're adding assets. What has tended to happen over the last couple of years is we do the actuarial studies at the end of Q3, and then by the time that's done, you're in the middle of Q4 and it points you to a couple of different places where you can say, okay, we can improve our asset liability matching by undertaking a couple of different transactions and getting a better match, and so that has happened, and it's two years in a row coming out of the actuarial work in Q3.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Okay, so what should we be thinking about for your company going forward, and is there more opportunities for this kind of stuff to continue? Should we think of a number, maybe not necessarily telling every quarter X amount can happen, but maybe on an annual basis, we could better match assets and liabilities and produce a gain of X? Is such a thing possible for you to think about, or...?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Well, I think that, first of all, yes, there's more to do in the sense that if you looked into our reserves, you would see that, particularly for SLI, we continue to be mismatched a little bit short there, and that is due to a relative lack of longer-term assets, and so the glass half full version of that is that there's a fair amount of conservatism in our reserves in SLI that—if we can match better, that we can unwind. I think we've observed it three years in a row that, in the fourth quarter, we've been able to tighten that gap, and then just because of the way that all runs through the income statement at once, the fourth quarter, for SLI in particular, tends to be a big one for net income. I don't know that we're prepared to put specific guidance on it, but I think that the conditions could exist for it to happen again.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Fair enough.

Dodridge Miller — Group President and Chief Executive Officer, Sagicor Financial Company Limited

Darko, this is Dodridge.

We would have mentioned before that generally in the southern Caribbean, our issue has been that we’ve had long-dated liabilities and short-dated assets, so there was an opportunity for better matching if we can finance it, and the assets tend not to be in the corporate space, tend to be in the government space. In the last two years at least, we've seen, particularly in Trinidad, the government's taken a different stance on its own approach to the market and issued some longer-dated instruments which better match our liabilities. There is still some space in our liability that needs to be fixed, but it is very much a function of if and when the government chooses to issue instruments within those buckets, so we can't predict or give you any guidance on that, but there is still some room, but it is the question very much of when the government would want to do that and if they better match our positions.

I hope that helps.

Darko Mihelic — Analyst, RBC Capital Markets

Yes, it does help, actually. But it elicits another question, which is, what about moving away from governments to corporates or swaps or something like that? Or, I mean, is such an opportunity even remotely plausible? I would imagine corporates are usually shorter-dated, but is there—there's no other opportunity, I suppose, unless you were to use a sort of derivative to extend the asset duration. Or does that simply just not exist in those jurisdictions?

Dodridge Miller — Group President and Chief Executive Officer, Sagicor Financial Company Limited

Right, the corporates tend to be short, and governments are now moving out particularly in Trinidad, and we saw, as well, a little bit of an uptick in interest rate. This also helped.

As to the opportunity for derivatives, we don't see them at the minute, but we keep our eyes open for any opportunity that would allow us to do that, and not only within that jurisdiction, but across the southern Caribbean.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Okay. That's helpful.

Then I just have a question with respect to Sagicor USA. One of the things it looks like really benefited your business was the sale of multi-year guaranteed annuities, and I guess you're saying the result of a direct strategy there. But is it my understanding that you've stopped selling those in the U.S., and if so, what is the impact of that going forward?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

No, no. We have scaled back the index products, but we're still selling the MYGA, and that's the main products by premium that we are selling.

Darko Mihelic — Analyst, RBC Capital Markets

Is the profitability on the MYGA still as robust as before, or has the environment now become more competitive with rising rates, or are you actually booking better profitability for each MYGA sold now?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

The MYGA returns seem to fluctuate even monthly as different participants are out in the market, and there's been a lot of movement in some of the investments in terms of the yields that you can get for new assets that you can put on. We saw good profitability out of what we sold in the fourth quarter. In the first quarter, I think we started to see some spreads compressing a little bit, and so we backed off a little bit on production relative to where we were in Q4, but all in all, while it does fluctuate and you have to keep your eye on it, we continue to think it's quite a profitable product if we can write it at scale.

Darko Mihelic — Analyst, RBC Capital Markets

Okay, and then just last question. I mean, it's clear the environment is still uncertain. I was hoping for some form of guidance from you guys, or some sort of objectives, whether they be longer term. Any thoughts on where are you guys land with respect to targeted ROE or earnings, or is it just simply too uncertain an environment and you guys don't want to go there yet, and maybe this is something that we can discuss in year-end or something like that?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Well, I don't know whether it's year-end, but it does feel early to be discussing specific guidance for the year, because we wouldn't want to put something out there and then have to dial it back. I think that over the long term, some of the guidance that we would have given out going back to pre-crisis where we would aspire, with fully-allocated capital and a normalized operating environment, to get returns on equities from the low into the mid-teens, and that would still be our medium-term target. But we're—I think there's still the potential for this year to be impacted enough that it's not a normalized operating environment yet, and to get up to those returns on equity, we would have to fully deploy the capital that we raised, and we haven't fully deployed that capital yet.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. I'm not going to hog the puck anymore. I'll end here, but I will re-queue in the event there's no other questions.

Operator

We have a follow-up question from Meny Grauman from Scotiabank. Please go ahead.

Meny Grauman — Analyst, Scotiabank

Yes, hi. Just following up on the line of question that Darko's asking. If you think about tourism in the Caribbean, what's your base assumption for when tourism kind of gets back to normal levels? I appreciate there's a lot of lockdowns in the region, but the U.S. definitely seems to be moving very fast with vaccinations, and correct me if I'm wrong, that's—the majority of tourists come from the United States into the region. So, what's the best outlook for when that tourism kind of goes back to where it should be?

Dodridge Miller — Group President and Chief Executive Officer, Sagicor Financial Company Limited

This is Dodridge.

I would say that we were looking forward to a fairly strong 2020 winter season, but then we saw the surge, and Barbados, in particular, also went into some lockdowns early in January to end of February. And with the aggressive rollout of the vaccine in Barbados and around the world, we remain optimistic about the 2021 tourism season.

The traffic that I'm seeing around the U.S. suggests that there is pent-up demand and people are ready to travel, so I expect that during the summer as more vaccines roll out and the guidance is clear from the CDC, we may actually see some traveling into the Caribbean in the summer; but the winter season is normally the best time for Caribbean tourism, and we look forward to a 2021 winter season that is stronger.

Meny Grauman — Analyst, Scotiabank

Okay. Then just wanted to ask about excess capital. If you could just give us an update in terms of your excess capital number. Remind us in terms of how you derive that number. That would be helpful.

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Well, it's not a number that is there in the financial statements, because we have the consolidated financials, and some of the cash is actually held in cash-like equity securities. We did, as you would have seen, right at the start of January, we deployed about $42 million to buy some shares from Playa, which had been held by a subsidiary of the subsidiary through Sagicor Jamaica, and we decided to bring some of those onto our balance sheet, so we deployed some of our excess capital into that. But, of the $450 million that was raised, even with having spent capital on the share buybacks and support for the U.S. and the acquisition of those shares, we've got a bit more than half of that $450 million that is still free and liquid up at the top company.

Meny Grauman — Analyst, Scotiabank

Okay. Thank you.

Then, actually, a final one for me just on the restructuring charge in the corporate segment, thought I saw a note that it was related to the executive retirement that you highlighted. Is there anything else there in terms of restructuring—what's driving that restructuring charge, or is it just that retirement that is the reason for that charge?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

It was just that retirement and the acceleration of some payments that were due through some of the employment contracts, some of which were due to just long tenure, and some of which had been put in place at the time of the transaction back in 2019.

Meny Grauman — Analyst, Scotiabank

There's nothing more broad in terms of cost-cutting or kind of restructuring that you're working on. Is that correct?

Andre Mousseau — Group Chief Financial Officer, Sagicor Financial Company Limited

Nothing that's in the numbers.

Meny Grauman — Analyst, Scotiabank

Okay. Thanks.

Operator

We have another follow-up question from Darko from RBC. Please go ahead.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Great. Thank you. I'm back.

I just wanted to talk a little bit about credit and the impairment losses you took this year. I mean you're the only lifeco that I know of, or at least that I cover, that has IFRS 9 sort of built in, and when I look at the tables, it looks like there's a bit of a Stage 2 allowance for credit loss that could be reversed back into earnings at some point if the outlook improves. Can you walk me through how much of the impairment losses this year were real, how many are Stage 2? And I'm just curious, why is the forward-looking kind of indicators not improving and allowing you to release? I mean, it looked like you released some this quarter, but I'm really—what I'm really interested in understanding is how much is left there to be released, and I'll leave it there. I mean, I'm not asking you to predict how much you'll release this year, but I want to understand if it's the same number that I'm looking at here, because your table's a little bit different from what I'm used to seeing from the banks.

Dodridge Miller — Group President and Chief Executive Officer, Sagicor Financial Company Limited

Anthony, do you want to take that question?

Anthony Chandler — Group Chief Financial Controller, Sagicor Financial Company Limited

Yes, okay.

Well, I think when you look at IFRS 9, some will be built in from the life insurance companies, and then there will be some from the banks, and it's a combination of forward-looking assumptions, and also performance on the individual portfolios; so, there's some opportunity to roll back, especially in the banks in the short term, but we would have to see the performance of the individual portfolios improve in order to do those rollbacks.

You will recall that the majority of these increases were done, essentially, in our first quarter as we entered the pandemic, and we know that at this time there has not been no real significant change in terms of the position on those things. What has happened, essentially, is that we have not increased those provisions in the latter months of the year, but we still believe at this time that they're still relevant; but there will be some opportunity, as the portfolios improve, to pare them back.

Darko Mihelic — Analyst, RBC Capital Markets

Okay, and I guess what I'm looking at is your Stage 2—the disclosures on Page 78 of your MD&A, and I'm just looking at the Stage 2 loss allowances that are there. Is that the way I should be thinking about in terms of potential for reversals, if I just add all those up? Because, you have it for OCI, and then you have it for mortgage loans, finance, so on. If I just added all that up, that's the potential for—and what would be—and I don't know if it's the question – if we can reverse-engineer this, but—I don't have it handy, but what would have been the number totaled for 2019?

Anthony Chandler — Group Chief Financial Controller, Sagicor Financial Company Limited

You say on Page 78?

Darko Mihelic — Analyst, RBC Capital Markets

Yes.

Anthony Chandler — Group Chief Financial Controller, Sagicor Financial Company Limited

Okay. The 2019 number—so you are looking—could you remind me again where you're looking, Page 78?

Darko Mihelic — Analyst, RBC Capital Markets

Yes. On Page 78 of the MD&A, you guys have Stage 2, and you have the loss allowance for each category here. I totaled them all up, and I'm just curious what that number—I don't have the 2019 comparative, and that's what I'm using as a more normalized number, so I'm just trying to figure out what—

Anthony Chandler — Group Chief Financial Controller, Sagicor Financial Company Limited

The 2019 comparative is on the right side of the page. So, essentially, the Stage 2 assets would be where you have—essentially, we have determined that there was an increase in credit risk, right, and so the way the provisioning works, you start with a basic provision, and you migrate up if there is a change in the credit risk, and in order for those to come back, what you will have to see is, basically, a change in the overall credit risk of the portfolio to be to the extent where you could release.

I don't think you can necessarily look at the specific number, because remember that these are being rolled up on individual contracts, so to speak, so I would say that there's some possibility that you can recover, but you would have to see in the underlying portfolios a significant improvement in the credit risk before you can actually roll back some of those provisions.

Darko Mihelic — Analyst, RBC Capital Markets

Okay, so it's not material, so your expectation, at this stage, is it's not really a material—it's not something I should really get too excited about.

Anthony Chandler — Group Chief Financial Controller, Sagicor Financial Company Limited

I would say to you that you can see the change in credit. If you look at the P&L, you will see, overall, there has been some increase in credit risk, but that number is—as you can see where that number came on in terms of outlook and in terms of our assessment as COVID began, but I don't think you can look at these numbers and say that these numbers will completely reverse in the short term. As these portfolios improve, obviously, we will reduce some of these as long as there's a change, a measurable change in credit risk, but I don't think you can look at the overall amounts and say that this is going to disappear. In any event, IFRS 9 requires that you have a credit charge on every asset in any event, so there's a baseline beyond which those will not move.

Darko Mihelic — Analyst, RBC Capital Markets

Okay. Okay. That's great. Thank you very much for that. That was useful.

Operator

There are no further questions at this time. Please proceed.

Samantha Cheung — Executive Vice President, Investor Relations, Sagicor Financial Company Limited

Okay. Thanks, everyone, for joining our call today. I guess we’ll end it there since there are no further questions.

Following the call, a telephone replay will be available for one month. As well, a transcript will soon be available on our website. If you do have additional questions, please do not hesitate to reach out to any of us.

In addition to our upcoming first quarter report, we also note that our Annual General Meeting for Shareholders will be held in June in virtual format. The details and relevant information will be available on our website at www.sagicor.com in advance of the meeting.

With that, thanks again for your participation and interest today. Have a great day. Thank you.