

SAGICOR FINANCIAL COMPANY LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three-month and nine-month periods ended September 30, 2021
and September 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction and Notice

This Management's Discussion and Analysis ("MD&A") contains important information about Sagicor's business and its performance for the three-month and nine-month periods ended September 30, 2021 with comparative analysis for the corresponding periods ended September 30, 2020. This MD&A should be read in conjunction with the Company's quarterly financial statements, prepared in compliance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, in effect on the date of such information.

The following discussion is based on the financial condition and results of operations of Sagicor, unless otherwise specified or indicated. Financial information is presented in millions of US dollars, unless otherwise indicated. Amounts for subtotals, totals and percentage variances included in tables in this MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding.

Legal Constitution and General Information

Sagicor Financial Company Ltd. ("Sagicor") ("the Company") (TSX: SFC) is a leading financial services provider in the Caribbean, with over 180 years of history. Sagicor's registered office is located at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda, with its principal office located at Cecil F De Caires Building, Wildey, St. Michael, Barbados.

On November 27, 2018, Sagicor Financial Corporation Limited entered into a definitive arrangement agreement as amended on January 28, 2019 with Alignvest Acquisition II Corporation ("Alignvest") pursuant to which on December 5, 2019, Alignvest acquired all the shares of Sagicor by way of a scheme of arrangement under the laws of Bermuda, where Sagicor is incorporated, and continued as Sagicor Financial Company Ltd.

The Company's issued common shares are listed on the Toronto Stock Exchange.

Sagicor Financial Company Ltd. and its subsidiaries ("the Group") operate across the Caribbean and in the United States of America (USA). Details of Sagicor's holdings and operations are set out in notes 4 and 38 to the 2020 audited financial statements.

The principal activities of the Sagicor Group are as follows:

- Life and health insurance,
- Annuities and pension administration services,
- Banking and investment management services,

and its principal operating companies are as follows:

- Sagicor Life Inc. (Barbados and Trinidad & Tobago),
- Sagicor Life Jamaica Limited (Jamaica),
- Sagicor Bank Jamaica Limited (Jamaica),
- Sagicor Life Insurance Company (USA).

The Group also underwrites property and casualty insurance and provides hospitality services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Result of Operations

An understanding of Sagicor's financial condition and the results and related risks of Sagicor's operations for the periods discussed in this MD&A requires an understanding of Sagicor's business. Accordingly, the following discussion should be read in conjunction with the discussion of these and related matters that appear elsewhere in this MD&A, including under the following headings: (i) Key Factors Affecting Results; (ii) Critical Accounting Estimates and Judgments; and (iii) Risk Management.

Non-IFRS Financial Information

Sagicor reports its financial results and statements in accordance with IFRS. It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure if it is presented other than in accordance with the generally accepted accounting principles used for the Group's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Group believes that these non-IFRS financial measures provide additional information to better understand the Group's financial results and assess its growth and earnings potential. Since non-IFRS financial measures do not have standardised definitions and meanings, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Group strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure.

Sagicor believes that certain non-IFRS measures described below are more reflective of its ongoing operating results and provide readers with a better understanding of management's perspective on the Group's performance. These measures enhance the comparability of the Group's financial performance from period to period, as well as measure relative contribution to shareholder value.

The following represent non-IFRS financial measures:

1. Return on Shareholders' Equity

IFRS does not prescribe the calculation of return on shareholders' equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported net income/(loss) attributable to shareholders is divided by the total weighted average common shareholders' equity for the period. The quarterly return on shareholders' equity is annualised.

2. Return on Total Equity

IFRS does not prescribe the calculation of return on total equity and therefore a comparable measure under IFRS is not available. To determine this measure, reported group net income/(loss) is divided by the weighted average total equity for the period. The quarterly return on total equity is annualised.

3. Return on Investments

IFRS does not prescribe the calculation of return on Investments therefore a comparable measure under IFRS is not available. Return on investments measures the return on the investments relative to the value of the investments for a period. To determine this measure, two times investment income is divided by the opening financial investments plus the closing financial investments minus the investment income for the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

4. Book value per share

To determine the book value per share, shareholders' equity is divided by the number of shares outstanding at the period end, net of any treasury shares.

5. Minimum Continuing Capital and Surplus Requirements (MCCSR)

The MCCSR is a capital adequacy measure for life insurance companies that was established by the Office of the Superintendent of Financial Institutions Canada ("OSFI"). It was used to monitor that insurers maintain adequate capital to meet their financial obligations with 150% being the minimum standard that was recommended by Canadian regulators when it was in effect; companies were expected to establish and meet an internal target greater than 150%. Refer to note 46.2 to the 2020 audited financial statements, for details.

6. Debt to capital ratio

The debt to capital ratio is the ratio of notes and loans payable (refer to note 16 to the 2020 audited annual financial statements) to total capital (excluding Participating accounts), where capital is defined as the sum of notes and loans payable and total equity excluding Participating accounts. This ratio measures the proportion of debt a company uses to finance its operations as compared with its capital.

7. Debt to equity ratio

The debt to equity ratio is the ratio of notes and loans payable (refer to note 16 to the 2020 audited annual financial statements) to total equity (excluding Participating accounts). This ratio measures the proportion of debt a company uses to finance its operations as compared with its equity.

8. Dividend pay-out ratio

This is the ratio of dividends paid per share to basic earnings per common share.

9. Health claims ratio

This is the ratio of net health claims including the provision for incurred but not reported claims, divided by net health premiums revenue earned for the period under review. The ratio seeks to measure health claims as a percentage of premium income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cautionary Statement Regarding Forward-Looking Information

This MD&A includes "forward-looking information" and "forward-looking statements" (collectively "**forward-looking information**") and assumptions about, among other things, Sagicor's business, operations, and financial performance and condition, approved by the board of directors of Sagicor on the date of this MD&A.

This forward-looking information and these assumptions include, but are not limited to, statements about Group's objectives and strategies to achieve those objectives, and about its beliefs, plans, expectations, anticipations, estimates, or intentions. Information included in this MD&A that is not a statement of historical fact is forward-looking information. When used in this MD&A, words such as "believes," "may," "will," "estimate," "should," "shall," "plans," "assumes," "continue," "outlook," "could," "anticipates," "intends," "expects," and words of similar import, are intended to identify statements containing forward-looking statements. These statements appear throughout this MD&A. Such forward-looking statements are based on Sagicor's estimates, assumptions, strategies and projections and subject to known and unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond its control and which may cause actual results, events or developments to be significantly different from any future results, events or developments expressed or implied by such forward-looking statements.

Risk factors include, but are not limited to, the following: fluctuations in the fixed income markets may adversely affect Sagicor's profitability and financial condition; the success of Sagicor's operations in the United States depends on Sagicor's ability to grow its business; Sagicor's financial targets may prove materially inaccurate or incorrect; Sagicor's exposure to the credit risk of its counterparties could adversely affect its profitability; differences between actual claims experience and estimated claims at the time the product was priced may result in increased losses, and so Sagicor's policy reserves may be insufficient to cover actual policy benefits; Sagicor could be forced to sell investments at a loss to cover policyholder withdrawals; Sagicor's risk management policies and procedures could leave Sagicor exposed to unidentified or unanticipated risks, which could negatively affect Sagicor's business or result in losses; illiquidity of certain investment assets may prevent Sagicor from selling investments at fair prices in a timely manner; Sagicor's fiduciary relationship with certain counterparties could adversely affect its profitability; a prolonged labour dispute could hurt Sagicor's business; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; a failure to successfully integrate Sagicor's acquisitions could adversely affect Sagicor's operations and profitability; a failure to successfully execute current and future strategic acquisitions could adversely affect Sagicor's profitability; Sagicor's business is highly regulated and subject to numerous laws and regulations; litigation and regulatory proceedings outcomes could adversely affect Sagicor's business; companies in the financial services industry are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny; there may be adverse consequences if the status of Sagicor's independent contractors is successfully challenged; failures to implement or comply with legally required anti-money laundering practices could subject Sagicor to sanctions and/or criminal and civil penalties; the amount of statutory capital that Sagicor's insurance subsidiaries have and the amount of statutory capital that they must hold to maintain their financial strength and credit ratings and meet other requirements can vary significantly from time to time and are sensitive to factors outside of Sagicor's control; a failure to maintain adequate levels of surplus capital may result in increased regulatory scrutiny or a downgrade by the private rating agencies; Sagicor's financial condition may be adversely affected by geopolitical events; Sagicor operates in a highly competitive industry; Sagicor faces significant competition mainly from national and regional insurance companies and from self-insurance, and Sagicor also faces competition from global companies – this competition could limit Sagicor's ability to gain or maintain its position in the industry and could materially adversely affect its business, financial condition and results of operations; brokers that sell Sagicor's products may sell insurance products of Sagicor's competitors and such brokers may choose not to sell Sagicor's products; computer viruses, network security breaches, disasters or other unanticipated events could affect Sagicor's data processing systems or those of its business partners and could damage Sagicor's business and adversely affect its financial condition and results of operations; a financial strength downgrade in Sagicor's A.M. Best ratings or any other negative action by a rating agency may increase policy surrenders and withdrawals, adversely affect relationships with advisors and negatively affect Sagicor's financial condition and results of operations; the unpredictable nature of the property and casualty insurance industry may cause fluctuations in Sagicor's results; Sagicor may be unable to reinsure risks on terms that are commercially reasonable or satisfactory to Sagicor, or Sagicor's reinsurers may fail to meet assumed obligations, increase rates, or be subject to adverse developments, negatively affecting Sagicor's business, financial condition and result of operations; Sagicor's

MANAGEMENT'S DISCUSSION AND ANALYSIS

business model depends on the performance of various third parties including actuarial consultants and other service providers; negative publicity in the insurance industry could adversely affect Sagicor; Sagicor depends on key personnel, and if they were to leave Sagicor, Sagicor might have an insufficient number of qualified employees; Sagicor is highly dependent upon economic, political and other conditions and developments in Barbados, Jamaica, Trinidad and Tobago, the United States and the other jurisdictions in which it operates; Sagicor's financial condition and operating results may be adversely affected by foreign exchange fluctuations; foreign exchange controls may restrict Sagicor's ability to receive distributions from its subsidiaries and any such distributions may be subject to foreign withholding taxes; catastrophes and weather-related events, such as hurricanes, may adversely affect Sagicor; disease outbreaks may negatively impact the performance of Sagicor and its subsidiaries; the performance of Sagicor's group life insurance may be adversely affected by the characteristics of the employees insured or through unexpected catastrophic events such as natural disasters; Sagicor's credit ratings may be reduced, which may adversely affect Sagicor; Sagicor may be subject to Bermuda tax; Bermuda's compliance with the Organization for Economic Cooperation and Development international tax standards could subject Sagicor to additional taxes; legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect Sagicor's operations and financial condition; any additional taxes resulting from changes to tax regulations or the interpretation thereof in countries in which it does business could negatively impact Sagicor's financial condition; Sagicor Financial Company Ltd. is a holding company and is dependent upon distributions from subsidiaries to pay taxes and other expenses.

Additional information about material risk factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in this MD&A under "Risk Management", "Key Factors Affecting Results," and "Critical Accounting Estimates and Judgements" and in the "Financial Risk" and "Insurance Risk" notes to the consolidated financial statements. The forward-looking statements in this document are, unless otherwise indicated, stated as of the date hereof and are presented for the purpose of assisting investors and others in understanding our financial position and results of operations, our future operations, as well as our objectives and strategic priorities, and may not be appropriate for other purposes. We do not undertake to update any forward-looking statements, except as required by law.

Additional Information

All documents related to the financial results of Sagicor Financial Company Ltd. are available on the Company's website at Sagicor.com, in the Investor Relations section. Additional information about Sagicor may be found on the SEDAR website at sedar.com, as well as the Company's Annual Information Form, which may be found on the Company's website or the SEDAR website.

The Management's Discussion and Analysis is dated November 12, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

		<i>Page</i>
1.	<i>Highlights</i>	8
2.	<i>Profitability</i>	17
3.	<i>Analysis by Business Segment</i> <i>Sagicor Life</i> <i>Sagicor Jamaica</i> <i>Sagicor Life USA</i>	41
4.	<i>Financial Position</i> <i>Capitalisation</i> <i>Equity and Financing</i>	59
5.	<i>Financial Investments</i>	73
6.	<i>Risk Management</i>	78
7.	<i>Additional Information</i>	105

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. HIGHLIGHTS

Sagicor Group experienced a very strong performance for the period under review as compared to the prior year period. Generally, all segments demonstrated strong performance during the period.

The Group recorded net income of US \$140.1 million for the nine-month period ended September 30, 2021, compared to net loss of US \$29.5 million for the corresponding period in 2020. Net income attributable to common shareholders was US \$91.2 million compared to a net loss of US \$32.6 million, for the same period in the prior year. Net income benefitted from strong premium production in our USA segment, as well as positive net experience through the annual review of our actuarial assumptions across each of our life insurance segments.

The Groups' net income for the nine-month period ended September 30, 2021 also includes net gains of US \$34.9 million from our investment in Playa Hotels and Resorts ("Playa"), which Sagicor now holds 10,001,000 shares of Playa measured at FVTPL. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the corresponding period for 2020, Group net income and net income attributable to common shareholders were significantly impacted by the economic uncertainty created by the COVID-19 pandemic. In 2020, the Group posted higher Expected Credit Losses (ECLs) and experienced net mark-to-market losses as a result of the markets' response to the pandemic. Group net income was also impacted by our share of net loss and impairment related to our associated company investment in Playa, all due to the pandemic's impact on the travel and leisure industry.

On May 13, 2021, Sagicor Financial Company Ltd. completed an offering of US \$400.0 million of 5.300% Senior Notes due May 13, 2028. The Company used partial proceeds of the transaction to repurchase US \$318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited.

Group capital remains strong, with the Group closing the third quarter of 2021 with a Minimum Continuing Capital and Surplus Requirement (MCCSR) of 247%, well above our target capital standards.

The Group's financial results for the nine-month period ended September 30, 2021 continue to be affected by the COVID-19 pandemic's impact on the economic environment. Most Caribbean countries have experienced periods of shut down and periods of significantly reduced air and sea traffic. Similar procedures have also been implemented in the United States, Canada and elsewhere. In addition, Governments have implemented various forms of public lockdowns which have largely curtailed economic and social activity. Companies have therefore implemented work from home policies in response to these restrictions.

Sagicor, like other companies has focused on supporting our staff, customers and suppliers, while developing responses to the business disruption. The Group has made significant efforts to stabilize revenues while maintaining customer service levels. During the nine-month period ended September 30, 2021 there have been further attempts to modify and relax some of the restrictions implemented earlier in the pandemic, however some countries continue to experience high rates of infections and low rates of vaccination which has reduced the ability to modify these restrictions. Consequently, many of the restrictions have continued with a dampening impact on economic activity. The overall impact of COVID-19 is still evolving, with new variants of the virus continuing to emerge and countries are focused on the vaccination of their populations. The ultimate success of the actions taken by Governments, businesses and communities and the ultimate outcomes may vary by country.

MANAGEMENT'S DISCUSSION AND ANALYSIS

About Sagicor

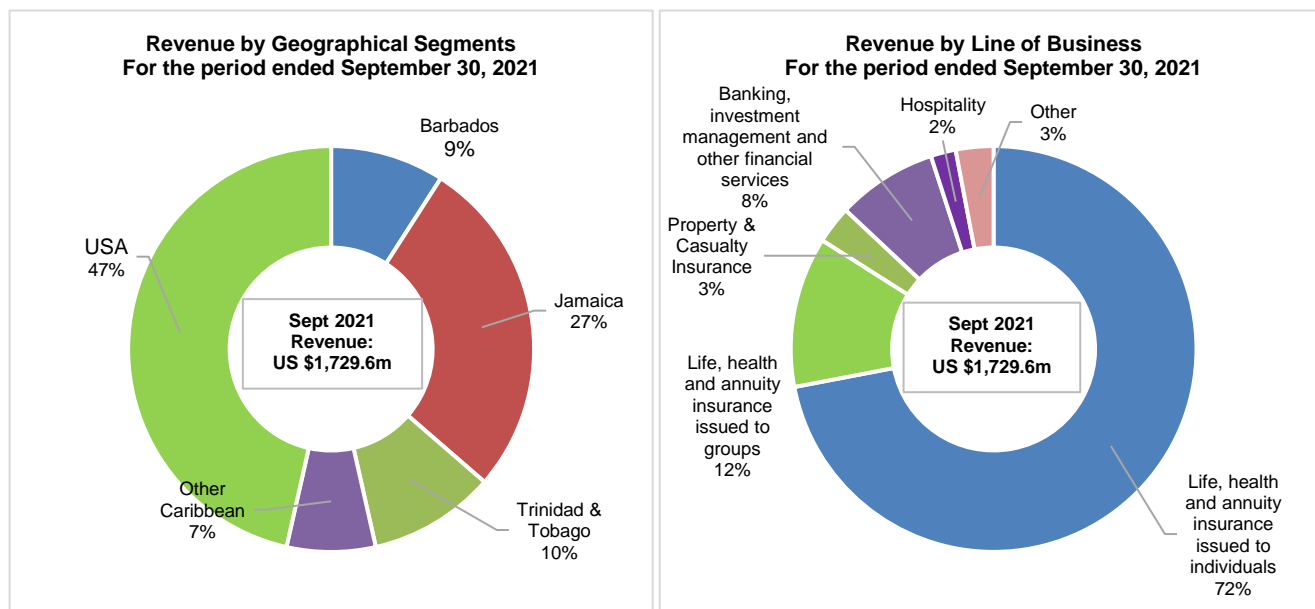
Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, investment and merchant banking, securities brokerage, mutual funds and real estate development, and commercial banking. Sagicor's principal markets are Barbados, Jamaica, Trinidad and Tobago, and the United States of America. Sagicor demutualised in November 2002 and listed its shares on the Barbados Stock Exchange (BSE: SFC), with subsequent listings on the Trinidad and Tobago Stock Exchange (TTSE: SFC) and the London Stock Exchange (LSE: SFI). Sagicor Financial Corporation moved its corporate domicile from Barbados to Bermuda and continued as Sagicor Financial Corporation Limited (SFCL), an exempted company, on July 20, 2016.

As a result of its completed business combination with Alignvest Acquisition II Corporation (AQY) on December 5, 2019, the new Sagicor, known as Sagicor Financial Company Ltd., now trades on the Toronto Stock Exchange under the new symbols "SFC" and "SFC.WT". With a listing on the Toronto Stock Exchange, Sagicor Financial Corporation Limited's common shares, formerly listed on the London and Trinidad and Tobago Stock Exchanges, have ceased trading and have been delisted from the London and the Trinidad and Tobago Stock Exchanges. The former listing on the Barbados Stock Exchange has ceased trading; a conditional delisting order has been granted.

Sagicor currently operates in 20 countries and maintains a strong market position in most of the markets where it operates.

Sagicor operates its business primarily through its three reporting operating segments, namely Sagicor Life, Sagicor Jamaica, and Sagicor Life USA.

Sagicor's objective is to be a leading insurance and financial services provider of world class products and services to better serve its customers and other stakeholders in its markets. Sagicor is expanding its banking and asset management business in the Caribbean, where it has strong brand recognition and market shares.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary

The summary consolidated financial data is derived from the interim financial statements, for each of the periods indicated on the following table.

	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$, unless otherwise noted)</i>	2021	2020	Change	2021	2020	Change
Profitability						
Group net income	79.0	6.6	1,097%	140.1	(29.5)	575%
Net income attributable to common shareholders	50.4	(3.0)	1,780%	91.2	(32.6)	380%
Earnings per share:						
Basic earnings	34.9¢	(2.0¢)	1,845%	62.7¢	(22.0¢)	385%
Fully diluted	34.5¢	(2.0¢)	1,825%	62.0¢	(22.0¢)	382%
Return on shareholders' equity (annualised)	18.5%	(1.1%)	19.6 pts	11.3%	(3.9%)	15.2 pts
Growth						
Revenue:						
Individual life, health and annuity	620.1	261.1	137%	1,245.0	758.2	64%
Group life, health and annuity	66.5	69.5	(4%)	215.2	223.2	(4%)
Property and casualty insurance	19.9	19.9	-	58.6	64.0	(8%)
Banking and investment management	49.5	44.3	12%	134.0	126.1	6%
Hospitality	8.4	(1.1)	864%	26.5	9.8	170%
Farming and unallocated revenues	17.5	8.5	106%	50.3	22.6	123%
Total revenue	781.9	402.2	94%	1,729.6	1,203.9	44%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Summary, continued

	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$, unless otherwise</i>	2021	2020	Change	2021	2020	Change
Growth (continued)						
Net premium revenue:						
Life insurance	121.3	111.5	9%	350.0	321.8	9%
Annuity	451.0	100.9	347%	758.0	399.1	90%
Health insurance	38.3	39.6	(3%)	118.9	129.2	(8%)
Property and casualty insurance	12.9	12.9	-	37.6	42.4	(11%)
Total net premium revenue	623.5	264.9	135%	1,264.5	892.5	42%
Total assets	10,135.3	8,894.3	14%	10,135.3	8,894.3	14%
Operating liabilities	7,901.1	6,798.8	16%	7,901.1	6,798.8	16%
Notes and loans payable	544.4	473.7	15%	544.4	473.7	15%
Book value per common share	\$7.92	\$7.24	9%	\$7.92	\$7.24	9%
Financial strength						
Debt to capital ratio	24.4%	22.6%	(1.8 pts)	24.4%	22.6%	(1.8 pts)
Dividend pay-out ratio ⁽¹⁾	16.1%	N/A	N/A	26.9%	N/A	N/A
Dividends paid per common share	\$0.05625	\$0.05625	-	\$0.1687	\$0.1687	-
Dividends declared per common share	\$0.05625	\$0.05625	-	\$0.1687	\$0.1687	-
Total capital	2,233.2	2,094.4	7%	2,233.2	2,094.4	7%
Average common shares outstanding (000's)	145,439	147,782	(2%)	145,439	147,782	(2%)
Outstanding shares, at end of period (000's)	143,347	146,731	(2%)	143,347	146,731	(2%)
MCCSR, at end of period	N/A	N/A	N/A	247%	250%	(3.0pts)

⁽¹⁾ Profits were negative in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Profitability

The Sagicor Group recorded net income of US \$140.1 million for the nine-month period ended September 30, 2021, compared to a net loss of US \$29.5 million reported for the same period in 2020. Net income attributable to common shareholders amounted to US \$91.2 million compared to a net loss of US \$32.6 million for the corresponding period in 2020. Net income benefitted from strong premium production in our USA segment, as well as positive net experience through the annual review of our actuarial assumptions across each of our life insurance segments.

The Group's net income for the period includes net gains of US \$34.9 million from our investment in Playa

During the nine-month period ended September 30, 2020, both Group net income and income attributable to shareholders were adversely affected by the impact of the COVID-19 pandemic on the business. The main contributing factors to the net loss in the prior year were higher Expected Credit Losses (ECLs), net mark-to-market losses, and for Group net income, our share of net loss and impairment related to our associated company investment in Playa Hotels & Resorts, all due to the economic environment occasioned by the pandemic.

Earnings per share (basic) for the nine-month period ended September 30, 2021 was of \$0.627 per share compared to a loss of US \$0.22 per share, for the nine-month period ended September 30, 2020.

Refer to the Profitability section of this Management's Discussion and Analysis for additional information on the Company's profitability for the three-month and nine-month periods ended September 30, 2021.

Profitability	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$, unless otherwise noted)</i>	2021	2020	Change	2021	2020	Change
Group net income/(loss)	79.0	6.6	1,097%	140.1	(29.5)	575%
Net income/(loss) attributable to common shareholders	50.4	(3.0)	1,780%	91.2	(32.6)	380%
Earnings per common share (EPS) – (basic)	34.9¢	(2.0¢)	1,845%	62.7¢	(22.0¢)	385%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Growth

Group net premium revenue grew significantly during the nine-month period ended September 30, 2021. In addition, growth in net investment income together with improvements in our credit impairment provisions gave rise to a 44% (US \$525.7 million) growth in total revenue. Net premium revenue grew by US \$372.0 million and closed the period at US \$1,264.5 million, while net investment income grew by US \$111.5 million to close at US \$322.0 million, when compared to the same period in the prior year and includes US \$24.2 million in mark-to-market gains on our investment in Playa Hotels and Resorts, as previously mentioned.

During the nine-month period ended September 30, 2020 net investment income was impacted significantly by mark-to-market declines on our financial assets. These declines impacted our regional and our international portfolios and were largely a result of the capital markets' reaction to the COVID-19 pandemic. For the nine-month period ended September 30, 2020, total revenue also included credit impairment losses of US \$25.6 million as the Group updated its credit impairment assumptions for the COVID-19 economic environment. During the nine-month period ended September 30, 2021, the Group reported credit impairment recoveries of US \$1.5 million.

The following table summarizes the revenue by operating segment.

Total Revenue by Business Segment	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
<i>(in millions of US \$, unless otherwise)</i>						
Sagicor Life	121.9	122.4	-	374.5	332.7	13%
Sagicor Jamaica	174.4	155.6	12%	516.3	454.9	13%
Sagicor Life USA	465.4	113.3	311%	782.7	384.0	104%
Head office, Other	20.1	10.9	84%	56.1	32.3	74%
Total revenue	781.9	402.2	94%	1,729.6	1,203.9	44%

Refer to the sections that follow for more information on business growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Strength

The consolidated Minimum Continuing Capital and Surplus Requirement (MCCSR - a Canadian risk-based assessment measure), for the life insurers of the Sagicor Group as of September 30, 2021 has been estimated at 247% (December 31, 2020 - 252%).

The debt to capital ratio was 24.4% as at September 30, 2021 compared 22.2% at December 31, 2020. On May 13, 2021, Sagicor Financial Company Ltd. completed an offering of US \$400 million of 5.300% Senior Notes due May 13, 2028. The Company used partial proceeds of the transaction to repurchase US \$318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes").

As of September 30, 2021, capital resources increased to US \$2,233.2 million compared to US \$2,128.2 million reported at the end of December 2020, an increase of US \$105.0 million.

The increase in capital resources, which comprises shareholder's equity, notes and loans payable, and non-controlling interest, was largely driven by higher notes and loans payable (details noted above). The company experienced an increase total equity during the period together with an increase in notes and loans payable relating to the refinancing of its debt as previously mentioned.

For detailed comments on financial strength, refer to the Financial Position section of the Management's Discussion and Analysis.

Dividends

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

On May 14, 2021, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on May 25, 2021. This dividend was paid on June 15, 2021.

On August 13, 2021, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on August 30, 2021. This dividend was paid on September 20, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quality of Investments

As of September 30, 2021, the Sagicor Group held US \$8,239.1 million of diversified financial assets, compared to US \$7,238.6 million at December 31, 2020, an increase of US \$1,000.5 million. The Group recorded net investment income of US \$322.0 million for the nine-month period ended September 30, 2021 compared to US \$210.5 million for the same period in 2020. The annualized net investment return was 5.7% compared to 4.2% for the same period in 2020. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at September 30, 2021, Sagicor held US \$6,017.8 million in debt securities and money market funds (73% of the total financial investments on hand). A summary of net investment income for the three-month and nine-month periods ended September 30, 2021 and 2020, is shown below.

<i>Investment Income Summary</i>	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$, unless otherwise noted)</i>	2021	2020	Change	2021	2020	Change
Interest income (AC)	45.7	42.3	8%	138.3	133.1	4%
Interest income (FVOCI)	40.1	33.0	22%	108.1	101.5	7%
Income from FVTPL	16.7	30.2	(45%)	73.8	(21.7)	440%
Other investment income	1.9	(0.7)	371%	4.6	3.3	39%
Investment expenses	(1.2)	(1.4)	14%	(2.8)	(5.7)	51%
	103.2	103.4	-	322.0	210.5	53%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlook for 2021

The Group's financial results in Q3 2021 reflect continued normalization of operations in our markets, positive emergence from our in-force life insurance portfolios, as well as continued robust growth in our U.S. segment. The economies in which we operate are seeing positive signs of returns to normal economic activity, including a more positive outlook for tourism in the upcoming winter season. However, it is unclear when that recovery will fully mitigate the impact of the pandemic. We will continue to monitor the situation and anticipate resuming specific guidance with respect to earnings targets when the timing of economic recovery becomes more certain.

Economic Environment

In its July 2021 World Economic Outlook Update, the International Monetary Fund (IMF) maintained its 2021 global growth forecast at 6%. However, this occurred as the IMF made a downward revision to its 2021 growth projection for emerging market and developing economies by 0.4 % and improved its 2021 growth projection by 0.5 % for advanced economies. Moreover, the IMF's 2022 global growth projection improved by 50 basis points to 4.9% primarily due to improved growth projections for advanced economies. The Bureau of Economic Analysis estimated economic activity in the USA grew by an annual rate of 6.7% during the second quarter of 2021. In addition, the US Labor Department reported a decline in the unemployment rate to 4.8% as at September 30, 2021, down from 5.9% as at June 30, 2021. The target range for the federal funds rate was maintained at 0% to 0.25%. However, if the progress toward maximum employment and price stability goals continues as expected, tapering of asset purchases can be anticipated. By the end of the third quarter of 2021, the US equity market performance was relatively flat as the S&P 500 Index returned 0.58%. Meanwhile, emerging market equities were down 8.09% for the quarter. At the end of the third quarter of 2021, the 10-year Treasury yield stood at 1.52%, up from 1.45% as of June 30, 2021.

The Statistical Institute of Jamaica estimated gross value added for the Jamaican economy grew by 14.2% in the second quarter of 2021 compared to the similar period in 2020. According to the Bank of Jamaica's Macprudential Policy Report published in July 2021, the Jamaican economy is projected to improve further in the context of the global economic recovery. A partial rebound in economic activity is expected to commence in FY2021/22 due to a strong recovery in tourism sector and tourism-related activities. Jamaica's annual inflation stood at 4.3% at June 2021, down from 5.2% at March 2021. After inflation breached its upper target limit in August 2021, there was a unanimous vote by the Monetary Policy Committee to raise the Bank of Jamaica's policy rate by 100 basis points to 1.5% effective October 1, 2021.

In Trinidad, preliminary data indicates that the Central Bank's Quarterly Index of Real Economic Activity declined by 7.7% in the first quarter of 2021, compared to the same period in 2020. At the end of September 2021, Trinidad and Tobago's Net Official Reserve stood at US\$ 7.1 billion or 8.6 months of import cover. The Central Bank of Trinidad & Tobago noted in its most recent Economic Bulletin from July 2021, that if sustained, the gradual relaxation of restrictions on movement and business activity from August could see, by the end of 2021, a meaningful recovery of nonenergy output lost during the first two and a half quarters of the year.

The most recent data from the Central Bank of Barbados' Economic Review shows economic activity registered a second consecutive quarter of growth during July-September, rising by 10% relative to the corresponding period in 2020. The improved performance was much stronger than in the April-June quarter, reflecting the combined effects of an expansion in private spending and the strengthening of the recovery in the tourism sector. However, for the first nine months of the year economic activity is estimated to have been approximately 3.2% below the corresponding period one year ago.

Against the background of uncertainty relating to the ongoing pandemic and the impact of the volcanic eruptions in Saint Vincent and the Grenadines, at the Communiqué of the 99th Meeting of the Monetary Council of the Eastern Caribbean Central Bank, it was suggested that economic growth in the Eastern Caribbean Currency Union in 2021 may be approximately 1%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

2. PROFITABILITY

Highlights

The Sagicor Group recorded net income attributable to common shareholders for the nine-month period ended September 30, 2021 of US \$91.2 million, compared to a net loss of US \$32.6 million reported for the same period in 2020, an increase of US \$123.8 million. Return on equity for the nine-month period ended September 30, 2021 was 11.3%, compared to a loss of 3.9% for the same period in 2020. Net income benefitted from strong premium production in our USA segment, as well as positive net experience through the annual review of our actuarial assumptions across each of our life insurance segments. The Group's net income for the period also includes net gains of US \$34.9 million from our investment in Playa.

The Earnings per Share (EPS - basic) moved similarly, closing at a US \$0.627 per share for the period under review, compared to a loss of US \$0.220 per share for the nine-month period ended September 30, 2020.

During the nine-month period of 2020, the Group's financial losses were largely driven by the impact of COVID-19 pandemic as the Group experienced mark-to-market losses on financial assets and credit impairment losses.

<i>Net income/(loss) attributable to Common shareholders</i>	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$, unless otherwise noted)</i>	2021	2020	Change	2021	2020	Change
Sagicor Life	7.0	8.4	(17%)	22.1	12.5	77%
Sagicor Jamaica	27.1	21.3	27%	44.0	39.5	11%
Sagicor Life USA	23.1	(18.7)	224%	40.2	(35.9)	212%
Head office, Other and adjustments	(6.8)	(14.0)	51%	(15.1)	(48.7)	69%
Net income/(loss)	50.4	(3.0)	1,780%	91.2	(32.6)	380%
Earnings per common share (EPS):						
Basic	34.9 ¢	(2.0) ¢	1,845%	62.7 ¢	(22.0) ¢	385%
Diluted	34.5 ¢	(2.0) ¢	1,825%	62.0 ¢	(22.0) ¢	382%
Return on common shareholders' equity (ROE)	18.5%	(1.1%)	19.6 pts	11.3%	(3.9%)	15.2 pts

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter 2021 Year-to Date Profitability

Group net income/(loss) for the nine-month period ended September 30, 2021 and September 30, 2020.

The table below summarises Sagicor's net income/(loss) for the nine-month period ended September 30, 2021 and 2020.

	Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Group net income/(loss)			
Group net income/(loss)	140.1	(29.5)	575%
Total	140.1	(29.5)	575%
Net income/(loss) is attributable to:			
Common shareholders	91.2	(32.6)	380%
Participating policyholders	0.1	0.4	(75%)
Non-controlling interest	48.8	2.7	1,707%
Group net income/(loss)	140.1	(29.5)	575%

Group net income amounted to US \$140.1 million for the nine-month period ended September 30, 2021, compared to a loss of US \$29.5 million reported for the same period in 2020.

Net income attributable to common shareholders, closed the period at US \$91.2 million compared to a loss of US \$32.6 million for the nine-month period ended September 30, 2020.

Group net income/(loss)

The table below summarises Sagicor's net income for the nine-month period ended September 30, 2021 and 2020.

	Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Group net income/(loss)			
Revenue	1,729.6	1,203.9	44%
Benefits	(1,133.5)	(766.7)	(48%)
Expenses	(428.5)	(403.3)	(6%)
Other	18.6	(34.6)	154%
Income taxes	(46.1)	(28.8)	(60%)
Group net income/(loss)	140.1	(29.5)	575%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue

The following table summarises the main items of Sagicor's revenue for the nine-month period ended September 30, 2021 and September 30, 2020.

	Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Revenue			
Net insurance premiums:			
Life and annuity	1,108.0	720.9	54%
Health	118.9	129.2	(8%)
Property and casualty	37.6	42.4	(11%)
	1,264.5	892.5	42%
Net investment income	322.0	210.5	53%
Gain on derecognition of amortised cost investments	11.6	5.3	119%
Gain on derecognition of assets carried at FVOCI	15.0	13.4	12%
Credit impairment losses	1.5	(25.6)	106%
Fees and other revenue	115.0	107.8	7%
Total	1,729.6	1,203.9	44%
Total Revenue by Operating Segment			
Sagicor Life	374.5	332.7	13%
Sagicor Jamaica	516.3	454.9	13%
Sagicor Life USA	782.7	384.0	104%
Head office, Other and	56.1	32.3	74%
	1,729.6	1,203.9	44%

Total revenue reached US \$1,729.6 million for the nine-month period ended September 30, 2021, an increase of US \$525.7 million (44%) from US \$1,203.9 million reported for the same period in 2020.

Net insurance premium revenue represented 73% (September 2020 – 74%) of total revenue and closed the nine-month period ended September 30, 2021 at US \$1,264.5 million, US \$372.0 million (42%) above the US \$892.5 million reported for the same period in 2020. Net premium revenue from the life and annuity insurance business totalled US \$1,108.0 million for the nine-month period ended September 30, 2021, compared to US \$720.9 million for the same period in 2020, an increase of US \$387.1 million, with significant net premium growth observed in our USA segment.

Net premium revenue from health insurance business totalled US \$118.9 million for the nine-month period ended September 30, 2021, a US \$10.3 million decline from the US \$129.2 million reported in 2020 and was mainly observed in our Jamaica segment (decline of US \$8.4 million). Net premium revenue from property and casualty insurance, totalled US \$37.6 million for the period under review, a US \$4.8 million or 11% decrease from US \$42.4 million reported for the same period in 2020. This reduction was primarily observed in our Jamaica segment (US \$5.2 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net investment income totalled US \$322.0 million for nine-month period ended September 30, 2021, compared to US \$210.5 million, for the corresponding period in 2020. Net investment income includes realised and unrealised gains on financial assets categorised as FVTPL of US \$50.9 million and also includes the gain of US \$24.2 million associated with the mark-to-market movements on our investment in Playa Hotels and Resorts.

For the nine-month period ended September 30, 2020, net investment income included mark-to-market losses of US \$40.1 million, as both regional and international capital markets responded adversely to the uncertainty occasioned by the COVID-19 pandemic.

Reversals of credit impairment losses for the nine-month period ended September 30, 2021, totalled \$1.5 million, compared to impairment losses of US \$25.6 million, for the corresponding period in 2020. In the nine-month period ended September 2020 the Group updated its credit assessment assumptions to reflect the impact of the pandemic.

The Group generated Fees and other revenues of US \$115.0 million for the nine-month period ended September 30, 2021, compared to US \$107.8 million for the same period in 2020, an increase of US \$7.2 million. During the period under review, the Group benefited from increased hotel revenues (US \$7.2 million) as worldwide travel restrictions associated with the COVID-19 pandemic, reduced.

Benefits

Benefits totalled US \$1,133.5 million in for the nine-month period ended September 30, 2021, a US \$366.8 million or 48% increase from US \$766.7 million reported for the same period in 2020. The following table summarises the benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the nine-month period ended September 30, 2021 and 2020.

	Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Benefits			
Net insurance benefits:			
Life and annuity	984.4	617.5	(59%)
Health	101.7	95.8	(6%)
Property and casualty	16.4	21.7	24%
	1,102.5	735.0	(50%)
Interest cost	31.0	31.7	2%
Total	1,133.5	766.7	(48%)

Life and annuity benefits totalled US \$984.4 million for the nine-month period ended September 30, 2021 of which US \$389.0 million related to current benefits and US \$595.4 million related to future benefits. The amounts for the corresponding period in 2020 were a total of US \$617.5 million, of which US \$361.7 million related to current benefits and US \$255.8 million related to future benefits. Current benefits increased by US \$27.3 million when compared to that reported in the nine-month-period ended September 30, 2020, mainly due to increases in withdrawals from savings components of insurance contracts, observed in our Sagicor Life segment, coupled with increased annuity benefits reported in our Sagicor Life and Sagicor USA segments. The change in provision for future benefits from 2020 to 2021 represented an increase of US \$339.6 million and was driven by significant new annuity business written by our USA segment and included positive net experience through the annual review of our actuarial assumptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total health insurance benefits were US \$101.7 million representing an overall claim to premium ratio of 85.5%. In 2020 the Group experienced health insurance benefits of US \$95.8 million and an overall claim to premium ratio of 74.1%. The increase in the claims ratio was driven by our Jamaica Segment which continues to be impacted by rapidly rising medical costs and health claims.

Property and casualty claims amounted to US \$16.4 million in 2021, a US \$5.3 million decrease from the US \$21.7 million incurred in 2020. The reduction in general insurance claims was largely associated with a reduction in motor claims a direct impact of movement restrictions associated with the COVID-19 pandemic.

Interest expense totalled US \$31.0 million for nine-month period ended September 30, 2021, a slight decrease from the US \$31.7 million reported for the same period in 2020.

Expenses and taxes

Expenses and taxes totalled US \$474.6 million for the nine-month period ended September 30, 2021, up US \$42.5 million from the amount reported for the same period in 2020. The table below summarises Sagicor's expenses and taxes for the nine-month periods ended September 30, 2021 and 2020.

	Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Expenses and taxes			
Administrative expenses	254.4	243.1	(5%)
Commissions and related compensation	98.0	84.0	(17%)
Finance costs, depreciation and amortisation	61.7	63.7	3%
Premium, asset and income taxes	60.5	41.3	(46%)
Total expenses and taxes	474.6	432.1	(10%)

Administrative expenses totalled US \$254.4 million for the period under review, compared to US \$243.1 million for the same period in 2020. The gradual re-opening of the tourism sector and consequent increases in occupancy levels drove a US\$ 4.5 million increase in hotel expenses. In addition, the Group incurred costs associated with the implementation of IFRS 17, which contributed to the higher costs.

Commissions and related compensation totalled US \$98.0 million for the nine-month period under review, closing US \$14.0 million above the US \$84.0 million reported for the same period in 2020, and was attributable mainly to the significant new annuity business written in our USA segment which resulted in higher commission and related compensation expenses (US \$10.1 million), for that segment.

Finance costs, depreciation and amortisation totalled US \$61.7 million, for the period under review, a decrease of US \$2.0 million over the prior year. Finance costs for 2021 includes US \$4.3 million in expenses related to the early

MANAGEMENT'S DISCUSSION AND ANALYSIS

retirement of debt. The September 2020 period included US \$3.0 million of goodwill impairment on a general insurance subsidiary company.

Sagicor is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits. Sagicor is also subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions at a percentage of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions at a percentage of adjusted assets held at the end of the period.

Premium, asset and income taxes were US \$60.5 million for the nine-month period ended September 30, 2021, compared to US \$41.3 million in the same period in 2020, an increase of US \$19.2 million. Of the total taxes, income taxes were US \$46.1 million, compared to US \$28.8 million for the nine-month period for 2020, an increase of US \$17.3 million, and was largely related to higher net income levels reported during the nine-month period ended September 30, 2021, when compared to the prior year.

Earnings from other sources totalled US \$18.6 million for the nine-month period September 30, 2021, compared to a loss of US \$34.6 million for the same period in 2020. Net income from other sources for the period includes a net gain of US \$10.7 million relating to the partial disposal of our investment in Playa Hotels & Resorts N.V (Playa). Please see earlier comment. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the nine-month period ended September 30, 2020, our Jamaica segment incurred a loss of US \$39.6 million (including US \$12.8 million in impairment losses) on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shareholder returns

Sagikor's net income and comprehensive income are allocated to the equity owners of Sagikor's respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in the Sagikor Jamaica operating segment, the net income is allocated accordingly between holders of Sagikor common shares and the minority interest shareholders. There is also an allocation to Sagikor Life Inc.'s policyholders who hold participating policies, an arrangement which was established at the demutualization of the Barbados Mutual Life Assurance Society (now Sagikor Life), and of its amalgamation with Life of Barbados Limited.

The Group recorded income of US \$91.2 million for the nine-month period ended September 30, 2021, allocated to the holders of Sagikor's common shares. This corresponded to basic earnings per share of US \$0.627. The comparative amount for the nine-month period ended September 30, 2020 was a net loss of US \$32.6 million, which corresponded to a basic loss per share of US \$0.220. The respective annual returns on equity were 11.3% for September 2021 and loss of 3.9% for September 2020.

The table below summarises Sagikor's profitability, dividends and returns in respect of common shareholders for the nine-month periods ended September 30, 2021 and 2020.

	Nine months ended September 30	
	2021	2020
Common shareholder returns		
Net income/(loss) attributable to common shareholders	US \$91.2 million	(US \$32.6 million)
Basic earnings per share	62.7 ¢	(22.0 ¢)
Fully diluted earnings per share	62.0 ¢	(22.0 ¢)
Return on shareholders' equity	11.3%	(3.9%)
Dividends declared	\$24.5 million	\$25.0 million
Dividends paid per common share	US \$0.1687	US \$0.1687

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the nine-month periods ended September 30, 2021 and 2020.

	Nine months ended September 30,		
	2021	2020	Change
<i>(in millions of US \$)</i>			
Other comprehensive (loss)/income:			
Items net of tax that may be reclassified subsequently to income:			
Financial assets measured at fair value through other comprehensive income:			
(Losses)/gains on revaluation	(23.6)	16.5	243%
Gains transferred to income	(12.3)	(9.5)	29%
Net change in actuarial liabilities	5.2	(9.8)	153%
Cash flow hedges	3.4	(1.3)	362%
Other reserves	-	0.1	(100%)
Retranslation of foreign currency operations	(34.8)	(33.8)	3%
	(62.1)	(37.8)	64%
Items net of tax that will not be reclassified subsequently to income:			
Gains/(losses) arising on revaluation of owner-occupied property and owner-managed property	11.0	(15.9)	169%
Gains/(losses) on defined benefits plans	0.2	(0.3)	167%
	11.2	(16.2)	169%
Other comprehensive loss	(50.9)	(54.0)	6%

	Nine months ended September 30,		
	2021	2020	Change
<i>(in millions of US \$)</i>			
Total comprehensive income			
Group net income/(loss)	140.1	(29.5)	575%
Other comprehensive loss	(50.9)	(54.0)	6%
Total comprehensive income/(loss) for the period	89.2	(83.5)	207%
Total comprehensive income/(loss) attributable to:			
Common shareholders	65.7	(56.0)	217%
Participating policyholders	(0.4)	-	-
Non-controlling interests	23.9	(27.5)	187%
	89.2	(83.5)	207%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Items recorded within other comprehensive income arise generally from gains and losses on employee defined benefit pension plans, from fair value changes of certain asset classes and from the related movements in actuarial liabilities, and from the retranslation of foreign currency operations.

Other comprehensive losses for the nine-month period ended September 30, 2021 amounted to US \$50.9 million, a decrease in losses from the US \$54.0 million reported for the same period in the prior year.

During the period, the Group reported net losses on financial assets totalling US \$23.6 million compared to gains of US \$16.5 million in the prior year, a increase in losses of US \$40.1 million resulting from mark-to-market movements on financial assets in our investment portfolios. These losses related to decreases in bond prices marked at FVOCI due to rising interest rates in the USA. Net change in actuarial liabilities reserve was a gain of US \$5.2 million (September 2020 – loss of US \$9.8 million). Other comprehensive income for the period also included retranslation losses of US \$34.8 million, comprising of losses of US \$17.0 million associated with the translation of foreign currency operations, as well as the impact of gains of US \$17.8 million related to our investment in Playa Hotels and Resorts N.V now recycled to the income statement on disposal (Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details).

Overall total comprehensive income for the nine-month period ended September 30, 2021 amounted to US \$89.2 million. Total comprehensive income allocated to shareholders was US \$65.7 million. Total comprehensive losses of US \$83.5 million were reported for the same period in September 2020.

Statement of financial position

The table below summarises Sagicor's consolidated statement of financial position as at September 30, 2021 and December 31, 2020, respectively.

Statement of Financial Position <i>(in millions of US \$)</i>	As of		
	September 30, 2021	December 31, 2020	Change
Sagicor Group			
Financial investments	8,239.1	7,238.6	14%
Other assets	1,896.2	2,027.7	(6%)
Total assets	10,135.3	9,266.3	9%
Policy liabilities	5,464.4	4,883.0	12%
Other operating liabilities	2,436.6	2,253.5	8%
Borrowings	544.4	471.6	15%
Total liabilities	8,445.4	7,608.1	11%
Shareholders' equity	1,134.7	1,109.8	2%
Participating accounts	1.1	1.6	(31%)
Non-controlling interests	554.1	546.8	1%
Total equity	1,689.9	1,658.2	2%
Total liabilities and equity	10,135.3	9,266.3	9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter 2021 Profitability

Group net income/(loss) for the three-month period ended September 30, 2021 and September 30, 2020.

The table below summarises Sagicor's net income/(loss) for the three-month period ended September 30, 2021 and 2020.

	Three months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Group net income/(loss)			
Group net income/(loss)	79.0	6.6	1,097%
Total	79.0	6.6	1,097%
Net income/(loss) is attributable to:			
Common shareholders	50.4	(3.0)	1,780%
Participating policyholders	0.1	0.2	(50%)
Non-controlling interest	28.5	9.4	203%
Group net income/(loss)	79.0	6.6	1,097%

Group net income amounted to US \$79.0 million for the three-month period ended September 30, 2021, compared to US \$6.6 million reported for the same period in 2020.

Net income attributable to common shareholders, closed the period at US \$50.4 million compared to a loss of US \$3.0 million for the three-month period ended September 30, 2020.

During the third quarter of 2020 both group net income and income attributable to shareholders from continuing operations, were impacted by the strengthening of our actuarial liabilities and our share of net loss related to our associated company investment in Playa Hotels & Resorts, all due to the economic environment occasioned by the pandemic. During the period our USA segment also reflected a significant strengthening of actuarial liabilities associated with its forward-looking assumptions and the long-term impact COVID-19 has had on the economic policy and long-term outlook in the USA. Our Jamaica segment reported a decline in hotel business, as the industry continued to be impacted by travel restrictions associated with the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Group net income/(loss)

The table below summarises Sagicor's net income for the three-month period ended September 30, 2021 and 2020.

	Three months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Group net income/(loss)			
Revenue	781.9	402.2	94%
Benefits	(534.8)	(250.0)	(114%)
Expenses	(147.2)	(123.7)	(19%)
Other	2.1	(9.2)	123%
Income taxes	(23.0)	(12.7)	(81%)
Group net income	79.0	6.6	1,097%

Revenue

The following table summarises the main items of Sagicor's revenue for the three-month period ended September 30, 2021 and September 30, 2020.

	Three months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Revenue			
Net insurance premiums:			
Life and annuity	572.3	212.4	169%
Health	38.3	39.6	(3%)
Property and casualty	12.9	12.9	-
	623.5	264.9	135%
Net investment income	103.2	103.4	-
Gain on derecognition of amortised cost investments	6.0	2.4	150%
Gain/(loss) on derecognition of assets carried at FVOCI	11.6	(1.8)	744%
Credit impairment losses	(1.8)	1.7	(206%)
Fees and other revenue	39.4	31.6	25%
Total	781.9	402.2	94%
Total Revenue by Operating Segment			
Sagicor Life	121.9	122.4	-
Sagicor Jamaica	174.4	155.6	12%
Sagicor Life USA	465.5	113.3	311%
Head office, Other and	20.1	10.9	84%
	781.9	402.2	94%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total revenue reached US \$781.9 million for the three-month period ended September 30, 2021, an increase of US \$379.7 million (94%) from US \$402.2 million reported for the same period in 2020.

Net insurance premium revenue represented 80% (three-month period ended September 2020 – 66%) of total revenue, and closed the third quarter of 2021 at US \$623.5 million, US \$358.6 million (135%) above the US \$264.9 million reported for the same period in 2020. Net insurance premium revenue from the life and annuity insurance business totalled US \$572.3 million for the three-month period ended September 30, 2021, compared to US \$212.4 million for the same period in 2020, an increase of US \$359.9 million. While net insurance premium revenue for our life and annuity business grew across all segments, our USA segment showed growth of US \$352.2 million from the life and annuity insurance business for the period when compared to the same period in 2020.

Net premium revenue from health insurance business totalled US \$38.3 million for the three-month period ended September 30, 2021, a US \$1.3 million decline from the US \$39.6 million reported in 2020 and was observed in our Sagacor Life and Jamaica segments. Net premium revenue from property and casualty insurance totalled US \$12.9 million for the period under review and was on par with that reported for the same period in 2020.

Net investment income totalled US \$103.2 million for three-month period ended September 30, 2021, compared to US \$103.4 million, for the corresponding period in 2020. Net investment income includes realised and unrealised gains on financial assets categorised as FVTPL of US \$7.8 million. For the third quarter of 2020, net investment income included realised and unrealised gains of US \$22.9 million, as the Group experienced further reversals of some of the unrealised losses incurred in the first quarter of 2020 when the capital markets responded negatively to the impact of the COVID-19 pandemic.

Credit impairment losses for the three-month period ended September 30, 2021, totalled \$1.8 million, compared to a reversal of credit impairment losses of US \$1.7 million, for the corresponding period in 2020.

The Group generated Fees and other revenues of US \$39.4 million for the three-month period ended September 30, 2021, compared to US \$31.6 million for the same period in 2020, an increase of US \$7.8 million. The Group recorded higher hotel revenues (US \$5.4 million) when compared to the same period in 2020, as travel activity increased with the lessening of travel restrictions associated with the COVID-19 pandemic.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Benefits

Benefits totalled US \$534.8 million in for the three-month period ended September 30, 2021, a US \$284.8 million or 114% increase from US \$250.0 million reported for the same period in 2020. The following table summarises the benefits provided by Sagicor to holders of insurance contracts, investment contracts and deposit and security liability contracts for the periods ended September 30, 2021 and 2020.

	Three months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Benefits			
Net insurance benefits:			
Life and annuity	480.7	198.9	(142%)
Health	37.0	30.1	(23%)
Property and casualty	7.0	8.5	18%
	524.7	237.5	(121%)
Interest cost	10.1	12.5	19%
Total	534.8	250.0	(114%)

Life and annuity benefits totalled US \$480.7 million for the three-month period ended September 30, 2021 of which US \$134.4 million related to current benefits and US \$346.3 million related to future benefits. The amounts for the corresponding period in 2020 were a total of US \$198.9 million, of which US \$129.4 million related to current benefits and US \$69.5 million related to future benefits. Current benefits increased by US \$5.0 million, when compared to that reported in the three-month-period ended September 30, 2020, mainly due to increases in withdrawals from savings components of insurance contracts, observed in our Sagicor Life segment as well as higher annuity benefits. The change in provision for future benefits from 2020 to 2021 represented an increase of US \$276.8 million, due to higher changes in actuarial liabilities in our USA segment (US\$285.9 million), driven by the significant new annuity sales written during the third quarter of 2021 and, included positive net experience through the annual review of our actuarial assumptions.

Total health insurance benefits were US \$37.0 million representing an overall claim to premium ratio of 96.6%. In 2020 the Group experienced health insurance benefits of US \$30.1 million and an overall claim to premium ratio of 75.9%. In 2020, normal health care services were disrupted due to government-imposed lockdowns, in addition, our Jamaica segment also experienced medical cost inflation in 2021.

Property and casualty claims amounted to US \$7.0 million in 2021 and was slightly below that reported for the September 2020 quarter.

Interest expense totalled US \$10.1 million for three-month period ended September 30, 2021, US \$2.4 million below the US \$12.5 million reported for the same period in 2020.

Expenses and taxes

Expenses and taxes totalled US \$170.2 million for the three-month period ended September 30, 2021, up US \$33.8 million from the amount reported for the same period in 2020. The table below summarises Sagicor's expenses and taxes for the three-month periods ended September 30, 2021 and 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Three months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change
Expenses and taxes			
Administrative expenses	85.9	76.2	(13%)
Commissions and related compensation	39.0	25.9	(51%)
Finance costs, depreciation and amortisation	18.8	19.4	3%
Premium, asset and income taxes	26.5	14.9	(78%)
Total expenses and taxes	170.2	136.4	(25%)

Administrative expenses totalled US \$85.9 million for the period under review compared to US \$76.2 million for the same period in 2020. The gradual re-opening of the tourism sector and consequent increases in occupancy levels drove a US\$ 3.5 million increase in hotel expenses.

Commissions and related compensation totalled US \$39.0 million for the three-month period under review, closing US \$13.1 million above the US \$25.9 million reported for the same period in 2020; a direct impact of higher sales reported during the period by our USA segment, for which commissions and related compensation expenses increased by US \$10.8 million.

Finance costs, depreciation and amortisation totalled US \$18.8 million, for the period under review, and was slightly below that reported for the third quarter of 2020.

Sagicor is subject to a variety of direct taxes, with premium and income taxes comprising the main types of tax. Taxes are incurred in the jurisdiction in which the income is generated. Premium tax is customarily a percentage of gross premium revenue, while income tax is usually either a percentage of investment income or a percentage of profits. Sagicor is also subject to an asset tax in Jamaica and Barbados. In Jamaica, the asset tax is levied on insurance, securities dealers and deposit taking institutions at a percentage of adjusted assets held at the end of the year. In Barbados, the asset tax is levied on insurance, deposit taking institutions and credit unions at a percentage of adjusted assets held at the end of the period.

Premium, asset and income taxes were US \$26.5 million for the three-month period ended September 30, 2021, compared to US \$14.9 million in the same period in 2020, an increase of US \$11.6 million. Of the total taxes, income taxes were US \$23.0 million, compared to US \$12.7 million reported for September quarter 2020, an increase of US \$10.3 million, and was largely related to higher net income levels reported during the September 2021 quarter, when compared to the prior year.

Earnings from other sources totalled US \$2.1 million for the three-month period September 30, 2021, compared to a loss of US \$9.2 million for the same period in 2020. During the September 2020 quarter, our Jamaica segment incurred a loss of US \$10.0 million on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Shareholder returns

Sagikor's net income and comprehensive income are allocated to the equity owners of Sagikor's respective Group companies in accordance with their results. As some Group companies have minority shareholders, particularly in the Sagikor Jamaica operating segment, the net income is allocated accordingly between holders of Sagikor common shares and the minority interest shareholders. There is also an allocation to Sagikor Life Inc.'s policyholders who hold participating policies, an arrangement which was established at the demutualization of the Barbados Mutual Life Assurance Society (now Sagikor Life), and of its amalgamation with Life of Barbados Limited.

The Group recorded income of US \$50.4 million for the three-month period ended September 30, 2021, allocated to the holders of Sagikor's common shares. This corresponded to basic earnings per share of US \$0.349. The comparative amount for the three-month period ended September 30, 2020 was a net loss of US \$3.0 million, which corresponded to basic a loss per share of US \$0.020. The respective annualised returns on equity were 18.5% for September quarter 2021 and loss of 1.1% for September quarter 2020.

The table below summarises Sagikor's profitability, dividends and returns in respect of common shareholders for the three-month periods ended September 30, 2021 and 2020.

	Three months ended September 30	
	2021	2020
Common shareholder returns		
Net income/(loss) attributable to common shareholders	US \$50.4 million	(US \$3.0 million)
Basic earnings per share	34.9 ¢	(2.0 ¢)
Fully diluted earnings per share	34.5 ¢	(2.0 ¢)
Return on shareholders' equity	18.5%	(1.1%)
Dividends declared	\$8.1 million	\$8.3 million
Dividends paid per common share	\$0.05625	\$0.05625

MANAGEMENT'S DISCUSSION AND ANALYSIS

Comprehensive income

The table below summarises Sagicor's total comprehensive income for the three-month periods ended September 30, 2021 and 2020.

	Three months ended September 30,		
	2021	2020	Change
<i>(in millions of US \$)</i>			
Other comprehensive (loss)/income:			
Items net of tax that may be reclassified subsequently to income:			
Financial assets measured at fair value through other comprehensive income:			
(Losses)/gains on revaluation	(18.1)	49.0	137%
Gains transferred to income	(9.1)	(0.5)	1,720%
Net change in actuarial liabilities	13.4	(29.7)	145%
Cash flow hedges			
Unrealised gains on revaluation	-	0.3	(100%)
Retranslation of foreign currency operations	20.4	(6.9)	396%
Other	-	0.2	(100%)
	6.6	12.4	47%
Items net of tax that will not be reclassified subsequently to income:			
Gains/(losses) arising on revaluation of ownership occupied property and owner-managed property	9.2	(15.7)	159%
Gains on defined benefits plans	0.2	-	-
	9.4	(15.7)	160%
Other comprehensive income/ (loss)	16.0	(3.3)	585%
	Three months ended September 30,		
	2021	2020	Change
<i>(in millions of US \$)</i>			
Total comprehensive income			
Group net income	79.0	6.6	1,097%
Other comprehensive (loss)/income	16.0	(3.3)	585%
Total comprehensive income for the period	95.0	3.3	2,779%
Total comprehensive income attributable to:			
Common shareholders	50.7	3.4	1,391%
Participating policyholders	(0.1)	-	-
Non-controlling interests	44.4	(0.1)	44,500%
	95.0	3.3	2,779%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Items recorded within other comprehensive income arise generally from gains and losses on employee defined benefit pension plans, from fair value changes of certain asset classes and from the related movements in actuarial liabilities, and from the retranslation of foreign currency operations.

Other comprehensive income for the three-month period ended September 30, 2021 amounted to US \$16.0 million, a significant increase from the loss of US \$3.3 million reported for the same period in the prior year.

During the period, the Group reported net losses on financial assets totalling US \$18.1 million compared to gains of US \$49.0 million in the prior year, a reduction in gains of US \$67.1 million resulting from mark-to-market movements on financial assets in our investment portfolios. These losses were offset by a net change in actuarial liabilities reserve of US \$13.4 million (September quarter 2020 – loss of US \$29.7 million). Other comprehensive income for the period also included retranslation gains of US \$20.4 million, associated with the translation of foreign currency operations, and largely related to the impact of the appreciation of the Jamaican dollar when compared to the United States dollar.

Overall total comprehensive income for the quarter amounted to US \$95.0 million. Total comprehensive income allocated to shareholders was US \$50.7 million. Total comprehensive income of US \$3.3 million were reported for the September 2020 quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Financial Disclosures

The following table provides a summary of Sagicor's results from continuing operations for the eight most recently completed quarters. A more complete discussion of our historical quarterly results can be found in our interim and annual MD&A for the relevant periods.

On December 5, 2019 Sagicor and Alignvest completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which was renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC.

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares (other than those purchased for cash), were exchanged for common shares of Sagicor Financial Company Ltd. on an exchange ratio of one Sagicor Financial Company Ltd. common share for 4.328 of Sagicor Financial Corporation Limited common shares ("Exchange Ratio"). This exchange ratio has been used to convert the 2019 outstanding shares to the Sagicor Financial Company Ltd. equivalent. All per share ratios for 2019 have been adjusted to reflect the Exchange Ratio.

<i>(in millions of US \$, unless otherwise noted)</i>	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net premium revenue	623.5	364.9	276.1	510.9	264.9	310.0	317.7	300.5
Net investment and other income	158.4	151.4	155.4	163.6	137.3	148.5	25.5	171.2
Total revenue	781.9	516.3	431.5	674.5	402.2	458.5	343.2	471.7
Benefits and expenses	(682.0)	(487.9)	(392.2)	(612.8)	(373.7)	(440.6)	(355.9)	(376.4)
Other	2.1	3.4	13.1	(33.4)	(9.2)	(19.7)	(5.6)	(5.4)
Income/(loss) before tax	102.0	31.8	52.4	28.3	19.3	(1.8)	(18.3)	89.9
Income tax	(23.0)	(12.3)	(10.8)	(13.9)	(12.7)	(9.3)	(6.8)	(22.0)
Net income/(loss) before listing expense and other transaction costs	79.0	19.5	41.6	14.4	6.6	(11.1)	(25.1)	67.9
Listing expense and other transaction costs	-	-	-	-	-	-	-	(43.4)
Net income/(loss)	79.0	19.5	41.6	14.4	6.6	(11.1)	(25.1)	24.5
Income/(loss) attributable to shareholders before listing expense and other transaction costs	50.4	9.3	31.5	29.0	(3.0)	(0.3)	(29.3)	54.9
Income/(loss) attributable to shareholders	50.4	9.3	31.5	29.0	(3.0)	(0.3)	(29.3)	11.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Financial Disclosures, continued

<i>(in millions of US \$, unless otherwise noted)</i>	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Basic EPS before listing expense and other transaction costs incurred in 2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	58.7 ¢
Basic EPS	34.9 ¢	6.4 ¢	21.5 ¢	19.8 ¢	(2.0) ¢	(0.2) ¢	(19.7) ¢	12.3 ¢
Diluted EPS before listing expense and other transaction costs incurred in 2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	51.9 ¢
Diluted EPS	34.5 ¢	6.3 ¢	21.3 ¢	19.6 ¢	(2.0) ¢	(0.2) ¢	(19.7) ¢	10.9 ¢
Annualised return on shareholders' equity before listing expense and other transaction costs incurred in 2019	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30.4%
Annualised return on shareholders' equity	18.5%	3.4%	11.6%	10.8%	(1.1%)	(0.1%)	(10.5%)	6.2%
Dividends paid per share	5.6 ¢	11.2 ¢	-	5.6 ¢	5.6 ¢	5.6 ¢	5.6 ¢	2.5 ¢
Total assets	10,135.3	9,891.4	9,218.7	9,266.3	8,894.3	8,734.2	8,457.1	8,728.9
Total equity attributable to shareholders	1,134.7	1,102.0	1,100.5	1,109.8	1,062.3	1,072.5	1,049.5	1,154.1
Income/(loss) before listing expense and other transaction costs (incurred in Q4, 2019) attributable to shareholders by operating segment:								
Sagicor Life	7.0	6.8	8.3	35.2	8.4	2.2	1.9	29.4
Sagicor Jamaica	27.1	7.0	9.9	11.0	21.3	9.1	9.1	18.2
Sagicor Life USA	23.1	16.0	1.1	8.8	(18.7)	(2.9)	(14.3)	16.5
Head office, other & inter-segment eliminations	(6.8)	(20.5)	12.2	(26.0)	(14.0)	(8.7)	(26.0)	(9.2)
Total	50.4	9.3	31.5	29.0	(3.0)	(0.3)	(29.3)	54.9

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Financial Disclosures (continued)

Second Quarter 2021

Net income from continuing operations attributable to common shareholders for the three-month period ended June 30, 2021 was US \$9.3 million compared to net losses of US \$0.3 million, for the same period in the prior year, with substantial net premium revenue growth being observed in our Sagicor Life and Sagicor USA segments. During the second quarter of 2020 both Group net loss and loss attributable to Shareholders, were impacted by significant mark-to-market losses and credit impairment losses, as capital markets responded adversely to the COVID-19 pandemic. Group net income was also impacted by our share of net loss and impairment related to our associated company investment in Playa Hotels and Resorts, all due to the economic environment occasioned by the pandemic.

First Quarter 2021

Net income from continuing operations attributable to common shareholders for the three-month period ended March 31, 2021 was US \$31.5 million compared to net losses of US \$29.3 million, for the same period in the prior year. The March 2021 results include net gains of US \$25.0 million (Shareholder – US \$26.4 million) emanating from a transaction associated with our investment in Playa Hotels and Resorts (Playa). Included in this amount is a net gain of US \$10.7 million relating to the partial disposal of our investment Playa on January 15, 2021, where the Group's shareholding was reduced from 16% to 6%. In addition, subsequent to this, the Group designated the investment in Playa as an investment at FVTPL and generated mark-to-market gains of US \$14.3 million, based on Playa's share price at March 31, 2021.

Fourth Quarter 2020

Net income from continuing operations attributable to common shareholders for the three-month period ended December 31, 2020 was US \$29.0 million compared to net income US \$11.5 million, for the same period in the prior year. The main contributing factors to the financial performance during the three-month period were the normalisation of new business sales levels across all our geographies, and the positive impact of our asset optimisation efforts in our Sagicor Life segment which gave rise to a release in actuarial liabilities. These positive developments were offset by a further strengthening of reserves for forward-looking assumptions in our United States subsidiary.

Third Quarter 2020

The Group's financial results for the quarter ended September 30, 2020 continued to be affected by the COVID-19 pandemic.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US \$3.0 million compared to net income US \$6.3 million, for the same period in the prior year. The net loss was primarily related to significant strengthening of reserves in our U.S. operation associated with forward-looking assumptions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter 2020

The Group's financial results for the quarter ended June 30, 2020 were materially affected by the COVID-19 pandemic. On March 11, 2020 the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. As a response to this public health emergency, governments around the world made significant interventions in response to this threat. Most Caribbean countries shut down air and sea traffic. Similar procedures were also implemented in the United States, Canada and elsewhere. During the three-month period ended June 2020 attempts were made to modify and relax some of the restrictions implemented in the first quarter of the year, however these have yielded mixed results and therefore many of the restrictions continued with a continued slowdown in economic activity.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US \$0.3 million compared to net income US \$11.1 million, for the same period in the prior year. The net loss was primarily related to higher Expected Credit Losses (ECLs) losses due to the pandemic as well as an internal reinsurance transaction that resulted in a strengthening of reserves in our U.S. operation. The results also include impairment losses on an associated company.

First Quarter 2020

The Group's financial results for the quarter ended March 31, 2020 were materially affected by the COVID-19 pandemic. On March 11, 2020 the World Health Organisation declared the emergence of COVID-19 coronavirus, a global pandemic. As a response to this public health emergency, governments around the world made significant interventions in response to this threat. Most Caribbean countries shut down air and sea traffic. Similar procedures were also implemented in the United States, Canada and elsewhere.

Against this backdrop the Sagicor Group recorded a net loss from continuing operations attributable to common shareholders of US \$29.3 million compared to net income US \$15.1 million, for the same period in the prior year. This result was primarily driven by mark-to-market changes in asset prices (net of corresponding reserve changes) and increased provisions for Expected Credit Losses (ECLs) in anticipation of a potential prolonged economic downturn, in the markets in which the Group operates.

Fourth Quarter 2019

On December 5, 2019 Sagicor and Alignvest announced they had completed the business combination involving the transfer of all issued and outstanding shares in Sagicor to Alignvest. This transaction raised over US \$450 million in new capital for the Group. As a result of the completion of the transaction, all issued and outstanding shares in Sagicor were transferred to Alignvest, with former shareholders of Sagicor receiving cash or shares in Alignvest, which was renamed Sagicor Financial Company Ltd. and trades on the Toronto Stock Exchange under the symbol SFC. The Group incurred listing expense and other transaction costs of US \$43.4 million relating to this exercise.

Net income from continuing operations attributable to shareholders for the fourth quarter of 2019 totalled US \$54.9 million, excluding listing expense and other transaction costs, compared to US \$8.0 million for the same period in 2018, an increase of US \$46.9 million. During the last quarter of 2019, the Group benefited from a significant increase in mark to market changes on indexed options in our USA segment coupled with gains arising from the strong performance of the Jamaica stock market.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter 2019

Results for third quarter of 2019 reflected moderate aggregate growth in our core operating segments, offset somewhat with the effect of Hurricane Dorian.

Net income from continuing operations attributable to shareholders was US \$6.3 million for the three-month period ended September 30, 2019, (three-month period end September 30, 2018 – US \$7.0 million), a decrease of US \$0.7 million. During Q3 2019, Sagicor took a provision of US \$2.5 million, representing our maximum potential impact from Hurricane Dorian. During Q3 2018, the Group increased its provisions on the Government of Barbados (GoB) debt. The net impact on the net income was US \$16.4 million. Net income in 2018, also benefitted from certain one-time positive earnings releases that did not recur in 2019.

Key Factors Affecting Results

A variety of factors affect Sagicor's results, including:

- (i) sales of core products and services;
- (ii) life insurance and annuity policy lapse experience;
- (iii) insurance claims experience;
- (iv) investment yields;
- (v) asset default;
- (vi) country inflation and taxes;
- (vii) Sensitivity arising from the valuation of actuarial liabilities;
- (viii) Sagicor's expansion into new geographic markets (in the United States) and product markets (in Jamaica) through portfolio and / or company acquisitions; and
- (ix) the continuing availability of appropriately priced reinsurance treaties for life, health and property and casualty insurance.

Sales of core products and services

Growth in sales enables Sagicor to allocate its fixed operating expenses over larger revenues and subsequently increases its profitability. The impact is very significant for the Sagicor Life and Sagicor Jamaica operating segments which sell significant amounts of periodic premium life insurance and annuity policies. The pricing of such products is either fixed at the issue of each policy or may limit the extent of cost recovery over the duration of the policy which can extend over decades. Growth in sales enables Sagicor to contain the growth in unit policy operating expenses.

Lapse experience

With respect to periodic premium life insurance and annuity policies, lapse experience is a factor of profitability. Many of these policies have up-front commission, policy issue and medical underwriting costs which are only recovered in full if the policy is premium paying for the initial years of its duration. If the policy lapses during the initial years, Sagicor will not fully recover its up-front costs and incur a loss on that policy.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the same reasons that the quantum of sales of insurance policies is an important factor in maintaining insurance policy unit costs of administration, the rates of lapse or termination of inforce policies impacts the policy unit costs incurred. The lower the lapse or termination rate, the more policies are inforce, enabling Sagicor to contain growth in unit policy administrative costs.

Insurance claims experience

Across all lines of insurance, claims experience is a factor in profitability. In establishing rates of premium, Sagicor provides for appropriate levels of claims experience, be it rates of mortality for life insurance, rates of longevity for annuities, rates of morbidity for disability and health insurance, or rates of contingent losses for property and casualty insurance. Claims rates incurred in excess of pricing have adverse consequences for profitability, and conversely, claims rates incurred at levels below pricing impact profitability positively.

Investment yields

Across applicable lines of insurance and across financial contracts issued by Sagicor, investment yield is important to the profitability of the Group. Higher investment yields enable Sagicor to achieve higher interest margins (defined as the difference between interest earned and payable) on applicable insurance contracts and financial contracts. With lower investment yields, the interest margins are generally lower and may be eliminated if Sagicor is not able to earn a guaranteed rate of interest which is payable under the insurance or financial contract.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in rates of investment return on re-invested assets. These rates, including the ultimate rates of return, affect the quantum of actuarial liability determined, with higher re-investment rates resulting in a lower actuarial liability, and with lower re-investment rates resulting in a higher actuarial liability.

Asset default

The recognition of an un-anticipated default from an invested asset, may have immediate negative consequences for profitability. Sagicor maintains certain invested assets for which the full return (of capital and of interest) is borne by insurance and /or financial contract-holders. In such instances, Sagicor is generally not exposed to asset default risk. However, for other invested assets, for which Sagicor is exposed to default risk, the default risk may be entirely borne by Sagicor's shareholders, or the risk is shared by Sagicor's shareholders and insurance and /or financial contract-holders. In such instances, the impact on profitability will be negative.

For long-term life insurance and annuity contracts, the Appointed Actuaries within the Group determine each segment's actuarial liabilities at December 31 after factoring in the expected rates of asset default. Should asset default rates over time be lower than expected, profitability is impacted positively. Conversely, if asset default rates over time are higher than expected, profitability is impacted negatively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Country inflation and taxes

As with other key factors affecting profitability, changes in the level of country inflation and taxes impact the operating costs of the Sagicor Group, immediately and in the longer term.

Actuaries within the Group determine each segment's actuarial liabilities as of December 31 after factoring in expected levels of operating expenses. Higher inflation and taxation levels result in adverse consequences for profitability and lower inflation and taxation levels result in positive consequences for profitability.

Sensitivity arising from the valuation of actuarial liabilities

The estimation of actuarial liabilities is sensitive to the assumptions made. Changes in those assumptions could have a significant effect on the valuation results which are discussed below.

The valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used,
- the investments allocated to back the liabilities,
- the underlying assumptions used, and
- the margins for adverse deviations

Under Canadian accepted actuarial standards, the Appointed Actuary is required to test the actuarial liability under economic scenarios.

Expansion into new markets and company acquisitions

While Sagicor has endured for 180 years, its product offerings and geographic markets have evolved. Markets often have different preferences for certain products and any successful venture into new markets need to adapt to market tastes. Sagicor only ventures into new markets or offers new products after extensive research and appraisal.

Company acquisitions has been a strategy employed by the Sagicor Group over the last twenty years. As a result of these acquisitions, Sagicor's assets include goodwill and other intangibles acquired on company acquisitions.

Reinsurance treaties

In order to offer useful insurance coverages to potential customers, the Group holds reinsurance coverages that allow potential policy benefits to exceed amounts which are prudent for Sagicor to undertake the claims risk. Reinsured amounts may be on a per policy basis, (i.e. in excess of a pre-determined insured amount) or may be based on the aggregation of the insured's coverages (i.e. the insured has several policies and the amount reinsured is the aggregate exceeding a pre-determined amount).

MANAGEMENT'S DISCUSSION AND ANALYSIS

3. ANALYSIS BY BUSINESS SEGMENT

Sagicor operates its business primarily through three reporting operating segments. These segments are: Sagicor Life, Sagicor Jamaica and Sagicor Life USA. A summary analysis of revenue and net income by operating segment are presented on a three-month and nine-month period basis for September 30, 2021 and 2020, as follows:

	Third Quarter (three-month period) – September 2021					
<i>(in US\$ millions)</i>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjustments	Total
Revenue	121.9	174.4	465.5	48.3	(28.2)	781.9
Benefits and expenses	(113.2)	(106.1)	(436.3)	(35.8)	9.4	(682.0)
Share of operating income from associates and joint ventures	0.7	1.4	-	-	-	2.1
Income/(loss) before tax	9.4	69.7	29.2	12.5	(18.8)	102.0
Income taxes	(2.4)	(14.1)	(6.1)	(0.4)	-	(23.0)
Net income/(loss)	7.0	55.6	23.1	12.1	(18.8)	79.0
Income/(loss) attributable to shareholders	7.0	27.1	23.1	12.1	(18.9)	50.4

	Third Quarter (three-month period) – September 2020					
<i>(in US\$ millions)</i>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjustments	Total
Revenue	122.4	155.6	113.3	19.9	(9.0)	402.2
Benefits and expenses	(113.7)	(99.1)	(137.0)	(32.6)	8.7	(373.7)
Share of operating income/(losses) from associates and joint ventures	1.3	(9.9)	-	(0.7)	-	(9.3)
Loss on impairment of associates and joint ventures	-	0.1	-	-	-	0.1
Income/(loss) before tax	10.0	46.7	(23.7)	(13.4)	(0.3)	19.3
Income taxes	(1.4)	(15.8)	5.0	(0.5)	-	(12.7)
Net income/(loss)	8.6	30.9	(18.7)	(13.9)	(0.3)	6.6
Income/(loss) attributable to shareholders	8.4	21.3	(18.7)	(13.8)	(0.2)	(3.0)

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Change – September 2021 vs September 2020 (three-month periods)					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust- ments	Total
Revenue	-	12%	311%	143%	(213%)	94%
Benefits and expenses	-	(7%)	(218%)	(10%)	8%	(82%)
Share of operating losses from associates and joint ventures	(46%)	114%	-	100%	-	123%
Loss on impairment of associates and joint ventures	-	(100%)	-	-	-	(100%)
Income/(loss) before tax	(6%)	49%	223%	193%	(6,167%)	428%
Income taxes	71%	11%	(222%)	20%	-	(81%)
Net income/(loss)	(19%)	80%	224%	187%	(6,167%)	1,097%
Income/(loss) attributable to shareholders	(17%)	27%	224%	188%	(9,350%)	1,780%

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Year-to-date (nine-month period) – September 2021					
<i>(in US\$ millions)</i>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust- ments	Total
Revenue	374.5	516.3	782.7	102.1	(46.0)	1,729.6
Benefits and expenses	(349.6)	(398.6)	(731.8)	(108.9)	26.8	(1,562.1)
(Loss)/gain arising on business combination, acquisitions and divestitures	-	(1.5)	-	12.3	-	10.8
Share of operating income from associates and joint ventures	3.2	4.7	-	-	-	7.9
Income/(loss) before tax	28.1	120.9	50.9	5.5	(19.2)	186.2
Income taxes	(6.0)	(27.8)	(10.7)	(1.6)	-	(46.1)
Net income/(loss)	22.1	93.1	40.2	3.9	(19.2)	140.1
Income/(loss) attributable to shareholders	22.1	44.0	40.2	4.1	(19.2)	91.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Year-to-date (nine-month period) – September 2020					
<i>(in US\$ millions)</i>	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust- ments	Total
Revenue	332.7	454.9	384.0	55.3	(23.0)	1,203.9
Benefits and expenses	(317.0)	(342.7)	(429.4)	(103.8)	22.9	(1,170.0)
(Loss)/gain arising on business combination, acquisitions and divestitures	-	(2.8)	-	1.5	-	(1.3)
Share of operating income/(loss) from associates and joint ventures	2.9	(22.7)	-	(0.7)	-	(20.5)
Loss on impairment of associates and joint ventures	-	(12.8)	-	-	-	(12.8)
Income/(loss) before tax	18.6	73.9	(45.4)	(47.7)	(0.1)	(0.7)
Income taxes	(5.7)	(31.3)	9.5	(1.4)	0.1	(28.8)
Net income/(loss)	12.9	42.6	(35.9)	(49.1)	-	(29.5)
Income/(loss) attributable to shareholders	12.5	39.5	(35.9)	(48.8)	0.1	(32.6)

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Change – September 2021 vs September 2020 (nine-month periods)					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust- ments	Total
Revenue	13%	13%	104%	85%	100%	44%
Benefits and expenses	(10%)	(16%)	(70%)	(5%)	17%	(34%)
(Loss)/gain arising on business combination, acquisitions and divestitures	-	46%	-	720%	-	931%
Share of operating income/(loss) from associates and joint ventures	140%	121%	-	100%	-	139%
Loss on impairment of associates and joint ventures	-	100%	-	-	-	100%
Income/(loss) before tax	51%	64%	212%	112%	(19,100%)	26,700%
Income taxes	(5%)	11%	(213%)	(14%)	(100%)	(60%)
Net income/(loss)	71%	119%	212%	108%	-	575%
Income/(loss) attributable to shareholders	77%	11%	212%	108%	(19,300%)	380%

The performance of these reporting segments for the three-month and nine-month periods ended September 30, 2021 compared to the same period in 2020 is discussed in the following sections.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sagicor Life segment

The Sagicor Life segment conducts life, health insurance, property & casualty insurance, pensions, annuities, and asset management services in Barbados, Trinidad and Tobago, Eastern Caribbean, Dutch Caribbean, the Bahamas and Central America. Sagicor Life has a diversified customer base providing financial solutions to both individuals and corporations, mainly through a captive distribution network and local brokers. Sagicor Life's strong corporate image, people, financial strength, and diverse insurance solutions has contributed to Sagicor Life's leading position in the insurance market in the Caribbean. Sagicor Life has an "A- stable" rating from A.M. Best.

The following table summarises the results of the Sagicor Life segment for the three-month and nine-month periods ended September 30, 2021 and 2020.

	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change	2021	2020	Change
Sagicor Life segment						
Net premium revenue	91.7	88.9	3%	275.9	258.1	7%
Gain/(losses) on derecognition of amortised cost investments	0.9	(0.2)	550%	0.9	-	-
Gains on derecognition of assets carried at FVOCI	0.1	0.2	(50%)	1.8	1.1	64%
Interest income earned from financial assets measured at amortised costs and FVOCI	20.4	17.6	16%	61.4	54.9	12%
Other investment income	2.0	4.0	(50%)	9.2	1.7	441%
Credit impairment (losses)/gains	(1.5)	0.7	(314%)	-	(8.3)	100%
Fees and other revenue	2.0	4.6	(57%)	6.4	8.3	(23%)
Inter-segment revenues	6.3	6.6	(5%)	18.9	16.9	12%
Total revenue	121.9	122.4	-	374.5	332.7	13%
Benefits	(81.7)	(81.8)	-	(252.4)	(217.6)	(16%)
Expenses and taxes	(29.1)	(28.9)	(1%)	(86.4)	(90.4)	4%
Depreciation and amortisation	(1.8)	(1.8)	-	(6.0)	(5.5)	(9%)
Inter-segment expenses	(0.6)	(1.2)	(50%)	(4.8)	(3.5)	(37%)
Other	0.7	1.3	(46%)	3.2	2.9	10%
Segment income before taxes	9.4	10.0	(6%)	28.1	18.6	51%
Income taxes	(2.4)	(1.4)	(71%)	(6.0)	(5.7)	(5%)
Net segment income	7.0	8.6	(19%)	22.1	12.9	71%
Income attributable to shareholders	7.0	8.4	(17%)	22.1	12.5	77%
Return on Investments (annualised)	5.7%	6.1%	(0.4 pts)	6.1%	5.4%	0.7 pts
Return on Equity (annualised)	4.6%	6.4%	(1.8 pts)	5.0%	3.2%	1.8 pts
Return on Shareholder's Equity (annualised)	4.6%	6.2%	(1.6 pts)	5.0%	3.1%	1.9 pts

Third quarter (three-month period) results of the Sagicor Life Segment analysis

The impact of the COVID 19 pandemic continued into 2021 with generally adverse economic conditions being experienced and lockdowns occurring in several of our markets. Despite these challenges, the Sagicor Life segment

MANAGEMENT'S DISCUSSION AND ANALYSIS

demonstrated a strong performance for the three-month period ended September 30, 2021, with growth of 12% in its new business sales to individuals and continued growth in net premium revenue. New business sales to individuals in the comparative period was significantly impacted by the initial spread of the pandemic to our key markets.

The net income attributable to shareholders was US \$7.0 million for the three-month period ended September 30, 2021, US \$1.4 million below the US \$8.4 million recorded for the same period in 2020.

The Sagicor Life segment generated total revenue of US \$121.9 million for the three-month period, which was slightly below the US \$122.4 million reported for the same quarter in 2020. Net premium revenue was US \$91.7 million compared to US \$88.9 million for the same period in 2020, an increase of US \$2.8 million.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US \$23.4 million for the three-month period ended September 30, 2021, US \$1.8 million above the US \$21.6 million reported for the September 2020 quarter. Interest income for the three-month period was US \$20.4 million, compared to US \$17.6 million reported for the three-month period ended September 30, 2020, as the segment benefitted from general growth in financial investments over the comparative period. Other investment income was US \$2.0 million, compared to US \$4.0 million for Q3 2020, declining by US \$2.0 million. During Q3 2021, the segment reported unrealised losses on FVTPL financial assets totalling US \$0.4 million, primarily as a result of changes in the fair value of Caribbean equities. During the third quarter of 2020, the segment reported US \$1.6 million in realised and unrealised gains on FVTPL financial assets, as capital markets recovered after being adversely impacted by the initial spread of the COVID-19 pandemic in earlier quarters.

Credit impairment losses totalled US \$1.5 million for the three-month period ended September 30, 2021, compared to reversals of credit impairment losses of US \$0.7 million, for the corresponding period in 2020.

Fees and other revenues decreased by US \$2.6 million to close at US \$2.0 million for the three-month period ended September 30, 2021, compared to US 4.6 million for the corresponding period in 2020. This was partially due to foreign exchange losses incurred during the third quarter of 2021, (US \$0.1 million), compared to gains of US \$0.5 million, as the United States dollar declined against the Trinidad & Tobago dollar during the quarter. Additionally, the third quarter of 2020 included one off miscellaneous income.

Benefits incurred for the Sagicor Life segment totalled US \$81.7 million for the three-month period ended September 30, 2021 compared to benefits incurred of US \$81.8 million reported for the same period in the prior year. Net policy benefits excluding the changes in actuarial reserves increased by US \$4.6 million mainly due to increases in withdrawals from savings components of insurance contracts. The segment experienced increases in health benefits as normal health care services were disrupted in 2020 due to the government-imposed lockdowns. Higher benefits were also experienced related to annuities as result of significant growth in the annuity portfolio in 2020, together with a higher mortality experience and higher partial withdrawals from the savings component of insurance contracts. However, the interest expense decreased by US \$1.4 million as a result of lower unrealised gains on FVTPL assets accruing to policyholders. Net change in actuarial liabilities declined marginally by US \$3.3 million to close at US \$14.1 million.

Total expenses and taxes for the Sagicor Life segment totalled US \$33.9 million for the three-month period ended September 30, 2021, marginally above the US \$33.3 million reported for the same period in 2020. Total expenses decreased by US \$0.4 million to close at US \$31.5 million (September quarter 2020 – US \$31.9 million), due primarily to lower administrative expenses net of higher commission and premium taxes which have grown in line with premium revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year-to-date (nine-month period) results of the Sagicor Life Segment analysis

Despite the challenges presented by the COVID-19 pandemic, the Sagicor Life segment demonstrated a strong performance for the nine-month period ended September 30, 2021, with growth of 33% in its new business sales to individuals, continued growth in net premium revenue and strong growth in investment income compared to the nine-month period ended September 30, 2020.

The net income attributable to shareholders was US \$22.1 million for the nine-month period ended September 30, 2021, US \$9.6 million above the US \$12.5 million recorded for the same period in 2020.

The Sagicor Life segment generated total revenue of US \$374.5 million for the nine-month period ended September 30, 2021, US \$41.8 million (13%) above the US \$332.7 million reported for the same period in 2020. Net premium revenue totalled US \$275.9 million compared to US \$258.1 million for the same period in 2020, an increase of US \$17.8 million (7%), with net premium revenue growth observed in the segment's life and annuity business.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US \$73.3 million for the nine-month period ended September 30, 2021, US \$15.6 million above the US \$57.7 million reported for the same period in 2020. Interest income for the nine-month period was US \$61.4 million, compared to US \$54.9 million reported for the nine-month period ended September 30, 2020, as the segment benefitted from general growth in financial investments of US \$176.8 million over the comparative period. Other investment income was US \$9.2 million, compared to US \$1.7 million for Q3 2020, improving by US \$7.5 million. During the nine-month period ended September 30, 2020, the segment reported unrealised losses on FVTPL financial assets totalling US \$4.6 million, as the capital markets responded adversely to the announcement of the COVID-19 pandemic. This did not repeat in 2021.

Credit impairment losses totalled US \$8.3 million for the nine-month period ended September 30, 2020, as credit assessment assumptions were updated to reflect the impact of the COVID-19 pandemic. The assessment of credit impairment for the corresponding period in 2021 did not result in a significant increase in credit impairment.

Fees and other revenues decreased by US \$1.9 million to close at US \$6.4 million for the nine-month period ended September 30, 2021, compared to US \$8.3 million for the corresponding period in 2020.

Benefits incurred for the Sagicor Life segment totalled US \$252.4 million for the nine-month period ended September 30, 2021 compared to benefits incurred of US \$217.6 million reported for the same period in the prior year, an increase of US \$34.8 million (16%). Net policy benefits excluding the changes in actuarial reserves increased by US \$35.3 million. The segment experienced increases in health benefits as normal health care services were disrupted in 2020 due to the government-imposed lockdowns. Higher benefits were also experienced related to annuities as result of significant growth in the annuity portfolio in 2020, together with a higher mortality experience and higher partial withdrawals from the savings component of insurance contracts. Additionally, the interest expense increased by US \$3.7 million as a result of higher investment returns during the period being passed on to policyholders. Net change in actuarial liabilities declined marginally by US \$4.3 million to close at US \$48.9 million.

Total expenses and taxes for the Sagicor Life segment totalled US \$103.2 million for the nine-month period ended September 30, 2021, US \$1.9 million below the US \$105.1 million reported for the same period in 2020 primarily as a result of lower variable employee compensation expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarises the financial position of the Sagicor Life segment as of September 30, 2021 and December 31, 2020.

Statement of Financial Position (in millions of US \$)	As of		
	September 30,	December 31, 2020	Change
Sagicor Life segment			
Financial investments	1,611.5	1,551.0	4%
Other assets	339.1	337.6	-
Inter-segment assets	419.9	390.6	8%
Total assets	2,370.5	2,279.2	4%
Policy liabilities	1,554.7	1,477.9	5%
Other liabilities	81.1	82.8	(2%)
Inter-segment liabilities	123.2	126.4	(3%)
Total liabilities	1,759.0	1,687.1	4%
Net assets	611.5	592.1	3%

Financial investments totalled US \$1,611.5 million (December 31, 2020 - US \$1,551.0 million) and comprised 68% (December 31, 2020 - 68%) of the segment's total assets, and policy liabilities totalled US \$1,554.7 million (December 31, 2020 - US \$1,477.9 million) and comprised 88% (December 31, 2020 - 88%) of the segment's total liabilities at the end of December 2020. Overall, net assets increased by 3% or US \$19.4 million due to the strong operating results.

New initiatives and developments

The COVID-19 virus has had a significant impact on all the territories in which we operate. In response, Sagicor implemented several initiatives to assist the communities in which we operate in these difficult times. We rolled out our business continuity plan and moved to provide services to our clients remotely. Despite the continued challenges posed by COVID 19, we have continued our drive in digitalizing the organization, which will ensure we are positioned to better serve our clients and stakeholders. Our teams continue to explore the delivery of new product offerings to serve both new and existing customers, with new payment solutions having been introduced earlier in 2021, allowing a better customer experience.

Sagicor Jamaica segment

The Sagicor Jamaica segment offers life, health, annuity, property and casualty insurance, pension administration services, commercial banking, investment banking, hospitality and real estate investment services in the markets of Jamaica, Cayman Islands, Costa Rica and the United States of America. Sagicor Jamaica's strong brand, together with its wide range of products and highly skilled work force, has allowed it to maintain a leading position in market segments in which it operates. Its commercial banking services are offered through a network of sixteen (16) branches. Sagicor Life Jamaica Limited, a life insurance subsidiary within the Sagicor Jamaica segment, currently holds a financial strength rating of B++ stable and an issuer credit rating of bbb+ stable, with A.M. Best.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Three months ended September 30			Nine months ended September 30		
<i>(in millions of US \$)</i>	2021	2020	Change	2021	2020	Change
Sagicor Jamaica segment						
Net premium revenue	84.5	81.5	4%	256.6	264.8	(3%)
Gain on derecognition of amortised cost investments	5.1	2.6	96%	10.7	5.3	102%
Gain on derecognition of assets carried at FVOCI	5.7	2.6	119%	12.9	18.1	(29%)
Interest income earned from financial assets measured at amortised costs and FVOCI	40.0	39.5	1%	117.0	121.1	(3%)
Other investment income /(expenses)	1.0	4.8	(79%)	16.5	(28.2)	159%
Credit impairment losses	0.2	(0.8)	125%	(1.3)	(12.7)	90%
Fees and other revenue	37.9	25.4	49%	103.9	86.5	20%
Total revenue	174.4	155.6	12%	516.3	454.9	13%
Benefits	(43.0)	(43.7)	2%	(206.2)	(158.3)	(30%)
Expenses and taxes	(58.1)	(50.2)	(16%)	(177.4)	(167.6)	(6%)
Depreciation, amortisation and impairments	(4.5)	(4.8)	6%	(13.6)	(15.6)	13%
Inter-segment expenses	(0.5)	(0.4)	(25%)	(1.4)	(1.2)	(17%)
Loss arising on business combination, acquisitions and divestitures	-	-	-	(1.5)	(2.8)	46%
Impairment of associates and joint ventures	-	0.1	(100%)	-	(12.8)	100%
Share of operating income/(losses) from associates and joint ventures	1.4	(9.9)	114%	4.7	(22.7)	121%
Segment income before taxes	69.7	46.7	49%	120.9	73.9	64%
Income taxes	(14.1)	(15.8)	11%	(27.8)	(31.3)	11%
Net segment income	55.6	30.9	80%	93.1	42.6	119%
Income attributable to shareholders	27.1	21.3	27%	44.0	39.5	11%
Return on Investments	5.9%	6.8%	(0.9 pts)	6.6%	4.7%	1.9 pts
Return on Total Equity	25.4%	13.8%	11.6 pts	14.0%	6.3%	7.7 pts
Return on Shareholder's Equity	29.1%	23.9%	5.2 pts	15.5%	15.1%	0.4 pts

Third quarter (three-month period) results of the Sagicor Jamaica Segment analysis

The Sagicor Jamaica segment reported net income of US \$55.6 million for the three-month period ended September 30, 2021 (Q3 2020 – US \$30.9 million), an improvement of US \$24.7 million, with the segment benefiting from revenue growth of 12%. For 2021, the individual life insurance business reported strong results underpinned by new business sales and portfolio growth. The commercial and investment banking segments benefited from the market rebound,

MANAGEMENT'S DISCUSSION AND ANALYSIS

experiencing improved transaction volumes and resulting fee income, while hotel revenue showed strong growth in the third quarter. The results for the third quarter of 2020 were adversely impacted by the share of loss from the investment in Associate (Playa) as COVID-19 set off an unprecedented shock to financial markets and economic activities globally.

Net income attributable to shareholders was US \$27.1 million for the three-month period ended September 30, 2021 compared to US \$21.3 million for the three-month period ended September 30, 2020.

This segment generated total revenue of US \$174.4 million for the three-month period ended September 30, 2021, compared to US \$155.6 million for the same period in the prior year. This represented an increase of US \$18.8 million or 12%.

Net premium income closed at US \$84.5 million for the third quarter of 2021 compared to US \$81.5 million, for the same period in 2020, an increase of US \$3.0 million. While the annuity, health and property and casualty insurance businesses observed declines, improvements were seen in the life business.

Interest income was US \$40.0 million, for the three-month period ended September 30, 2021 compared to US \$39.5 million in the corresponding prior period, a product of the increase in the segment's interest earning asset base. Other investment income totalled US \$1.0 million, for the period under review, compared to US \$4.8 million for the same period in the prior year.

The segment experienced reversals of credit impairment losses for the three-month period ended September 30, 2021, totalled US \$0.2 million, compared to impairment losses of US \$0.8 million, for the corresponding period in 2020, an improvement of US \$1.0 million. During the September 2020 quarter, credit assessment assumptions were updated to reflect the impact of the pandemic.

Fees and other revenue closed at US \$37.9 million for the three-month period under review, compared to US \$25.4 million for the same period in 2020, an increase of US \$12.5 million or 49%. Hotel revenues improved by US \$5.4 million during the third quarter of 2021 as worldwide travel restrictions associated with the COVID-19 pandemic, reduced. In addition, the segment benefited from one-off gains from the settlement of a long-term liability at a discount. The segment earned fee income from capital market transactions totalling US \$5 million.

Benefits totalled US \$43.0 million for the three-month period ended September 30, 2021 and was marginally lower than that reported for the same period in 2020. Net policy benefits excluding changes in actuarial liabilities totalled US \$57.6 million, compared to the US \$57.8 million reported for the third quarter of 2020. The segment reported net change in actuarial liabilities release of US \$21.6 million for the three-month period ended September 30, 2021, compared to a release of US \$20.5 million in 2020, an increase of US \$1.1 million. The segment benefitted from positive net experience through the annual review of our actuarial assumptions.

Expenses and taxes incurred (including segment expenses and income taxes) amounted to US \$77.2 million for the three-month period compared to US \$71.2 million for the same period in 2020, an increase of US \$6.0 million. Administrative expenses increased by US \$6.6 million to close at US \$45.2 million. This was driven by US \$ 3.5 million increase in hotel expenses, in line with the rebound of the tourism sector, as well as increase in professional fees mainly relating to IFRS 17 and other operational cost.

Earnings from other sources was a gain of US \$1.4 million for the third quarter of 2021, compared to a loss of US \$9.8 million for the same period in 2020. During the September 2020 quarter, our Jamaica segment incurred a loss of US \$10.0 million on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year-to-date (nine-month period) results of the Sagicor Jamaica Segment analysis

The Sagicor Jamaica segment reported net income of US \$93.1 million for the nine-month period ended September 30, 2021 (Q3 2020 - US \$42.6 million) an improvement of US \$50.5 million. For 2021, the individual life insurance business reported strong results. The segment benefitted from improved investment performance partially indicative of the recoveries in mark to market securities and well as substantially lower ECLs. The banking business experienced improved transaction volumes and resulting fee income. The results for the nine-month period for 2020 were adversely impacted by significant unrealized losses on financial assets, Expected Credit Losses (ECL), impairment charges and share of loss from the investment in Associate (Playa) as COVID-19 set off an unprecedented shock to financial markets and economic activities globally.

Net income attributable to shareholders was US \$44.0 million for the nine-month period ended September 30, 2021 compared to US \$39.5 million for the nine-month period ended September 30, 2020.

This segment generated total revenue of US \$516.3 million for the nine-month period ended September 30, 2021, compared to US \$454.9 million for the same period in the prior year. This represented an increase of US \$61.4 million or 13%.

Net premium income closed at US \$256.6 million for the 2021 period compared to US \$264.8 million, for the same period in 2020, a decrease of US \$8.2 million. While the annuities, health and property and casualty insurance businesses observed declines, improvements were seen in the life business.

Interest income was US \$117.0 million, for the nine-month period ended September 30, 2021 compared to US \$121.1 million in the corresponding prior period. Other investment income which includes investment gains totalled US \$16.5 million, for the period under review, compared to losses of US \$28.2 million for the same period in the prior year. Investment gains totalled US \$11.8 million and were higher than the mark-to-market losses of US \$29.5 million reported in the prior year which were affected by the capital markets adverse response to the COVID-19 pandemic

Credit impairment losses for the nine-month period ended September 30, 2021, totalled \$1.3 million, compared to impairment losses of US \$12.7 million, for the corresponding period in 2020. During the nine-month period in 2020, credit assessment assumptions were updated to reflect the impact of the pandemic.

Fees and other revenue closed at US \$103.9 million for the nine-month period under review, compared to US \$86.5 million for the same period in 2020, an increase of US 17.4 million or 20%. During the period, the segment benefitted from higher hotel revenues (US \$7.2 million) as worldwide travel restrictions associated with the COVID-19 pandemic, reduced. In addition, the segment was impacted by higher unrealised foreign exchange gains on assets denominated in foreign currency, coupled with increased fee income on its banking business. The segment also reported one-off gains from early settlement of a long-term liability at a discount and capital market transactions, totalling US \$5.0 million.

Benefits totalled US \$206.2 million compared to US \$158.3 million reported for the same period in 2020 an increase of US \$47.9 million. Net policy benefits excluding changes in actuarial liabilities totalled US \$169.4 million, compared to the US \$173.5 million reported for the same period in 2020, a decrease of US \$4.1 million. The segment reported net change in actuarial liabilities increase of US \$16.3 million for the nine-month period ended September 30, 2021, compared to a release of US \$35.7 million in 2020, an increase of US \$52.0 million.

Expenses and taxes incurred (including segment expenses and income taxes) amounted to US \$220.2 million for the nine-month period compared to US \$215.7 million for the same period in 2020, an increase of US \$4.5 million. Administrative expenses increased by US \$9.2 million to close at US \$132.0 million and was primarily as a result of increases in hotel expenses, stemming from higher occupancy levels and the re-opening of the tourism sector. Other

MANAGEMENT'S DISCUSSION AND ANALYSIS

operating expenses such as professional fees, mainly relating to IFRS 17, and IT costs, mainly license fees and data security, were higher than the comparative period. Income taxes declined by US \$3.5 million to close at US \$27.8 million.

Earnings from other sources was a gain of US \$3.2 million for the nine-month of 2021, compared to a loss of US \$38.3 million for the same period in 2020. On January 15, 2021, the segment completed the disposal of its 14.9% equity interest in Playa Hotels and Resorts which gave rise to a loss on disposal of US \$1.5 million. The impact of this disposal was negated by our share of income earned on the joint venture in Costa Rica totalling US \$4.7 million. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details. During the nine-month period ended September 30, 2020, our Jamaica segment incurred a loss of US \$39.6 million (including US \$12.8 million in impairment losses) on its associated company investment in Playa Hotels and Resorts due to the impact of the COVID-19 travel restrictions' adverse impact on hotel operations.

The following table summarises the financial position of the Sagicor Jamaica segment as of September 30, 2021 and December 31, 2020.

Statement of Financial Position

<i>(in millions of US \$)</i>	As of		
	September 30, 2021	December 31, 2020	Change
Sagicor Jamaica segment			
Financial investments	2,833.2	2,714.5	4%
Other assets	666.8	730.0	(9%)
Inter-segment assets	10.1	10.6	(5%)
Total assets	3,510.1	3,455.1	2%
Policy liabilities	853.1	824.5	3%
Other liabilities	1,705.2	1,690.4	1%
Inter-segment liabilities	8.7	12.9	(33%)
Total liabilities	2,567.0	2,527.8	2%
Net assets	943.1	927.3	2%

Financial investments totalled US \$2,833.2 million (December 31, 2020 – US \$2,714.5 million) and comprised 81% (December 31, 2020 - 79%) of the segment's total assets. Total assets closed at US \$3,510.1 million, an increase of 2% (US \$55.0 million). Policy liabilities totalled US \$853.1 million (December 31, 2020 – US \$824.5 million) and other liabilities totalled US \$1,705.2 million (December 31, 2020 – US \$1,690.4 million), representing 33% (December 31, 2020 - 33%) and 66% (December 31, 2020 - 67%) of the segment's total liabilities at the end of September 30, 2021 and December 31, 2020.

Overall net assets increased by 2% (US \$15.8 million) moving from US \$927.3 million as at December 31, 2020 to US \$943.1 million at the end of September 2021. Improved operating results, net of the impact of mark-to-market losses on FVOCI financial assets, foreign exchange losses on the retranslation of foreign operations as well as dividends distributed to shareholders, gave rise to the overall increase in net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

New initiatives and developments

During the period, Sagicor Jamaica's efforts continue to be driven by its pillars of supporting initiatives in health and education and is centered around our vision of "being a great company committed to improving the lives of the people in the communities in which we operate. Significant and impactful donations were made to include a joint partnership with Boss furniture to donate beds and mattresses to local hospitals as well as several other donations in kind; one of the most significant being care packages for a Sickle Cell Care Package drive. In support of students learning from home, the Foundation continues to donate tablets to educational institutions to help students with their online learning. To date, the Foundation has donated over 100 tablets. Laptop donations also started during this period, helping to support educators as well, as they navigate the online teaching space.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sagicor Life USA segment

Sagicor USA, Inc. and its operating entity, Sagicor Life Insurance Company, (collectively, Sagicor USA) operate in 45 states and the District of Columbia. Sagicor USA is focused on providing life and annuity products to middle market America through independent producers and a direct-to-consumer platform, SagicorNOW.com. Middle market America has been defined broadly as individuals and families with household incomes of \$40,000 to \$100,000 or retirees or near-retirees with retirement portfolios of \$100,000 to \$1,000,000.

Sagicor Life Insurance Company has an "A- stable" rating from A.M. Best.

Sagicor USA's products can be broadly placed in three categories:

- Periodic premium – This would include products such as several variations of term insurance, non-participating whole life, indexed universal life and no-lapse universal life. All of these products usually allow the owner to pay premiums on a monthly, quarterly, or annual basis.
- Single premium life – This category includes two products developed to support an older demographic who are looking principally to provide a larger legacy upon their death, while having access to funds to assist if they need critical care. We offer a standard interest crediting whole life product as well as an indexed universal life product.
- Annuities – Currently all of Sagicor USA's annuity offerings are single premium products including such products as multi-year guaranteed (MYGA), fixed interest crediting as well as immediate annuities. Most of the products are focused on helping the customer accumulate assets with little to no market risk to their initial premium.

The following table summarises the results of the Sagicor Life USA segment for the three-month and nine-month periods ended September 30, 2021 and 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(in millions of US \$)	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Sagicor Life USA segment						
Net premium revenue	437.6	85.4	412%	703.7	341.7	106%
Gain/(losses) on derecognition of assets carried at FVOCI	5.8	(4.7)	(223%)	(0.4)	(5.6)	93%
Interest income earned from financial assets measured at amortised cost and FVOCI	24.6	17.2	43%	65.6	54.9	19%
Other investment income/(expenses)	1.0	15.5	(94%)	19.3	(0.9)	2,244%
Credit impairment (losses)/gains	(0.5)	2.0	(125%)	2.3	(4.1)	156%
Fees and other revenue	(3.0)	(2.1)	43%	(7.8)	(2.0)	(290%)
Total revenue	465.5	113.3	311%	782.7	384.0	104%
Benefits	(405.6)	(119.6)	(239%)	(664.0)	(379.2)	(75%)
Expenses and taxes	(27.5)	(15.2)	(81%)	(61.4)	(44.3)	(39%)
Depreciation and amortisation	(1.1)	(1.1)	-	(3.4)	(3.1)	(10%)
Inter-segment expenses	(2.1)	(1.1)	(91%)	(3.0)	(2.8)	(7%)
Segment income/(loss) before taxes	29.2	(23.7)	223%	50.9	(45.4)	212%
Income taxes	(6.1)	5.0	(222%)	(10.7)	9.5	(213%)
Net segment income/(loss)	23.1	(18.7)	224%	40.2	(35.9)	212%
Income/(loss) attributable to shareholders	23.1	(18.7)	224%	40.2	(35.9)	212%
Return on Investments (annualised)	3.4%	5.8%	(2.4 pts)	4.0%	3.4%	0.6 pts
Return on Equity (annualised)	32.3%	(27.1%)	59.4 pts	20.0%	(16.2%)	36.2 pts
Return on Shareholder's Equity (annualised)	32.3%	(27.1%)	59.4 pts	20.0%	(16.2%)	36.2 pts

Third quarter (three-month period) results of the Sagicor Life USA Segment analysis

The Sagicor Life USA segment reported net income of US \$23.1 million, for the three-month period ended September 30, 2021. This represented a significant improvement over the third quarter 2020, as the segment continued to recover from the 2020 COVID impacts and grow its market share in the US.

Driven by MYGA sales that continued the growth trend started in the 2nd quarter of 2021 and showed an increase of 685% (US \$359.8 million) over the same period of 2020, the segment generated revenue of US \$465.5 million for the three-month period ended September 30, 2021, compared to US \$113.3 million reported for the same period in 2020. This increase was also positively impacted by increased interest income of 43% period over period due to the continued strong growth of the investment portfolio as a result of the US \$944 million of sales for the 12 months ended September 30, 2021 and a stabilization of the markets (less mark-to-market gains) during the quarter ended September 30, 2021.

During the same period in 2020, due to the significant volatility of the US capital markets as a result of COVID-19, the segment reported realised and unrealised mark-to-market gains of US \$12.7 million as markets continued to recover from the first quarter loss caused by the pandemic uncertainty. Credit impairment losses for the three-month period ended September 30, 2021, totalled \$0.5 million, compared to reversals of credit impairment losses of US \$2.0 million for the corresponding period in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Benefits, which reflect net policy benefits (surrenders, deaths, lapses, etc.), interest expense and changes in actuarial liabilities, totalled US \$405.6 million compared to US \$119.6 million reported for the same period in 2020 an increase of US \$286.0 million. Net policy benefits totalled US \$49.3 million, compared to the US \$49.5 million reported for the same period in 2020, a decrease of US \$0.2 million, reflecting a decrease in death benefits period on period and a natural increase in surrenders as the size of the annuity portfolio has increased. The segment reported net change in actuarial liabilities increase of US \$357.7 million for the nine-month period ended September 30, 2021, compared to US \$69.4 million, for the same quarter in 2020, an increase of US \$288.3 million, primarily driven by the significant annuity business acquired during the quarter. The third quarter 2020 changes in actuarial liabilities were also negatively impacted by a strengthening of actuarial liabilities associated with the segment's forward-looking assumptions surrounding its policy liabilities and the long-term impact COVID-19 has had on the economic policy and long-term outlook in the USA.

Total expenses and taxes (including segment expenses and income taxes) totaled US \$36.8 million compared to US \$12.4 million reported for the same period in 2020. While total expenses and for the period were up by US \$24.4 million when compared to the same period in 2020, the increase was driven by the increased commissions and premium taxes associated with the significantly higher annuity premiums (US \$11.6 million) and higher income taxes (US \$11.1 million) due to the improved operating results. This represents an improvement in the expense ratio (total expenses and taxes / total revenues) from 11% in the third quarter of 2020 to 8% in the third quarter of 2021.

Year-to-date (nine-month period) results of the Sagicor Life USA Segment analysis

With the Sagicor Life USA segment generating revenue of US \$782.7 million for the nine-month period ended September 30, 2021, compared to US \$384.0 million reported for the same period in 2020, the segment has seen a return to profitability for the nine-months ended September 30, 2021 (net income of US \$40.2 million), after having suffered a COVID led loss of US \$35.9 million for the nine-month period ended September 30, 2020. This more than doubling of revenue has been driven by the higher MYGA sales discussed previously coupled with the stabilization of the capital and bond markets in the United States resulting in a US \$11.4 million of realized and unrealized market related gains for the nine-month period ended September 30, 2021 versus a loss of US \$7.2 million for the same period in 2020. In addition, as the investment portfolio continues to grow due to sales growth, interest income continues to increase; however, a significant portion of this additional interest income is credited to the policyholders and is reflected in higher actuarial liabilities.

Benefits, which reflect net policy benefits (surrenders, deaths, lapses, etc.), interest expense and changes in actuarial liabilities, totalled US \$664.0 million compared to US \$379.2 million reported for the same period in 2020 an increase of US \$284.8 million. Net policy benefits totaled US \$133.9 million compared to US \$136.5 million, a decrease of US \$2.6 million. While the segment has seen a slight uptick in COVID related life claims, the overall, net amounts after reinsurance has not been material and timing variability is such that we do not see this as a long-term trend that will materially impact our long-term actuarial assumptions. Overall, net life-related benefits are slightly down for the period while annuity related benefits have been flat period over period. The changes in actuarial liabilities totaled US \$532.8 million for the nine-month period ended September 30, 2021, compared to US \$239.8 million, for the same period in 2020, a net increase of US \$293.0 million due primarily to the higher written premium for the period just ended. The nine-month period ended September 30, 2020 changes in actuarial liabilities were also negatively impacted by a strengthening of actuarial liabilities associated with the segment's forward-looking assumptions surrounding its policy liabilities and the long-term impact COVID-19 has had on the economic policy and long-term outlook in the USA.

Total expenses and taxes (including segment expenses and income taxes) totaled US \$78.5 million compared to US \$40.7 million reported for the same period in 2020. The increase in expenses and taxes is driven by higher income tax charges incurred in 2021 (US \$20.2 million increase), associated with the improved operating performance for the most recent period. Commission and premium taxes also increased significantly (US \$11.2 million), due to the new business reported during the period, while administrative expenses increased by US \$5.8 million and includes costs associated

MANAGEMENT'S DISCUSSION AND ANALYSIS

with the ramping of the segment's efforts surrounding the adoption of IFRS 17 and servicing the higher sales activities. The segment also observed a normalization of costs coming out of COVID-19 protocols.

Statement of Financial

	As of		
<i>(in millions of US \$)</i>	September 30, 2021	December 31, 2020	Change
Sagicor Life USA segment			
Financial investments	3,247.5	2,556.3	27%
Other assets	689.8	767.8	(10%)
Inter-segment assets	54.7	59.0	(7%)
Total assets	3,992.0	3,383.1	18%
Policy liabilities	2,980.8	2,507.8	19%
Other liabilities	534.6	452.6	18%
Inter-segment liabilities	171.7	152.8	12%
Total liabilities	3,687.1	3,113.2	18%
Net assets	304.9	269.9	13%

Overall, the increase in net assets from December 31, 2020 to September 30, 2021 of US \$35.0 million (13%) was the result of the significant improvement in profitability for the period under review.

Consistent with prior reporting periods, Sagicor Life USA's financial position is dominated by the liabilities it recognizes on its in force life and annuity policy obligations; 81% of total liabilities as of September 30, 2021 (December 31, 2020 – 81%) and the financial investments that support those liabilities (81% of total assets as of September 30, 2021 and 76% of total assets as of December 31, 2020).

Policy liabilities and the supporting financial investments grew by 19% and 27%, respectively, for the nine-month period as the impact of new business was offset slightly by the drop in market values of the financial investments due to slightly improving market yields.

New initiatives and developments

Strategic initiatives for 2021 are focused on continuing the segment's long-standing initiatives on serving the middle-market consumer by driving sales through the Accelewriting® and SagicorNOW (the segment's direct-to-consumer platform) platforms (allowing for contactless sales). Also, the segment has focused its attention on "simple" annuity products, specifically its MYGA suite, offering the consumer a measure of certainty in an unsettled economic environment and will be evaluating if and when is the right time to bring back its indexed annuity products. The segment has also begun to evaluate alternative investment vehicles to increase investment returns and improve the asset/liability matching of its insurance portfolio while ensuring the proper risk premium. We believe that this will allow us to continue to be competitive in the US market.

MANAGEMENT'S DISCUSSION AND ANALYSIS

4. FINANCIAL POSITION

Capitalisation and Solvency

Capitalisation

The Group's objectives when managing capital, which is a broader concept than equity in the statement of financial position, are:

- To comply with capital requirements established by insurance, banking and other financial intermediary regulatory authorities;
- To comply with internationally recognised capital requirements for insurance, where local regulations do not meet these international standards;
- To safeguard its ability as a going concern to continue to provide benefits and returns to policyholders, depositors, note-holders and shareholders;
- To provide adequate returns to shareholders; and
- To maintain a strong capital base to support the future development of Group operations.

Capital resources

The principal capital resources of the Group are as follows:

(in millions of US \$)	September 30,	December 31,	Change
	2021	2020	
Shareholders' equity	1,134.7	1,109.8	2%
Non-controlling interest	554.1	546.8	1%
Notes and loans payable	544.4	471.6	15%
Total financial statement capital resources	2,233.2	2,128.2	5%

The Group deploys its capital resources through its operating activities. These operating activities are carried out by subsidiary companies which are either insurance entities or provide other financial services. The capital is deployed in such a manner as to ensure that subsidiaries have adequate and sufficient capital resources to carry out their activities and to meet regulatory requirements.

At September 30, 2021, the Company's capital totalled US \$2,233.2 million, an increase of US \$105.0 million from the December 31, 2020 position (US \$2,128.2 million). The company experienced an increase in Shareholder's equity during the period together with an increase in notes and loans payable relating to the refinancing of its debt. During the period, the Company completed an offering of US \$400 million of 5.300% Senior Notes due May 13, 2028. The Company used partial proceeds of the transaction to repurchase US \$318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes"). During the period Capital was reduced by the impact of marked-to-market declines on our FVOCI financial asset due to market fluctuations, coupled with losses of US \$17.0 million associated with the translation of foreign currency operations. Dividends declared to shareholders also impacted capital resources during the period. Non-controlling interests at September 30, 2021 were moderately higher than reported at December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Leverage

As of September 30, 2021, Sagicor had a debt-to-equity ratio of 32.2%, compared to 28.5% as of December 31, 2020, respectively. To determine the debt-to-equity ratio, loans and notes payable, as presented note 16 to the annual financial statements, is divided by total equity.

The Debt to Capital ratio was 24.4%, at September 30, 2021, compared to 22.2% as of December 31, 2020. To determine the debt to capital ratio, notes and loans payable as presented in note 16 to the annual financial statements, is divided by total capital, where capital is the summation of total equity excluding Participating accounts, (as presented in the Statement of Financial Position in the annual financial statements) and notes and loans payable, as at the reporting date.

On May 13, 2021, Sagicor Financial Company Ltd. completed an offering of US \$400 million of 5.300% Senior Notes due May 13, 2028. The Company used the proceeds of the transaction to repurchase US \$318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes").

Debt Ratios

	September 30, 2021	December 31, 2020	Change
Debt ratios			
Notes and Loans Payable/capital	24.4%	22.2%	(2.2pts)
Notes and Loans Payable/equity	32.2%	28.5%	(3.7pts)

Capital adequacy

Capital adequacy is managed at the operating company level. It is calculated by the company's Appointed Actuary and reviewed by executive management, the audit committee and the board of directors of the company. In addition, the Group seeks to maintain internal capital adequacy at levels higher than the regulatory or internationally recognised requirements.

To assist in evaluating the current business and strategy opportunities, a risk-based capital approach is a core measure of financial performance. The risk-based assessment measure which has been adopted is the Canadian MCCR standard. The minimum standard recommended by the Canadian regulators for companies is an MCCR of 150.0%. A number of jurisdictions in the Caribbean region have no internationally recognised capital adequacy requirements, and in accordance with its objectives for managing capital, Sagicor has adopted the Canadian MCCR standard. Jamaica and the United States have recognised capital adequacy standards.

Sagicor's consolidated MCCR as of September 30, 2021 has been estimated at 247%, compared to 252% at December 31, 2020. This is the principal standard of capital adequacy used to assess Sagicor's overall strength. However, because of the variations in capital adequacy standards across jurisdictions, the consolidated result should

MANAGEMENT'S DISCUSSION AND ANALYSIS

be regarded as applicable to the life insurers of the Sagicor Group as a whole and not necessarily applicable to each individual segment, insurance subsidiary or insurance subsidiary branch.

Sagicor Life Jamaica Limited

Sagicor Life Jamaica is governed by the Jamaican MCCSR regime (based on Canadian standards in effect in 2001), which requires an insurer to maintain a minimum ratio of 150%. For the year ended December 31, 2020, this ratio was 183%. At September 30, 2021, the ratio was 167%.

Sagicor Life Insurance Company (USA)

A risk-based capital (RBC) formula and model have been adopted by the National Association of Insurance Commissioners (NAIC) of the United States. RBC is designed to assess minimum capital requirements and raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for life insurance companies measures four major areas of risk: (i) underwriting, which encompasses the risk of adverse loss developments and property and casualty insurance product mix; (ii) declines in asset values arising from credit risk; (iii) declines in asset values arising from investment risks, including concentrations; and (iv) off-balance sheet risk arising from adverse experience from non-controlled assets such as reinsurance guarantees for affiliates or other contingent liabilities and reserve and premium growth. If an insurer's statutory surplus is lower than required by the RBC calculation, it will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy.

The RBC methodology provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the ratio of surplus to RBC falls. The least severe regulatory action is the "Company Action Level" (as defined by the NAIC) which requires an insurer to submit a plan of corrective actions to the regulator if surplus falls below 200% of the RBC amount.

Sagicor Life USA has maintained all minimum regulatory capital level ratios as of September 30, 2021 and December 31, 2020, respectively.

Sagicor Investments Jamaica Limited and Sagicor Bank Jamaica Limited

The capital adequacy and the use of regulatory capital are monitored monthly by management employing techniques based on the guidelines developed by the Financial Services Commission (FSC), the Bank of Jamaica (BOJ), Basel II and the Risk Management and Compliance Unit. The required information is filed with the respective regulatory authorities at stipulated intervals. The Bank of Jamaica and the FSC require each regulated entity to hold the minimum level of regulatory capital, and to maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of each asset and counterparty, taking into account, any eligible collateral or guarantees. A similar treatment is adopted for off financial statements exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the capital adequacy ratios. During the three-month period ended September 30, 2021 and the year ending December 31, 2020 all applicable externally imposed capital requirements were complied with.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	September 30, 2021	December 31, 2020
Sagicor Investments		
Actual capital base to risk weighted assets	16%	15%
Required capital base to risk weighted assets	10%	10%
Sagicor Bank		
Actual capital base to risk weighted assets	14%	14%
Required capital base to risk weighted assets	10%	10%

Notes and Loans Payable

As of September 30, 2021, Sagicor had US \$544.4 million in notes and loans payable compared to US \$471.6 million as of December 31, 2020.

Summary details of carrying values and fair values of notes and loans payable as of September 30, 2021 and December 31, 2020, respectively are set out in the following tables.

	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
<i>(in millions of US \$)</i>				
Notes and loans payable				
8.875% senior notes due 2022 ^(a)	-	-	315.9	324.7
5.30% senior notes due 2028 ^(b)	390.1	429.1	-	-
5.50% unsecured bond due 2022 ^(c)	32.0	32.5	32.0	32.8
6.25% unsecured bond due 2022 ^{(c) & (d)}	26.4	28.3	27.0	28.5
6.75% notes due 2024 ^(e)	15.0	15.6	15.4	16.3
Mortgage loans ^(g)	53.6	56.9	59.6	60.8
Bank loans & other funding instruments ^(f)	27.3	27.3	21.7	21.7
Total	544.4	589.7	471.6	484.8

(a) Senior notes due 2022

In May 2021, the Group made a cash tender offer for the senior unsecured notes (the "Notes") and cash tenders totalling US \$130 million were accepted. On August 11, 2021, the Company redeemed all of the remaining US \$188 million principal amount of the 2022 notes at an aggregate redemption price of US \$188 million, pursuant to the following terms of the note indenture governing the 2022 Notes:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(b) Senior notes due 2028

On May 13, 2021, Sagicor Financial Company Ltd. issued US \$400 million of senior notes due 2028 (the "New Notes"). The Company used partial proceeds of the transaction to repurchase the US \$318 million principal amount of the 8.875% Notes due 2022 which were issued by its subsidiary, Sagicor Finance 2015 Limited (see (a) above).

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

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

The Group has estimated the fair value of the optional redemption embedded derivative at US \$8.4 million as at September 30, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Covenants

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

(g) Mortgage Loans

<i>(in millions of US \$)</i>	Issuer / mortgagor	September 30, 2021	December 31, 2020
4.90% USD mortgage notes due 2025	X Fund Properties LLC	45.4	45.8
4.75% USD mortgage notes due 2021	Sagicor X-Fund Real Estate Limited	-	2.2
9.00% JMD mortgage notes due 2048	X Fund Properties Limited	3.3	3.4
8.00% JMD mortgage notes due 2021	X Fund Properties Limited	-	3.1
10.00% JMD mortgage notes due 2026	X Fund Properties Limited	3.1	3.2
3.26% / 3.61% mortgage notes due 2026	X Fund Properties Limited	0.8	0.9
Development loan ⁽¹⁾	X Fund Properties Limited	1.0	1.0
		53.6	59.6

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

(g) Mortgage Loans (continued)

X Fund Properties LLC

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

Sagicor X-Fund Real Estate Limited

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

X Fund Properties Limited

These mortgage notes are secured by:

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outstanding Common Shares

The authorised share capital of the Company is US \$200,000,000 divided into 10,000,000,000 common shares of US \$0.01 each and 10,000,000,000 preference shares of US \$0.01 each.

The number of issued and outstanding common shares at September 30, 2021 was 143,346,843. During the nine-month period ended September 30, 2021, the Company repurchased 3,817,021 shares, at a total cost of US \$19.1 million, which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium or discount paid on the repurchase of shares has been recorded directly in retained earnings.

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

Common Shares

(In millions)	September 30, 2021	December 31, 2020	Change
Number of common shares outstanding	143.3	146.4	(2%)

Securities convertible, exercisable or exchangeable into common shares

- The number of issued and outstanding options at September 30, 2021 was 1,367,711
- The number of issued and outstanding warrants at September 30, 2021 was 34,774,993.

Share Price and Market Capitalization

The Company's share price closed the September 30, 2021 period-end at US \$5.11, with market capitalisation of US \$732.5 million.

	September 30, 2021	December 31, 2020	Change
Share price	US \$5.11	US \$5.04	1%
Market capitalisation	US \$732.5 million	US \$737.8 million	(1%)

Book Value per Common Shares

	September 30, 2021	December 31, 2020	Change
Book value per common shares	\$7.92	\$7.58	5%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dividends

In total, the Group paid three dividends to common shareholders during the nine-month period ended September 30, 2021.

	September 30, 2021	September 30, 2020	Change
Dividends declared and paid during the period, per common share	US \$0.1687	US \$0.1687	-

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

On May 14, 2021, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on May 25, 2021. This dividend was paid on June 15, 2021.

On August 13, 2021, the Board of Directors declared a dividend of US \$0.05625 per share, on issued and outstanding common shares held by registered holders on record at the close of business on August 30, 2021. This dividend was paid on September 20, 2021.

Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 13 of the September 2021 interim financial statements.

Liquidity sources immediately available to the Sagicor Group include: (i) existing cash and cash equivalents; (ii) the Group's portfolio of highly rated, highly liquid investments; (iii) cash flow from operating activities which include net premiums receipts, fee income and investment income; and (iv) borrowing facilities. These funds are used primarily to pay current benefits and operating expenses, service the Group's long-term debt, purchase investments to support future benefits and maturing obligations, and for distribution of dividends. Sagicor expects to have sufficient liquidity to fund its operations and to meet its current business plans. However, should the need arise, additional liquidity sources include further bank loans and new issuances of debt or shares in the private or public markets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flow

The following table summarise the Group's cash flows for the three-month and nine-month periods ended September 30, 2021 and September 30, 2020, respectively.

<i>(in millions of US \$)</i>	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	2021	2020	Change
Net cash flows:						
Operating activities	(141.3)	120.9	(217%)	(57.4)	(109.3)	47%
Investing activities	(4.1)	(4.6)	11%	39.7	(18.8)	311%
Financing activities	(210.5)	(48.7)	(332%)	10.7	(79.8)	113%
Effect of exchange rate changes	6.0	(1.1)	645%	(4.1)	(4.8)	15%
	(349.9)	66.5	(626%)	(11.1)	(212.7)	95%
Cash and cash equivalents:						
Beginning of period	886.0	496.1	79%	547.2	775.3	29%
End of period	536.1	562.6	5%	536.1	562.6	(5%)

Third quarter (three-month period) - Cash flows analysis

For the three-month period ended September 30, 2021, Sagicor's net cash outflows associated with operating activities was US \$141.3 million compared to inflows of US \$120.9 million for the same period in 2020 due mainly to significant purchases of financial assets in our USA segment, during the September 2021 quarter.

Sagicor's net cash used in investing activities was US \$4.1 million for the third quarter of 2021, compared to outflows of US \$4.6 million for the same period in 2020.

Sagicor's net cash outflows from financing activities totalled US \$210.5 million during the September 2021 quarter, compared to outflows of US \$48.7 million for the same period in 2020, an increase in inflows of US \$161.8 million. On May 13, 2021, the Company completed an offering of US \$400 million of 5.300% Senior Notes due May 13, 2028. On August 11, 2021, the Company used partial proceeds of the transaction to repurchase the remaining US \$188 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes"). During the September 2020 quarter, the Group reported net outflows of US \$30.7 million, associated with notes and loans payable.

For the three-month period ended September 30, 2021, the effect of exchange rate changes was a gain of US \$6.0 million compared to a loss of US \$1.1 million for the corresponding period in 2020.

Year-to-date (nine-month period) - Cash flows analysis

For the nine-month period ended September 30, 2021, Sagicor's net cash outflows associated with operating activities was US \$57.4 million compared to outflows of US \$109.3 million for the same period in 2020, the net impact of lower purchases of financial instruments being made in 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sagicor's net cash from investing activities was US \$39.7 million for the nine-month period ended September 30, 2021, compared to outflows of US \$18.8 million for the same period in 2020, an increase in inflows of US \$58.5 million. On January 15, 2021, Sagicor Group Jamaica (SGJ) completed the disposal of its 14.9% equity interest in Playa Hotels and Resorts. The sale of shares took place in a public offering of 11,499,000 ordinary shares held by the Group, concurrent to an underwritten public offering of 25,000,000 new shares by Playa Hotels and Resorts at a public offering price of US \$5.00 per share. These transactions were simultaneous with an assignment of an additional 8,501,000 ordinary shares in Playa Hotels and Resorts held by SGJ to Sagicor Financial Corporation Limited, for cash consideration, at a price equal to the price offered through the public offering, less commission expenses associated with the public offering. This transaction gave rise to net inflows to the Group of US \$55.2 million. Refer to the Additional Information: Interest in Playa Hotel and Resorts N.V section for more details.

Sagicor's net cash used from financing activities totalled US \$10.7 million for the nine-month period ended September 30, 2021, compared to outflows of US \$79.8 million for the same period in 2020, an increase in inflows of US \$90.5 million. On May 13, 2021, the Company issued 5.30% senior notes due 2028 in the amount of US \$400 million. During the period under review, the Company used partial proceeds of the transaction to repurchase the remaining US \$318 million aggregate principal amount of its 8.875% Senior Notes due 2022 issued by its subsidiary Sagicor Finance (2015) Limited (the "2022 Notes")

For the nine-month period ended September 30, 2021, the effect of exchange rate changes was a loss of US \$4.1 million compared to a loss of US \$4.8 million for the corresponding period in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ratings

Sagicor Financial Corporation Limited, its principal operating subsidiaries, and its debt financing vehicle, have been rated by the rating agencies AM Best, Standard and Poor's, or Fitch. The ratings as of the date of issue of this Management Discussion and Analysis are as follows.

	<u>AM Best Rating</u>
Sagicor Life Inc^(a)	
Financial Strength	A - Stable
Issuer Credit Rating	a- Stable
Sagicor Life Jamaica Limited^(a)	
Financial Strength	B++ Stable
Issuer Credit Rating	bbb+ Stable
Sagicor Life Insurance Company (USA)^(a)	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable
Sagicor Financial Company Ltd	
Issuer Credit Rating ^(a)	bbb- Stable
Senior Unsecured ^(c)	bbb Stable
Sagicor General Insurance Inc^(b)	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable
^(a) Updated September 11, 2020. ^(b) Updated October 14, 2020, ^(c) Updated June 16, 2021	

	<u>S&P Rating</u>
Sagicor Financial Company Ltd	
Issuer Credit Rating ^(d)	BB+ (Stable)
Senior Unsecured ^(e)	BB+ (Stable)

^{d)} Updated November 25, 2020

	<u>Fitch Rating</u>
Sagicor Financial Company Ltd	
Long-term Issuer Default Rating ^(e)	BB (Stable)
Senior Unsecured ^(f)	BB- (Stable)

^{e)} Updated May 3, 2021. ^(f) Updated May 14, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Critical Accounting Estimates and Judgments

Certain accounting estimates and judgements are recognised as critical because they require us to make particularly subjective or complex judgments about matters that are inherently uncertain and significantly different amounts could be reported under different conditions or using different assumptions.

Our critical accounting estimates and judgements are described in note 3 to our 2020 audited financial statements. The critical accounting policies and the estimation process include:

1. Impairment of financial assets – IFRS 9
2. The fair value of securities not quoted in an active market,
3. Recognition and measurement of intangible assets
4. Impairment of intangible assets
5. Valuation of actuarial liabilities
6. Investment in associate

MANAGEMENT'S DISCUSSION AND ANALYSIS

5. FINANCIAL INVESTMENTS

Each principal operating entity within the Group has an investment policy that provides a framework of maximizing investment yield subject to the management of the Asset Liability Management (ALM) risks and the investment regulations of each country.

As of September 30, 2021, Sagicor had US \$8.2 billion of diversified financial assets and experienced net investment income of US \$322.0 million, a return on net investment (annualized) of 5.7% for the nine-month period ended September 30, 2021. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carrying Values

The table below shows the carrying value of Sagicor's investment portfolio as of September 30, 2021 and December 31, 2020.

<i>(in millions of US \$, except percentages)</i>	As of		As of	
	September 30, 2021		December 31, 2020	
Analysis of Financial Investments	Carrying value	% of Total	Carrying value	% of Total
Investments at FVOCI:				
Debt securities and money market funds	4,191.7	51%	3,611.9	50%
Equity securities	0.5	-	1.1	-
	4,192.2	51%	3,613.0	50%
Investments at FVTPL:				
Debt securities	465.6	7%	348.9	5%
Equity securities ⁽¹⁾	860.3	10%	659.5	9%
Derivative financial instruments	23.6	-	37.2	1%
Mortgage loans	24.6	-	26.1	-
	1,374.1	17%	1,071.7	15%
Investments at amortised				
Debt securities	1,360.5	16%	1,269.5	17%
Mortgage loans	416.6	5%	393.2	5%
Policy loans	156.0	2%	151.0	2%
Finance loans	562.7	7%	555.4	8%
Securities purchased for re-sale	55.6	1%	57.1	1%
Deposits	121.4	1%	127.7	2%
	2,672.8	32%	2,553.9	35%
Total financial investments	8,239.1	100%	7,238.6	100%

⁽¹⁾ Included in equity securities are exchange-traded funds of US \$268.8 million as at September 30, 2021 (US \$301.7 million as at December 31, 2020).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our debt security portfolios constitute the major asset class of the Group and are reflected in the statement of financial position as follows:

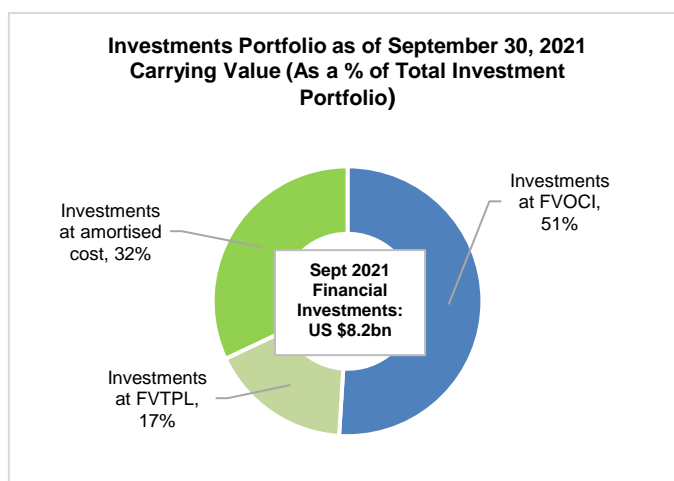
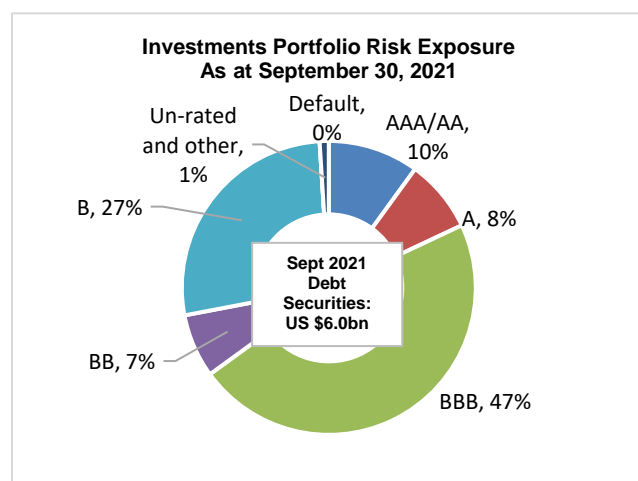
(in millions of US \$)	As of		Change
	September 30, 2021	December 31, 2020	
Debt securities and money market funds			
Measured at fair value through other comprehensive income	4,191.7	3,611.9	16%
Measured at amortised cost	1,360.5	1,269.5	7%
Measured at fair value through income (FVTPL)	465.6	348.9	33%
Total	6,017.8	5,230.3	15%

FVOCI debt securities are held to collect contractual cash flows and to sell periodically to collect gains. These securities primarily support our business in the USA and in Jamaica, where there is reasonable opportunity to realise investment gains.

Amortised cost debt securities are held to collect contractual cash flows and are sold infrequently. These securities primarily support our business in the Southern and Eastern Caribbean.

FVTPL debt securities are classified as such when the Group insurance or investment contract-holder is credited with the full return on the underlying asset. Debt securities held for trading are also classified as FVTPL.

The pie charts below represent a breakdown of the carrying value and risk exposure of Sagicor's consolidated investments portfolio as of September 30, 2021.



MANAGEMENT'S DISCUSSION AND ANALYSIS

NET INVESTMENT INCOME

(in millions of US \$)	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	Change	2021	2020	Change
Income from financial investments						
Interest income:						
Debt securities	22.4	20.3	10%	69.6	62.4	12%
Mortgage loans	5.8	4.8	21%	17.8	15.4	16%
Policy loans	2.7	2.7	-	8.1	8.2	(1%)
Finance loans and finance leases	13.9	14.1	(1%)	41.1	46.0	(1%)
Securities purchased for resale	0.6	0.1	500%	0.9	0.5	80%
Deposits, cash and other items	0.3	0.3	-	0.8	0.6	33%
	45.7	42.3	8%	138.3	133.1	4%
Interest Income (FVOCI):						
Debt securities and money market funds	40.1	33.0	22%	108.1	101.5	7%
Fair value changes and interest income (FVTPL Assets):						
Debt securities	6.7	9.2	(27%)	15.9	9.3	71%
Equity securities ⁽¹⁾	8.5	9.6	(11%)	41.7	(25.8)	262%
Mortgage loans	0.4	1.8	(78%)	1.3	0.3	333%
Derivative financial instruments	1.1	9.6	(89%)	14.9	(5.5)	371%
	16.7	30.2	(45%)	73.8	(21.7)	440%
Investment income:						
Other income on financial investments	0.1	0.1	-	0.4	0.4	-
Investment property income and fair value (losses)/gains	1.4	(1.9)	174%	2.8	2.1	33%
Other investment income	0.4	1.1	(64%)	1.4	0.8	75%
	1.9	(0.7)	371%	4.6	3.3	39%
Investment expenses:						
Direct operating expenses of investment property	0.5	0.3	(67%)	1.4	3.5	60%
Other direct investment expenses	0.7	1.1	36%	1.4	2.2	36%
	1.2	1.4	14%	2.8	5.7	51%
Net investment income	103.2	103.4	-	322.0	210.5	53%
Return on Investments (annualised)	5.2%	6.2%	(1.0 pts)	5.7%	4.2%	1.5 pts

⁽¹⁾ Included in fair value changes on equity securities is a gain of US \$24.2 million (US \$8.6 million – three-month period ended September 30, 2021) relating to the FVTPL investment in Playa post acquisition (see note 19 to the September 30, 2021 interim financial statements).

MANAGEMENT'S DISCUSSION AND ANALYSIS

INSURANCE AND INVESTMENT CONTRACT LIABILITIES

The amount of liabilities held in respect of long-term or recurring insurance or investment contracts is a measure of the quantum of business held from such contracts. The liabilities of such contracts are summarised in the following table.

<i>(in millions of US \$)</i>	September 30, 2021	December 31, 2020	Change
Principal insurance and investment contract liabilities			
Actuarial liabilities	4,657.9	4,152.7	12%
Investment contract liabilities	467.2	437.6	7%
Customer deposits	863.9	861.7	-
Securities sold for repurchase	643.3	575.6	12%
Other funding instruments	484.0	388.5	25%
Total	7,116.3	6,416.1	11%

MANAGEMENT'S DISCUSSION AND ANALYSIS

6. RISK MANAGEMENT

Sagikor is in the business of taking risks and must manage those risks effectively to generate profitable growth, safeguard its reputation and protect its solvency. In its management of risks, the Group seeks to optimize the relationship between risk and reward across the entire enterprise and to limit possible losses resulting from its risk exposure.

Enterprise Risk Management (ERM) at Sagikor has been ongoing for many years, having appointed its first Chief Risk Officer in 2005. For about a decade, a standardized risk taxonomy and dictionary has been utilized across the Group and group-wide exposures to key financial risks (credit, interest rate, liquidity and currency risks) have been aggregated and reported to the Board. Further, each of the Group's major operating segments has implemented ERM appropriate to the nature, scale and complexity of their operations. Sagikor continues to evolve its ERM especially as it relates to strategic and operational risks.

The Group defines risk is an event that causes a deviation from its strategic plan. Risk is also viewed holistically recognizing that one risk event may cause downside deviations in several business segments but also simultaneously causes upside deviations in one or more other business segments or may also be highly correlated with a second risk event. Lastly, the Group considers risks defined by source (e.g., data breach) as opposed to intermediate (e.g., reputation damage) or ultimate (e.g., lower earnings) outcomes. This not only provides the necessary specific context for risk assessment but also facilitates complete assessment of any and all downstream outcomes resulting from the risk.

Details of the Group's ERM Process, and Roles and Responsibilities are disclosed in the 2020 Annual Report. Updated disclosures (to September 30, 2021) of the risks associated with credit losses are shown below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK

(1) Credit risk exposure – financial investments subject to impairment

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

	September 30, 2021				December 31, 2020	
<i>(in millions of US \$)</i>	ECL Staging				Total	Total
Debt securities – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
Credit grade:						
Investment	398.1	-	-	-	398.1	346.2
Non-investment	750.8	6.0	-	181.9	938.7	895.1
Watch	5.8	15.1	2.5	4.3	27.7	32.3
Default	-	-	1.1	-	1.1	1.3
Unrated	0.6	-	-	-	0.6	0.6
Gross carrying amount	1,155.3	21.1	3.6	186.2	1,366.2	1,275.5
Loss allowance	(2.2)	(2.1)	(0.9)	(0.5)	(5.7)	(6.1)
Carrying amount	1,153.1	19.0	2.7	185.7	1,360.5	1,269.4

	September 30, 2021				December 31, 2020	
<i>(in millions of US \$)</i>	ECL Staging				Total	Total
Mortgage loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired		
Credit grade:						
Investment	205.9	35.6	-	-	241.5	222.1
Non-investment	127.4	19.4	-	-	146.8	141.3
Watch	-	0.8	21.0	-	21.8	20.0
Default	-	-	10.8	-	10.8	13.4
Gross carrying amount	333.3	55.8	31.8	-	420.9	396.8
Loss allowance	(0.9)	(0.5)	(2.9)	-	(4.3)	(3.6)
Carrying amount	332.4	55.3	28.9	-	416.6	393.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

<i>(in millions of US \$)</i>	September 30, 2021				December 31, 2020	
	ECL Staging		Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Finance loans – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL				
Credit grade:						
Investment	10.1	-	-	-	10.1	0.3
Non-investment	527.0	21.8	-	-	548.8	549.7
Watch	-	2.6	-	-	2.6	7.1
Default	-	-	12.0	-	12.0	11.0
Gross carrying amount	537.1	24.4	12.0	-	573.5	568.1
Loss allowance	(4.5)	(0.5)	(5.8)	-	(10.8)	(12.7)
Carrying amount	532.6	23.9	6.2	-	562.7	555.4

<i>(in millions of US \$)</i>	September 30, 2021				December 31, 2020	
	ECL Staging		Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
Securities purchased for resale – amortised cost	Stage 1 12-month ECL	Stage 2 life-time ECL				
Credit grade:						
Non-investment	55.6	-	-	-	55.6	57.1
Gross carrying amount	55.6	-	-	-	55.6	57.1
Loss allowance	-	-	-	-	-	-
Carrying amount	55.6	-	-	-	55.6	57.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

<i>(in millions of US \$)</i>	September 30, 2021				December 31, 2020	
	ECL Staging			Purchased credit-impaired	Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Policy loans – amortised cost						
Credit grade:						
Investment	149.2	-	-	-	149.2	144.3
Non-investment	7.0	-	-	-	7.0	7.0
Gross carrying amount	156.2	-	-	-	156.2	151.3
Loss allowance	(0.3)	-	-	-	(0.3)	(0.3)
Carrying amount	155.9	-	-	-	155.9	151.0

<i>(in millions of US \$)</i>	September 30, 2021				December 31, 2020	
	ECL Staging			Purchased credit-impaired	Total	Total
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL			
Deposits – amortised cost						
Credit grade:						
Investment	64.6	-	-	-	64.6	35.7
Non-investment	44.7	0.4	-	-	45.1	81.5
Watch	11.4	0.4	-	-	11.8	11.7
Default		-	1.9	-	1.9	-
Unrated	0.6	-	-	-	0.6	0.4
Gross carrying amount	121.3	0.8	1.9	-	124.0	129.3
Loss allowance	(0.6)	(0.1)	(1.9)	-	(2.6)	(1.6)
Carrying amount	120.7	0.7	-	-	121.4	127.7

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

	September 30, 2021				December 31, 2020	
<i>(in millions of US \$)</i>	ECL Staging					
Debt securities and money market funds – FVOCI	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	Purchased credit- impaired	Total	Total
+Credit grade:						
Investment	2,977.5	6.6	-	-	2,984.1	2,443.4
Non-investment	955.2	96.4	-	28.6	1,080.2	961.4
Default		-	2.4	-	2.4	3.8
Unrated	0.1	-	-	-	0.1	0.1
Gross carrying amount	3,932.8	103.0	2.4	28.6	4,066.8	3,408.7
Loss allowance	(2.8)	(4.1)	(2.4)	-	(9.3)	(17.2)
Carrying amount	3,930.0	98.9	-	28.6	4,057.5	3,391.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

(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 (in millions of US \$)

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Loss Allowance as at January 1, 2021	2.6	8.5	6.2	-	17.3
Transfer from Stage 2 to Stage 3	-	(1.2)	1.2	-	-
New financial assets originated or purchased	0.9	-	-	-	0.9
Financial assets fully derecognised during the period	(0.4)	(3.2)	(6.1)	-	(9.7)
Changes in ECL inputs, models and / or assumptions	(0.3)	0.1	1.2	-	1.0
Effect of exchange rate changes	(0.1)	-	(0.1)	-	(0.2)
Loss Allowance as at September 30, 2021	2.7	4.2	2.4	-	9.3
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2021					3.2
Credit impairment loss recorded in income					
– Three months ended September 30, 2021					(0.3)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

(2) Credit impairment losses – financial investments subject to impairment

DEBT SECURITIES AND MONEY MARKET FUNDS - FVOCI

Loss Allowances

(in millions of US \$)

Nine months ended September 30, 2020

Loss Allowance as at January 1, 2020

Transfers:

Transfer from Stage 1 to Stage 2

Transfer from Stage 2 to Stage 3

New financial assets originated or purchased

Financial assets fully derecognised during the period

Changes in ECL inputs, models and / or assumptions

Effect of exchange rate changes

Loss Allowance as at September 30, 2020

Credit impairment loss recorded in income

– Nine months ended September 30, 2020

Credit impairment loss reduction recorded in income

– Three months ended September 30, 2021

ECL staging

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Loss Allowance as at January 1, 2020	2.5	5.7	-	-	8.2
Transfers:					
Transfer from Stage 1 to Stage 2	(0.7)	0.7	-	-	-
Transfer from Stage 2 to Stage 3	-	(1.5)	1.5	-	-
New financial assets originated or purchased	2.1	-	-	-	2.1
Financial assets fully derecognised during the period	(0.4)	(2.5)	-	-	(2.9)
Changes in ECL inputs, models and / or assumptions	0.4	5.8	2.8	-	9.0
Effect of exchange rate changes	(0.1)	-	-	-	(0.1)
Loss Allowance as at September 30, 2020	3.8	8.2	4.3	-	16.3
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(10.6)
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2021					2.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

DEBT SECURITIES – AMORTISED COST

Loss Allowances

(in millions of US \$)

Nine months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2021	2.4	1.9	1.4	0.4	6.1
New financial assets originated or purchased	0.2	-	-	-	0.2
Financial assets fully derecognised during the period	(0.2)	(0.2)	-	-	(0.4)
Changes in ECL inputs, models and / or assumptions	(0.2)	0.4	(0.5)	0.1	(0.2)
Loss Allowance as at September 30, 2021	2.2	2.1	0.9	0.5	5.7
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2021					0.1
– Three months ended September 30, 2021					-

Nine months ended September 30, 2020

Loss Allowance as at January 1, 2020	1.4	0.8	-	0.4	2.6
Transfers:					
Transfer from Stage 1 to Stage 2	(0.2)	0.2	-	-	-
Transfer from Stage 2 to Stage 3		(0.7)	0.7	-	-
New financial assets originated or purchased	0.3	-	-	-	0.3
Financial assets fully derecognised during the period	(0.2)	-	-	-	(0.2)
Changes in ECL inputs, models and / or assumptions	1.0	1.5	0.7	-	3.2
Loss Allowance as at September 30, 2020	2.3	1.8	1.4	0.4	5.9
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(3.4)
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					0.7

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

Loss Allowances

(in millions of US \$)

Nine months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2021	1.3	0.5	1.8	-	3.6
Transfers:					
Transfer from Stage 1 to Stage 2	(0.1)	0.1	-	-	-
Transfer from Stage 2 to Stage 1	0.2	(0.2)	-	-	-
Transfer from Stage 3 to Stage 2	-	0.2	(0.2)	-	-
Transfer from Stage 3 to Stage 1	0.1	-	(0.1)	-	-
New financial assets originated or purchased	0.1	-	-	-	0.1
Financial assets fully derecognised during the period	(0.1)	(0.1)	(0.5)	-	(0.7)
Changes in ECL inputs, models and / or assumptions	(0.6)	-	1.9	-	1.3
Loss Allowance as at September 30, 2021	0.9	0.5	2.9	-	4.3
Credit impairment loss reduction recorded in income					
– Nine months ended September 30, 2021					0.8
– Three months ended September 30, 2021					0.3

Nine months ended September 30, 2020

Loss Allowance as at January 1, 2020	0.6	0.3	1.0	-	1.9
Transfers:					
Transfer from Stage 1 to Stage 2	(0.1)	0.1	-	-	-
Transfer from Stage 2 to Stage 1	0.1	(0.1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(0.1)	0.1	-	-
Transfer from Stage 3 to Stage 2	-	0.8	(0.8)	-	-
New financial assets originated or purchased	0.1	-	-	-	0.1
Financial assets fully derecognised during the period	-	-	(0.2)	-	(0.2)
Changes in ECL inputs, models and / or assumptions	0.4	(0.3)	3.9	-	4.0
Loss Allowance as at September 30, 2020	1.1	0.7	4.0	-	5.8
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(2.6)
Credit impairment loss reduction recorded in income					
– Three months ended September 30, 2020					0.2

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

FINANCE LOANS - AMORTISED COST

Loss Allowances

(in millions of US \$)

Nine months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2021	5.2	0.9	6.6	-	12.7
Transfers:					
Transfer from Stage 1 to Stage 2	(0.1)	0.1	-	-	-
Transfer from Stage 1 to Stage 3	(0.1)	-	0.1	-	-
Transfer from Stage 2 to Stage 1	0.1	(0.1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(0.1)	0.1	-	-
Transfer from Stage 3 to Stage 1	0.4	-	(0.4)	-	-
New financial assets originated or purchased	0.9	-	-	-	0.9
Financial assets fully derecognised during the period	(0.6)	(0.1)	(2.6)	-	(3.3)
Changes in ECL inputs, models and / or assumptions	(1.2)	(0.1)	2.2	-	0.9
Effect of exchange rate changes	(0.1)	-	(0.2)	-	(0.3)
Loss Allowance as at September 30, 2021	4.5	0.6	5.8	-	10.9
Credit impairment loss recorded in income					
– Nine months ended September 30, 2021					(1.4)
– Three months ended September 30, 2021					-

Nine months ended September 30, 2020

Loss Allowance as at January 1, 2020	3.8	0.7	5.7	-	10.2
Transfers:					
Transfer from Stage 1 to Stage 2	(1.1)	1.1	-	-	-
Transfer from Stage 1 to Stage 3	(0.3)	-	0.3	-	-
Transfer from Stage 2 to Stage 1	0.1	(0.1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(0.1)	0.1	-	-
Transfer from Stage 3 to Stage 1	0.1	-	(0.1)	-	-
New financial assets originated or purchased	2.1	-	-	-	2.1
Financial assets fully derecognised during the period	(0.5)	(0.2)	(1.3)	-	(2.0)
Changes in ECL inputs, models and / or assumptions	0.9	0.3	3.4	-	4.6
Effect of exchange rate changes	(0.1)	-	(0.2)	-	(0.3)
Loss Allowance as at September 30, 2020	5.0	1.7	7.9	-	14.6
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(8.0)
– Three months ended September 30, 2020					(1.4)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

Loss Allowances

(in millions of US \$)

Nine months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Loss Allowance as at January 1, 2021	0.3	1.3	-	-	1.6
Transfer from Stage 2 to Stage 1	1.1	(1.1)	-	-	-
New financial assets originated or purchased	0.3	-	-	-	0.3
Financial assets fully derecognised during the period	(0.1)	(0.2)	-	-	(0.3)
Changes in ECL inputs, models and / or assumptions	(1.0)	0.1	1.9	-	1.0
Loss Allowance as at September 30, 2021	0.6	0.1	1.9	-	2.6
Credit impairment loss recorded in income					
– Nine months ended September 30, 2021					(1.1)
– Three months ended September 30, 2021					(1.8)

Nine months ended September 30, 2020

Loss Allowance as at January 1, 2020	0.3	-	-	-	0.3
New financial assets originated or purchased	0.2	-	-	-	0.2
Financial assets fully derecognised during the period	(0.1)	-	-	-	(0.1)
Changes in ECL inputs, models and / or assumptions	-	0.8	-	-	0.8
Loss Allowance as at September 30, 2020	0.4	0.8	-	-	1.2
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(0.9)
– Three months ended September 30, 2020					-

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

POLICY LOANS - AMORTISED COST

Loss Allowances

(in millions of US \$)

Nine months ended September 30, 2021

Loss Allowance as at January 1, 2021

Loss Allowance as at September 30, 2021

Credit impairment loss recorded in income

– Nine months ended September 30, 2021

– Three months ended September 30, 2021

Nine months ended September 30, 2020

Loss Allowance as at January 1, 2020

Changes in ECL inputs, models and / or assumptions

Loss Allowance as at September 30, 2020

Credit impairment loss recorded in income

– Nine months ended September 30, 2020

– Three months ended September 30, 2020

	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	0.3	-	-	-	0.3
Loss Allowance as at September 30, 2021	0.3	-	-	-	0.3
Credit impairment loss recorded in income					
– Nine months ended September 30, 2021					-
– Three months ended September 30, 2021					-
Nine months ended September 30, 2020					
Loss Allowance as at January 1, 2020	0.2	-	-	-	0.2
Changes in ECL inputs, models and / or assumptions	0.1	-	-	-	0.1
Loss Allowance as at September 30, 2020	0.3	-	-	-	0.3
Credit impairment loss recorded in income					
– Nine months ended September 30, 2020					(0.1)
– Three months ended September 30, 2020					-

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

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

Economic variable assumptions

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

Economic variable assumptions (continued)

		As of December 31, 2020		
		2021	2022	2023
GDP Growth	Base	2.0%	3.7%	2.8%
(USA)	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	Base	\$1,505.82	\$1,739.89	\$1,739.89
Average Index - EPS	Upside	\$2,237.09	\$2,584.83	\$2,584.83
	Downside	\$882.91	\$1,020.16	\$1,020.16
S&P 500 Financial	Base	\$33.11	\$38.95	\$38.95
Index – EPS	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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

Economic variable assumptions (continued)

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

As of September 30, 2021		
Barbados	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Trinidad & Tobago	Expected state for the next 12 months	
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Super Negative
GDP growth	Base	Negative
	Upside	Stable
	Downside	Super Negative
Jamaica	Expected state for the next 12 months	
Interest rate	Base	Stable
	Upside	Positive
	Downside	Stable
Unemployment rate	Base	Stable
	Upside	Stable
	Downside	Negative

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

(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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of September 30, 2021

(in millions of US \$)

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

SICR criteria	ECL impact of		
	Actual threshold applied	Change in threshold	Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$2.7

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) %	0.6	(0.6)
Sovereign, excluding Barbados and Jamaica	35%	(- /+ 5) %	0.5	(0.5)
Sovereign - Barbados - BAICO	17%	(- /+ 5) %	.	-
Sovereign - Jamaica	15%	(- /+ 5) %	0.6	(0.6)

Scenario design

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

Scenario design, continued

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

	Base – 80%	Base – 80%
	Upside – 5%	Upside – 15%
	Downside – 15%	Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$0.4	(\$0.4)
Lending products	\$0.1	(\$0.1)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

Significant increase in credit risk (SICR)

As of December 31, 2020

(in millions of US \$)

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

ECL impact of

SICR criteria	Actual threshold applied	Change in threshold	Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	\$5.0

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

ECL impact of

Loss Given Default	Rate applied	Change in value	Increase in value	Decrease in value
Corporate	53%	(- /+ 5) %	1.2	(1.2)
Sovereign – excluding Barbados and Jamaica	35%	(- /+ 5) %	0.5	(0.5)
Sovereign - Barbados - BAICO	17%	(- /+ 5) %	0.1	(0.1)
Sovereign - Jamaica	15%	(- /+ 5) %	0.7	(0.7)

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%

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Base – 80%	Base – 80%
	Upside – 5%	Upside – 15%
	Downside – 15%	Downside – 5%
	Increase in ECL	Decrease in ECL
Debt securities	\$0.6	(\$0.6)
Lending products	\$0.3	(\$0.2)

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

(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

<i>(in millions of US \$)</i>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	3,208.2	164.1	7.9	28.6	3,408.8
Transfers:					
Transfer from Stage 1 to Stage 2	(6.9)	6.9	-	-	-
Transfer from Stage 2 to Stage 1	0.1	(0.1)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2.5)	2.5	-	-
New financial assets originated or purchased	1,585.9	-	-	-	1,585.9
Financial assets fully derecognised during the period	(744.5)	(63.7)	(7.7)	(0.4)	(816.3)
Changes in principal and interest	(100.1)	(1.6)	-	0.4	(101.3)
Effect of exchange rate changes	(10.0)	(0.1)	(0.2)	-	(10.3)
Gross carrying amount as at September 30, 2021	3,932.7	103.0	2.5	28.6	4,066.8
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	3,458.2	70.7	-	30.1	3,559.0
Transfers:					
Transfer from Stage 1 to Stage 2	(106.2)	106.2	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(7.0)	7.0	-	-
New financial assets originated or purchased	1,165.0	-	-	-	1,165.0
Financial assets fully derecognised during the period	(1,172.3)	(16.7)	-	-	(1,189.0)
Changes in principal and interest	(117.0)	6.3	0.6	0.7	(109.4)
Effect of exchange rate changes	(45.5)	0.1	-	(0.1)	(45.5)
Gross carrying amount as at September 30, 2020	3,182.2	159.6	7.6	30.7	3,380.1

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

DEBT SECURITIES - AMORTISED COST

(in millions of US \$)

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	1,066.1	28.3	3.9	177.2	1,275.5
Transfer from Stage 1 to Stage 2	(1.0)	1.0	-	-	-
New financial assets originated or purchased	355.8	-	-	0.4	356.2
Financial assets fully derecognised during the period	(258.0)	(7.9)	(0.1)	(1.7)	(267.7)
Changes in principal and interest	0.2	(0.3)	(0.3)	10.4	10.0
Effect of exchange rate changes	(7.7)	-	-	-	(7.7)
Gross carrying amount as at September 30, 2021	1,155.4	21.1	3.5	186.3	1,366.3
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	988.3	4.6	-	158.4	1,151.3
Transfers:					
Transfer from Stage 1 to Stage 2	(26.6)	26.6	-	-	-
Transfer from Stage 2 to Stage 3	-	(3.9)	3.9	-	-
New financial assets originated or purchased	163.7	-	-	0.3	164.0
Financial assets fully derecognised during the period	(115.1)	-	-	(0.1)	(115.2)
Changes in principal and interest	(7.2)	1.8	-	2.9	(2.5)
Effect of exchange rate changes	(19.1)	-	-	-	(19.1)
Gross carrying amount as at September 30, 2020	984.0	29.1	3.9	161.5	1,178.5

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

MORTGAGE LOANS - AMORTISED COST

(in millions of US \$)

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	306.1	42.8	47.9	-	396.8
Transfers:					
Transfer from Stage 1 to Stage 2	(28.9)	28.9	-	-	-
Transfer from Stage 1 to Stage 3	(1.9)	-	1.9	-	-
Transfer from Stage 2 to Stage 1	24.7	(24.7)	-	-	-
Transfer from Stage 2 to Stage 3	-	(3.2)	3.2	-	-
Transfer from Stage 3 to Stage 2	-	15.6	(15.6)	-	-
Transfer from Stage 3 to Stage 1	1.8	-	(1.8)	-	-
New financial assets originated or purchased	53.9	-	-	-	53.9
Financial assets fully derecognised during the period	(13.3)	(2.0)	(3.6)	-	(18.9)
Changes in principal and interest	(7.1)	(1.4)	-	-	(8.5)
Effect of exchange rate changes	(2.0)	(0.2)	(0.2)	-	(2.4)
Gross carrying amount as at September 30, 2021	333.3	55.8	31.8	-	420.9
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	300.6	38.8	25.0	-	364.4
Transfers:					
Transfer from Stage 1 to Stage 2	(79.5)	79.5	-	-	-
Transfer from Stage 1 to Stage 3	(3.4)	-	3.4	-	-
Transfer from Stage 2 to Stage 1	12.2	(12.2)	-	-	-
Transfer from Stage 2 to Stage 3	-	(7.3)	7.3	-	-
Transfer from Stage 3 to Stage 2	-	1.5	(1.5)	-	-
Transfer from Stage 3 to Stage 1	2.4	-	(2.4)	-	-
New financial assets originated or purchased	32.7	-	-	-	32.7
Financial assets fully derecognised during the period	(6.1)	(0.3)	(0.9)	-	(7.3)
Changes in principal and interest	(2.6)	6.7	0.4	-	4.5
Effect of exchange rate changes	(4.7)	(0.4)	(0.2)	-	(5.3)
Gross carrying amount as at September 30, 2020	251.6	106.3	31.1	-	389.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

FINANCE LOANS - AMORTISED COST

(in millions of US \$)

Nine months ended September 30, 2021

	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
Gross carrying amount as at January 1, 2021	523.6	33.5	11.0	-	568.1
Transfers:					
Transfer from Stage 1 to Stage 2	(6.1)	6.1	-	-	-
Transfer from Stage 1 to Stage 3	(3.1)	-	3.1	-	-
Transfer from Stage 2 to Stage 1	4.7	(4.7)	-	-	-
Transfer from Stage 2 to Stage 3	-	(4.4)	4.4	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 3 to Stage 1	0.7	-	(0.7)	-	-
New financial assets originated or purchased	135.9	-	-	-	135.9
Financial assets fully derecognised during the period	(75.2)	(5.1)	(4.5)	-	(84.8)
Changes in principal and interest	(33.4)	(0.7)	(1.0)	-	(35.1)
Effect of exchange rate changes	(10.0)	(0.3)	(0.2)	-	(10.5)
Gross carrying amount as at September 30, 2021	537.1	24.4	12.1	-	573.6

Nine months ended September 30, 2020

Gross carrying amount as at January 1, 2020	579.9	13.0	12.7	-	605.6
Transfers:					
Transfer from Stage 1 to Stage 2	(39.5)	39.5	-	-	-
Transfer from Stage 1 to Stage 3	(4.2)	-	4.2	-	-
Transfer from Stage 2 to Stage 1	2.9	(2.9)	-	-	-
Transfer from Stage 2 to Stage 3	-	(2.0)	2.0	-	-
Transfer from Stage 3 to Stage 1	0.2	-	(0.2)	-	-
New financial assets originated or purchased	109.1	-	-	-	109.1
Financial assets fully derecognised during the period	(73.5)	(3.1)	(2.8)	-	(79.4)
Write-offs		(0.1)	-	-	(0.1)
Changes in principal and interest	(23.6)	(1.1)	(0.6)	-	(25.3)
Effect of exchange rate changes	(27.7)	0.1	(0.5)	-	(28.1)
Gross carrying amount as at September 30, 2020	523.6	43.4	14.8	-	581.8

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

SECURITIES PURCHASED FOR RESALE - AMORTISED COST

<i>(in millions of US \$)</i>	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	57.1	-	-	-	57.1
New financial assets originated or purchased	733.7	-	-	-	733.7
Financial assets fully derecognised during the period	(733.5)	-	-	-	(733.5)
Changes in principal and interest	0.2	-	-	-	0.2
Effect of exchange rate changes	(1.9)	-	-	-	(1.9)
Gross carrying amount as at September 30, 2021	55.6	-	-	-	55.6
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	10.9	-	-	-	10.9
New financial assets originated or purchased	1,443.5	-	-	-	1,443.5
Financial assets fully derecognised during the period	(1,419.5)	-	-	-	(1,419.5)
Changes in principal and interest	0.1	-	-	-	0.1
Effect of exchange rate changes	(2.0)	-	-	-	(2.0)
Gross carrying amount as at September 30, 2020	33.0	-	-	-	33.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

DEPOSITS - AMORTISED COST

(in millions of US \$)

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Nine months ended September 30, 2021					
Gross carrying amount as at January 1, 2021	117.8	11.5	-	-	129.3
Transfers:					
Transfer from Stage 1 to Stage 2	(0.4)	0.4	-	-	-
Transfer from Stage 1 to Stage 3	(1.9)	-	1.9	-	-
Transfer from Stage 2 to Stage 1	7.3	(7.3)	-	-	-
New financial assets originated or purchased	2,893.9	-	-	-	2,893.9
Financial assets fully derecognised during the period	(2,893.7)	(3.9)	-	-	(2,897.6)
Changes in principal and interest	(0.6)	0.1	-	-	(0.5)
Effect of exchange rate changes	(1.0)	-	-	-	(1.0)
Gross carrying amount as at September 30, 2021	121.4	0.8	1.9	-	124.1
Nine months ended September 30, 2020					
Gross carrying amount as at January 1, 2020	62.5	0.6	-	-	63.1
Transfers:					
Transfer from Stage 1 to Stage 2	(8.8)	8.8	-	-	-
New financial assets originated or purchased	52.9	-	-	-	52.9
Financial assets fully derecognised during the period	(32.9)	(0.2)	-	-	(33.1)
Changes in principal and interest	(3.3)	2.4	-	-	(0.9)
Effect of exchange rate changes	(0.3)	-	-	-	(0.3)
Gross carrying amount as at September 30, 2020	70.1	11.6	-	-	81.7

MANAGEMENT'S DISCUSSION AND ANALYSIS

CREDIT RISK (continued)

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

POLICY LOANS – AMORTISED COST

(in millions of US \$)

Nine months ended September 30, 2021

	ECL staging				Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	
Gross carrying amount as at January 1, 2021	151.3	-	-	-	151.3
New financial assets originated or purchased	5.5	-	-	-	5.5
Financial assets fully derecognised during the period	(2.0)	-	-	-	(2.0)
Changes in principal and interest	1.4	-	-	-	1.4
Effect of exchange rate changes	-	-	-	-	-
Gross carrying amount as at September 30, 2021	156.2	-	-	-	156.2

Nine months ended September 30, 2020

Gross carrying amount as at January 1, 2020	151.7	-	-	-	151.7
New financial assets originated or purchased	2.1	-	-	-	2.1
New financial assets fully derecognised during the period	(4.2)	-	-	-	(4.2)
Changes in principal and interest	0.8	-	-	-	0.8
Effect of exchange rate changes	(0.4)	-	-	-	(0.4)
Gross carrying amount as at September 30, 2020	150.0	-	-	-	150.0

MANAGEMENT'S DISCUSSION AND ANALYSIS

7. ADDITIONAL INFORMATION

a) Impact of COVID-19 Corona Virus

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

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

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

In response to the changing, and increasingly uncertain, economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 12 of the September 30, 2021 interim financial statements, 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 of the September 30, 2021 interim financial statements). 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.

b) Share buyback programme

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

c) Interest in Playa Hotel and 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 \$1.6 million on the disposal of 20,000,000 shares by SGJ and a gain by SFCL of US \$12.3 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.

<i>(in millions of US \$)</i>	January 15, 2021
Net proceeds received by SGJ on sale of Playa shares	96.0
Share of carrying value of investment in Playa as an associate on the statement of financial position of SGJ as at January 15, 2021	(111.8)
	(15.8)
Net unrealised foreign exchange gains recycled to income	17.8
Net unrealised interest rate swap losses recycled to income	(3.6)
Loss on disposal of holding in Playa	(1.6)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

<i>(in millions of US \$)</i>	January 15, 2021
Fair value gain recognised on 8,501,000 shares purchased	9.2
Fair value gain recognised on original holding of 1,500,000 shares	3.1
Total fair value gain recognised on holding in Playa	12.3

Post-acquisition, a fair value gain of \$24.2 million was recognised for the period to September 30, 2021.

d) Commitments

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

e) Disposal of Interest in Subsidiary

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

f) Litigation or Other Matters

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect to claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended, cannot be reasonably estimated or will result in exposure to the Group which is immaterial to both the financial position and the results of operations.

Details of significant matters have been disclosed in the Group's 2020 audited financial statements. There have been no further material developments in these matters since that date of reporting.

g) Board of Directors

The composition of the Board of Directors has been disclosed in the Group's Management Discussion and Analysis for the year ended December 31, 2020. The Company, at its annual and special meeting held on June 4, 2021, approved election of Dennis Harris as director: the other directors were also re-elected bringing the total to fifteen directors.

h) Changes to Accounting Policies in 2021

There were no new accounting standards adopted during the nine-month period ended September 30, 2021. Refer to note 2 of the 2020 annual report included in pages 145 to 171.

i) Subsequent Events

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