

# **SAGICOR FINANCIAL COMPANY LTD.**

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the three-month periods ended March 31, 2021 and March 31, 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 period ended March 31, 2021 with comparative analysis for the corresponding periods ended March 31, 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](http://Sagicor.com), in the Investor Relations section. Additional information about Sagicor may be found on the SEDAR website at [sedar.com](http://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 May 14, 2021.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## TABLE OF CONTENTS

		<i>Page</i>
1.	<i>Highlights</i>	8
2.	<i>Profitability</i>	16
3.	<i>Analysis by Business Segment</i> <i>Sagicor Life</i> <i>Sagicor Jamaica</i> <i>Sagicor Life USA</i>	31
4.	<i>Financial Position</i> <i>Capitalisation</i> <i>Equity and Financing</i>	43
5.	<i>Financial Investments</i>	53
6.	<i>Risk Management</i>	58
7.	<i>Additional Financial Information</i>	59

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1. HIGHLIGHTS

Sagicor Group has experienced a very strong performance for the period under review. The Group recorded net income of US \$41.6 million for the three months ended March 31, 2021, compared to net loss of US \$25.1 million for the corresponding period in 2020. Net income attributable to common shareholders was US \$31.5 million compared to a net loss of US \$29.3 million, for the same period in the prior year.

The Groups' net income for the period ended March 31, 2021 includes net gains of US \$25.0 million emanating from a transaction associated with our investment in Playa Hotels and Resorts ("Playa"). Due to the transaction, Sagicor no longer accounts for Playa as an associated company. Sagicor now holds 10,001,000 shares of Playa directly and in this quarter have measured its performance based on FVTPL. Refer to the Additional Financial Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the first quarter of 2020, Group net income and net income attributable to common shareholders were significantly impacted by economic uncertainty created by the COVID-19 pandemic. 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.

Group capital remains strong, with the Group closing the first quarter of 2021 with a Minimum Continuing Capital and Surplus Requirement (MCCSR) of 246%, well above our target capital standards.

The Group's financial results for the three-month period ended March 31, 2021 continue to be affected by the COVID-19 pandemic's impact on the economic environment. 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 have made significant interventions in responding to this threat. 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 had to focus 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 three-month period ended March 31, 2021 there have been further attempts to modify and relax some of the restrictions implemented earlier in the pandemic, however some countries continue to experienced high rates of infections and low rates of vaccination which has reduced the ability to modify these restrictions. As a consequence, many of the restrictions have continued with a dampening impact on economic activity. The overall impact of COVID-19 is still evolving, and countries are focused on 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

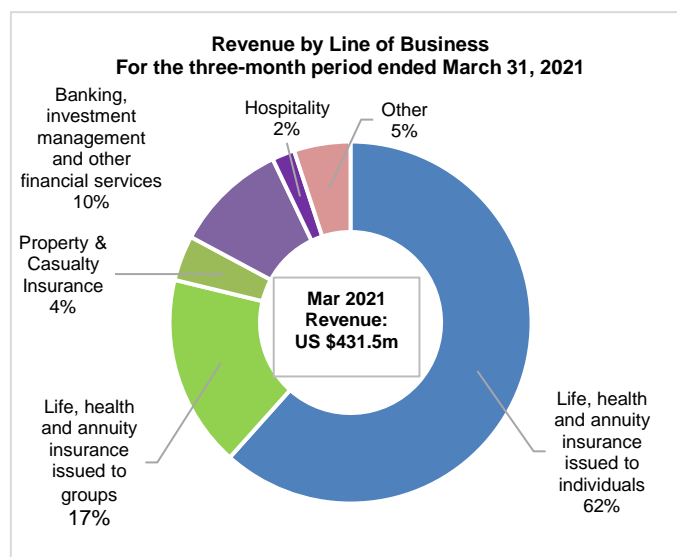
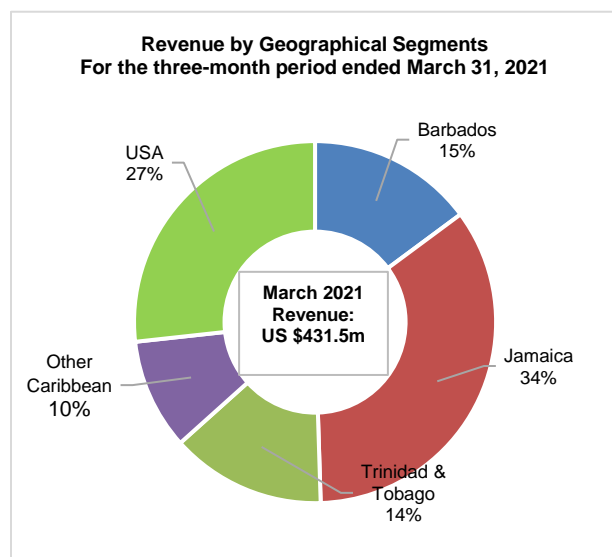
Established in 1840 as The Barbados Mutual Life Assurance Society, Sagicor is one of the oldest providers of insurance in the Americas. Sagicor offers a wide range of products and services including life and health insurance, annuities, pension administration, property and casualty insurance, asset management, 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 March 31		
	2021	2020	Change
<i>(in millions of US \$, unless otherwise noted)</i>			
<b>Profitability</b>			
Group net income	41.6	(25.1)	266%
Net income attributable to common shareholders	31.5	(29.3)	208%
Earnings per share:			
Basic earnings	21.5 ¢	(19.7) ¢	209%
Fully diluted	21.3 ¢	(19.7) ¢	208%
Return on shareholders' equity (annualised)	11.6%	(10.5%)	22.1 pts
<b>Growth</b>			
Revenue:			
Individual life, health and annuity	264.6	187.9	41%
Group life, health and annuity	74.2	77.9	(5%)
Property and casualty insurance	19.0	21.5	(12%)
Banking and investment management	43.3	41.1	5%
Hospitality	7.2	9.4	(23%)
Farming and unallocated revenues	23.2	5.4	330%
Total revenue	431.5	343.2	26%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Summary, continued

	Three months ended		
	March 31		
<i>(in millions of US \$, unless otherwise</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Growth (continued)</b>			
Net premium revenue:			
Life insurance	117.1	110.9	6%
Annuity	106.6	144.5	(26%)
Health insurance	39.8	46.8	(15%)
Property and casualty insurance	12.6	15.5	(19%)
Total net premium revenue	276.1	317.7	(13%)
Total assets	9,218.7	8,457.1	9%
Operating liabilities	7,137.9	6,331.6	13%
Notes and loans payable	458.4	509.1	(10%)
Book value per common share	\$7.52	\$7.07	6%
<b>Financial strength</b>			
Debt to capital ratio	22.0%	24.0%	2.0 pts
Dividends paid per common share	-	\$0.05625	(100%)
Dividends declared per common share	\$0.05625	\$0.05625	-
Total capital	2,079.5	2,124.1	(2%)
Average common shares outstanding	146,454	148,501	(1%)
Outstanding shares, at end of period	146,429	148,532	(1%)
MCCSR, at end of period	246%	227%	19 pts

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Profitability

The Sagicor Group recorded net income of US \$41.6 million for the three-month period ended March 31, 2021, compared to a net loss of US \$25.1 million reported for the same period in 2020. Net income attributable to common shareholders amounted to US \$31.5 million compared to a net loss of US \$29.3 million for the corresponding period in 2020.

As previously mentioned, the Group's net income for the period includes a net gain of US \$25.0 million emanating from a transaction associated with our investment in Playa Hotels and Resorts. Included in this amount is a gain of US \$10.7 million relating to the partial disposal of our investment on January 15, 2021, where the Group's shareholding in Playa was reduced from 16% to 6%. Subsequent to this transaction, 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. Refer to the Additional Financial Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the first quarter of 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 three-month period ended March 31, 2021 was of \$0.215 per share compared to a loss of US \$0.197 per share, for the three-month period ended March 31, 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 period ended March 31, 2021.

<b>Profitability</b>	<b>Three months ended March 31</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
<i>(in millions of US \$, unless otherwise noted)</i>			
Group net income/(loss)	<b>41.6</b>	(25.1)	266%
Net income/(loss) attributable to common shareholders	<b>31.5</b>	(29.3)	208%
Earnings per common share (EPS) – (basic)	<b>21.5 ¢</b>	(19.7) ¢	209%

### Business Growth

Group net premium revenue contracted during the first quarter of 2021, however, growth in net investment income coupled with improvements in our credit impairment provisions gave rise to a 26% (US \$88.3 million) growth in total revenue. Net investment income grew by US \$125.0 million to close at US \$111.1 million for the first quarter of 2021, when compared to the same period in the prior year and includes US \$14.3 million in mark-to-market gains on our investment in Playa Hotels and Resorts, as previously mentioned.

During the first quarter of 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

capital markets reaction to the COVID-19 pandemic. For the first quarter of 2020 total revenue also included credit impairment losses of US \$15.6 million as the Group updated its credit impairment assumptions for the COVID-19 economic environment.

During the first quarter of 2021, the Group reported reversals of credit impairment losses of US \$0.5 million. The following table summarizes the revenue by operating segment.

<b>Total Revenue by Business Segment</b>	<b>Three months ended March 31</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
<i>(in millions of US \$, unless otherwise noted)</i>			
Sagicor Life	<b>130.1</b>	113.2	15%
Sagicor Jamaica	<b>165.5</b>	132.4	25%
Sagicor Life USA	<b>110.8</b>	90.7	22%
Head office, Other and	<b>25.1</b>	6.9	264%
Total revenue	<b>431.5</b>	343.2	26%

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

### 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 March 31, 2021 has been estimated at 246% (December 31, 2020 - 252%).

The debt to capital ratio was 22.0% as at March 31, 2021 compared 22.2% at December 31, 2020.

As of March 31, 2021, capital resources declined to US \$2,079.5 million compared to US \$2,128.2 million reported at the end of December 2020, a reduction of US \$48.7 million.

The reduction in capital resources, which comprises shareholder's equity, notes and loans payable, and non-controlling interest, was largely driven by marked-to-market declines of our FVOCI financial assets due to market fluctuations, together with foreign currency retranslation losses. Foreign currency retranslation losses include losses of US \$15.8 million associated with the translation of foreign currency operations, as well as the impact of unrealized 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 Financial Information: Interest in Playa Hotel and Resorts N.V section for more details).

During the period, dividends declared to shareholders and the reduction of notes and loans payable also impacted capital resources. Non-controlling interests at March 31, 2021 were lower than that reported at December 31, 2020.

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

## 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.

### Quality of Investments

As of March 31, 2021, the Sagicor Group held US \$7,428.5 million of diversified financial assets, compared to US \$7,238.6 million at December 31, 2020, an increase of US \$189.9 million. The Group recorded net investment income of US \$111.1 million for the three-month period ended March 31, 2021 compared to a loss of US \$13.9 million for the same period in 2020. The annualized net investment return was 6.1% compared to a loss of 0.8% for the same period in 2020. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance. As at March 31, 2021, Sagicor held US \$5,463.1 million in debts securities (74% of the total financial investments on hand). A summary of net investment income for the three-month periods ended March 31, 2021 and 2020, is shown below.

<i>Investment Income Summary</i>	Three months ended		
	March 31		
<i>(in millions of US \$, unless</i>	2021	2020	Change
Interest income (AC)	45.8	44.6	3%
Interest income (FVOCI)	34.5	35.5	(3%)
Income from FVTPL investments	30.4	(94.1)	132%
Other investment income	1.2	2.3	(48%)
Investment expenses	(0.8)	(2.2)	64%
	111.1	(13.9)	899%

### 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 developments in these matters since that date of reporting.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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. There were no changes during the period under review.

### Changes to Accounting Policies in 2021

There were no new accounting standards adopted during the three-month period ended March 31, 2021. Refer to note 2 of the 2020 annual report included in pages 145 to 171.

### Outlook for 2021

The Group's outlook for 2021 continues to be affected by the uncertain resolution to the pandemic that was declared in March 2020. The Group's financial results in Q1 2021 reflect continued normalization of operations in our markets. However, the economies in which we operate continue to be directly impacted by the lockdown in our markets and reduction in global economic activity, including tourism, which affects our Caribbean economies significantly. It is unclear when the pandemic will recede enough to fully open the economies in which we operate. As such, we will continue to monitor the situation and will resume providing specific guidance with respect to earnings targets when the timing of economic recovery becomes more certain.

### Economic Environment

As COVID-19 vaccinations continue at varying paces worldwide, economic recovery profiles are expected to diverge across the globe. Accordingly, the International Monetary Fund (IMF) in its April 2021 World Economic Outlook estimates global growth at 6% and 4.4% for 2021 and 2022, respectively. The IMF forecasts the United States' GDP will surpass pre-pandemic levels in 2021. This prediction emerges against the background of, the unveiling of the Biden administration's US \$1.9 trillion American Rescue Plan, coupled with the anomalous pace of Coronavirus vaccinations within the USA. The IMF estimates economic activity in the USA will grow by 6.4% and 3.5%, respectively, in 2021 and 2022. The US Labour Department reported a marginal decrease in the unemployment rate to 6.0% as at March 31, 2021, down from 6.7% as at December 31, 2020. The target range for the federal funds rate was maintained at 0% to 0.25% and the Federal Open Market Committee maintains its commitment to increase its holdings of Treasury and agency mortgage-backed securities. Equity markets continue to rally with the S&P 500 Index and the MSCI Emerging Market Index up 6.17% and 2.29%, respectively, for the quarter. Yields on longer-dated Treasuries spiked during the quarter with the 10-year Treasury yields increasing from 0.93% as at December 31, 2020 to 1.74% at the end of the first quarter of 2021.

Following the projected double-digit economic contraction in the Eastern Caribbean Currency Union (ECCU) in 2020, the IMF predicts further mild to moderate contractions for many of the territories in the ECCU in 2021. Furthermore, economic growth in St. Vincent and the Grenadines is expected to be impeded over the short to medium term by the anticipated fallout in its agriculture sector due to the ongoing eruptions of the La Soufrière volcano. The most recent data from the Central Bank of Barbados estimated economic growth in the tourism-dependent country sharply contracted by 17.6% during 2020. Additionally, economic activity in Barbados was expected to be subdued during the first quarter as the island entered a period of National Pause to curb the significant spike in Coronavirus cases on the island. Following the IMF's estimated 7.8% contraction in 2020 for Trinidad and Tobago's economy, a 2.1% rebound is anticipated in 2021. At the end of the first quarter of 2021, the Trinidad and Tobago Monetary Policy Committee maintained the repo rate at 3.50% and Official Reserve stood at US \$6.7 billion or 8.2 months of import cover. The Statistical Institute of Jamaica estimated gross value added for the Jamaican economy declined by 8.3% in the fourth quarter of 2020 compared to the similar period in 2019. Preliminary estimates indicate the gross value added for Jamaica declined by 9.9% for the calendar year 2020. The Bank of Jamaica maintained its accommodative stance and left policy rates unchanged at 0.5%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 2. PROFITABILITY

#### Highlights

The Sagicor Group recorded net income attributable to common shareholders for the three-month period ended March 31, 2021 of US \$31.5 million, compared to a net loss of US \$29.3 million reported for the same period in 2020, an increase of US \$60.8 million. Return on equity for the month period ended March 31, 2021 was 11.6%, compared to a loss of 10.5% for the same period in 2020.

As previously mentioned, the Group's net income for the period includes net gains of US \$25.0 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. Refer to the Additional Financial Information: Interest in Playa Hotel and Resorts N.V section for more details.

The Earnings per Share (EPS - basic) moved similarly, closing at a US \$0.215 per share for the period under review, compared to a loss of US \$0.197 per share for the three-month period ended March 31, 2020.

During the first quarter 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.

<b>Net income/(loss) attributable to Common shareholders</b>	<b>Three months ended</b>		
	<b>March 31,</b>		
<i>(in millions of US \$, unless otherwise noted)</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>
Sagicor Life	<b>8.3</b>	1.9	337%
Sagicor Jamaica	<b>9.9</b>	9.1	9%
Sagicor Life USA	<b>1.1</b>	(14.3)	108%
Head office, Other and adjustments	<b>12.2</b>	(26.0)	147%
Net income/(loss)	<b>31.5</b>	(29.3)	208%
Earnings per common share (EPS):			
Basic	<b>21.5 ¢</b>	(19.7) ¢	209%
Diluted	<b>21.3 ¢</b>	(19.7) ¢	208%
Return on common shareholders' equity (ROE)	<b>11.6%</b>	(10.5%)	22.1 pts



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Group net income/(loss) for the three-month period ended March 31, 2021 and March 31, 2020.

The table below summarises Sagicor's net income/(loss) for the three-month period ended March 31, 2021 and 2020.

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Group net income/(loss)</b>			
Group net income/(loss)	41.6	(25.1)	266%
Total	41.6	(25.1)	266%
Net income/(loss) is attributable to:			
Common shareholders	31.5	(29.3)	208%
Participating policyholders	(0.1)	0.2	(150%)
Non-controlling interest	10.2	4.0	155%
<b>Group net (loss)/income</b>	<b>41.6</b>	<b>(25.1)</b>	<b>266%</b>

Group net income amounted to US \$41.6 million for the three-month period ended March 31, 2021, compared to a net loss of US \$25.1 million reported for the same period in 2020.

Net income attributable to common shareholders, closed the period at US \$31.5 million compared to a loss of US \$29.3 million for the three-month period ended March 31, 2020.

During the first 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.

### Group net income/(loss)

The table below summarises Sagicor's net income for the three-month period ended March 31, 2021 and 2020.

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Group net income/(loss)</b>			
Revenue	431.5	343.2	26%
Benefits	(255.4)	(203.0)	(26%)
Expenses	(136.8)	(152.9)	11%
Other	13.1	(5.6)	334%
Income taxes	(10.8)	(6.8)	(59%)
Group net (losses)/income	41.6	(25.1)	266%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Revenue

The following table summarises the main items of Sagicor's revenue for the year ended March 31, 2021 and March 31, 2020.

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Revenue</b>			
Net insurance premiums:			
Life and annuity	223.7	255.4	(12%)
Health	39.8	46.8	(15%)
Property and casualty	12.6	15.5	(19%)
	276.1	317.7	(13%)
Net investment income	111.1	(13.9)	899%
Gain on derecognition of amortised cost investments	1.8	1.2	50%
Gain on derecognition of assets carried at FVOCI	4.7	9.5	(51%)
Credit impairment losses	0.5	(15.6)	103%
Fees and other revenue	37.3	44.3	(16%)
<b>Total</b>	<b>431.5</b>	<b>343.2</b>	<b>26%</b>
Total Revenue by Operating Segment			
Sagicor Life	130.1	113.2	15%
Sagicor Jamaica	165.5	132.4	25%
Sagicor Life USA	110.8	90.7	22%
Head office, Other and	25.1	6.9	264%
	431.5	343.2	26%

Total revenue reached US \$431.5 million for the three-month period ended March 31, 2021, an increase of US \$88.3 million (26%) from US \$343.2 million reported for the same period in 2020.

Net insurance premium revenue represented 64% (March 2020 – 93%) of total revenue, and closed the first quarter of 2021 at US \$276.1 million, US \$41.6 million (13%) below the US \$317.7 million reported for the same period in 2020. Net premium revenue from the life and annuity insurance business totalled US \$223.7 million for the three-month period ended March 31, 2021, compared to US \$255.4 million for the same period in 2020, a decrease of US \$31.7 million. Our USA segment experienced lower new annuity sales for the period when compared to the same period in 2020 as the segment suspended sales of its indexed annuities in response to the market volatility and increased costs of hedging the products.

Net premium revenue from health insurance business totalled US \$39.8 million for the three-month period ended March 31, 2021, a US \$7.0 million decline from the US \$46.8 million reported in 2020 which was mainly observed in our Jamaica segment. Net premium revenue from property and casualty insurance totalled US \$12.6 million for the year under review, a US \$2.9 million or 19% decrease from US \$15.5 million reported for the same period in 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Net investment income totalled US \$111.1 million for three-month period ended March 31, 2021, compared to a loss of US \$13.9 million, for the corresponding period in 2020. Net investment income includes realised and unrealised gains on financial assets categorised as FVTPL of US \$23.7 million, which includes the gain of US \$14.3 million associated with the mark-to-market movements on our investment in Playa Hotels and Resorts.

For the first quarter of 2020, net investment income included mark-to-market losses of US \$99.3 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 three-month period ended March 31, 2021, totalled \$0.5 million, compared to impairment losses of US \$15.6 million, for the corresponding period in 2020. In the first quarter of 2020 the Group updated its credit assessment assumptions to reflect the impact of the pandemic.

The Group generated Fees and other revenues of US \$37.3 million for the three-month period ended March 31, 2021, compared to US \$44.3 million for the same period in 2020, a decrease of US \$7.0 million. The Group recorded lower hotel revenues (US \$5.0 million), a direct consequence of the travel restrictions associated with the COVID-19 pandemic.

### Benefits

Benefits totalled US \$255.4 million in for the three-month period ended March 31, 2021, a US \$52.4 million or 26% increase from US \$203.0 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 years ended March 31, 2021 and 2020.

	<b>Three months ended</b>		
	<b>March 31,</b>		
<i>(in millions of US \$)</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Benefits</b>			
Net insurance benefits:			
Life and annuity	<b>210.3</b>	146.8	(43%)
Health	<b>29.6</b>	37.2	20%
Property and casualty	<b>4.5</b>	8.6	48%
	<b>244.4</b>	192.6	(27%)
Interest cost	<b>11.0</b>	10.4	(6%)
<b>Total</b>	<b>255.4</b>	203.0	(26%)

Life and annuity benefits totalled US \$210.3 million for the three-month period ended March 31, 2021 of which US \$127.1 million related to current benefits and US \$83.2 million related to future benefits. The amounts for the corresponding period in 2020 were a total of US \$146.8 million, of which US \$128.3 million related to current benefits and US \$18.5 million related to future benefits. The change in provision for future benefits from 2020 to 2021 represented an increase of US \$64.7 million. During the first quarter of 2020, the Jamaica segment benefited from certain reserve releases for assumption changes, which did not recur in the March 2021 quarter. In addition, lower benefit payments in our USA segment, resulted in higher provisions for future benefits being maintained.

Total health insurance benefits were US \$29.6 million representing an overall claim to premium ratio of 74.4%. In 2020 the Group experienced health insurance benefits of US \$37.2 million and an overall claim to premium ratio of 79.4%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Property and casualty claims amounted to US \$4.5 million in 2021, a US \$4.1 million decrease from the US \$8.6 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 \$11.0 million for three-month period ended March 31, 2021, a slight increase over the US \$10.4 million reported for the same period in 2020.

### Expenses and taxes

Expenses and taxes totalled US \$146.7 million for the three-month period ended March 31, 2021, down US \$12.1 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 March 31, 2021 and 2020.

	Three months ended March 31,		
<i>(in millions of US \$)</i>	2021	2021	2021
<b>Expenses and taxes</b>			
Administrative expenses	<b>82.9</b>	91.4	9%
Commissions and related	<b>26.7</b>	30.6	13%
Finance costs, depreciation and amortisation	<b>19.0</b>	23.3	18%
Premium, asset and income taxes	<b>19.0</b>	14.4	(32%)
Total expenses and taxes	<b>147.6</b>	159.7	8%

Administrative expenses totalled US \$82.9 million for the period under review compared to US \$91.4 million for the same period in 2020. In the first quarter of 2020, administrative expenses included some one-time costs and adjustments which will not be repeated in 2021.

Commissions and related compensation totalled US \$26.7 million for the three-month period under review, closing US \$3.9 million below the US \$30.6 million reported for the same period in 2020; a direct impact of lower new business occasioned by the COVID-19 pandemic.

Finance costs, depreciation and amortisation totalled US \$19.0 million, for the period under review, a decrease of US \$4.3 million over the prior year, as the March 2020 quarter 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Premium, asset and income taxes were US \$19.0 million for the three-month period ended March 31, 2021, compared to US \$14.4 million in the same period in 2020, an increase of US \$4.6 million. Of the total taxes, income taxes were US \$10.8 million, compared to US \$6.8 million in the March quarter 2020, an increase of US \$4.0 million, and was largely related to higher net income levels reported during the March 2021 quarter, when compared to the prior year.

Earnings from other sources totalled US \$13.1 million for the three-month period March 31, 2021, compared to a loss of US \$5.6 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 Financial Information: Interest in Playa Hotel and Resorts N.V section for more details.

During the March 2020 quarter, our Jamaica segment incurred a loss of US \$6.9 million (including US \$3.4 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.

### Shareholder returns

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

The Group recorded income of US \$31.5 million for the three-month period ended March 31, 2021, allocated to the holders of Sagicor's common shares. This corresponded to earnings per share of US \$0.215. The comparative amount for the three-month period ended March 31, 2020 was a net loss of US \$29.3 million, which corresponded to a loss per share of US \$0.197. The respective annual returns on equity were 11.6% for March 2021 and loss of 10.5% for March 2020.

The table below summarises Sagicor's profitability, dividends and returns in respect of common shareholders for the years ended March 31, 2021 and 2020.

Common shareholder returns	Three months ended	
	March 31,	
	2021	2020
Net income/(loss) attributable to common shareholders	US 31.5 million	(US \$29.3 million)
Basic earnings per share	21.5 ¢	(19.7) ¢
Fully diluted earnings per share	21.3 ¢	(19.7) ¢
Return on shareholders' equity	11.6%	(10.5%)
Dividends declared	\$8.2 million	\$8.4 million
Dividends paid per common share	-	US \$0.05625

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Comprehensive income

The table below summarises Sagicor's total comprehensive income for the three-month periods ended March 31, 2021 and 2020.

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Other comprehensive (loss)/income:</b>			
<b>Items net of tax that may be reclassified subsequently to income:</b>			
Financial assets measured at fair value through other comprehensive income:			
Losses on revaluation	(67.8)	(191.1)	65%
Gains transferred to income	(4.6)	(6.7)	31%
Net change in actuarial liabilities	35.0	112.4	(69%)
Cash flow hedges	3.5	(2.3)	252%
Retranslation of foreign currency operations	(33.6)	(10.0)	(236%)
	<b>(67.5)</b>	<b>(97.7)</b>	<b>31%</b>
<b>Items net of tax that will not be reclassified subsequently to income:</b>			
Gains arising on revaluation of ownership occupied property and owner-managed property	1.8	0.3	500%
Losses on defined benefits plans	-	(2.3)	100%
	<b>1.8</b>	<b>(2.0)</b>	<b>190%</b>
Other comprehensive loss	<b>(65.7)</b>	<b>(99.7)</b>	<b>34%</b>

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Total comprehensive income</b>			
Group net income/(loss)	41.6	(25.1)	266%
Other comprehensive loss	(65.7)	(99.7)	34%
Total comprehensive loss for the period	<b>(24.1)</b>	<b>(124.8)</b>	<b>81%</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Common shareholders	(1.6)	(96.4)	98%
Participating policyholders	(0.2)	0.3	(167%)
Non-controlling interests	(22.3)	(28.7)	22%
	<b>(24.1)</b>	<b>(124.8)</b>	<b>81%</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Items recorded within other comprehensive income arise primarily 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 three-month period ended March 31, 2021 amounted to US \$65.7 million, a significant decrease from the loss of US \$99.7 million reported for the same period in the prior year.

During the period, the Group reported net losses on financial assets totalling US \$67.8 million compared to US \$191.1 million in the prior year, a reduction in losses of US \$123.3 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. These losses were offset by a net change in actuarial liabilities reserve of US \$35.0 million (March 2020 - US \$112.4 million). Other comprehensive income for the period also included retranslation losses of US \$33.6 million, related to losses of US \$15.8 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 Financial Information: Interest in Playa Hotel and Resorts N.V section for more details).

Overall total comprehensive loss for the quarter amounted to US \$24.1 million. Total comprehensive loss allocated to shareholders was US \$1.6 million. Total comprehensive losses of US \$124.8 million were reported for the March 2020 quarter.

### Statement of financial position

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

Statement of Financial Position <i>(in millions of US \$)</i>	As of		
	March 31, 2021	December 31, 2020	Change
<b>Sagicor Group</b>			
Financial investments	7,428.5	7,238.6	3%
Other assets	1,790.2	2,027.7	(12%)
Total assets	9,218.7	9,266.3	(1%)
Policy liabilities	4,900.1	4,883.0	-
Other operating liabilities	2,237.7	2,253.5	(1%)
Borrowings	458.4	471.6	(3%)
Total liabilities	7,596.2	7,608.1	-
Shareholders' equity	1,100.5	1,109.8	(1%)
Participating accounts	1.4	1.6	(13%)
Non-controlling interests	520.6	546.8	(5%)
Total equity	1,622.5	1,658.2	(2%)
Total liabilities and equity	9,218.7	9,266.3	(1%)

## 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 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.

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>	<b>Q1 2021</b>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>
Net premium revenue	<b>276.1</b>	510.9	264.9	310.0	317.7	300.5	263.3	312.7
Net investment and other income	<b>155.4</b>	163.6	137.3	148.5	25.5	171.2	148.2	155.7
Total revenue	<b>431.5</b>	674.5	402.2	458.5	343.2	471.7	411.5	468.4
Benefits and expenses	<b>(392.2)</b>	(612.8)	(373.7)	(440.6)	(355.9)	(376.4)	(379.3)	(429.3)
Other	<b>13.1</b>	(33.4)	(9.2)	(19.7)	(5.6)	(5.4)	-	0.6
Income/(loss) before tax	<b>52.4</b>	28.3	19.3	(1.8)	(18.3)	89.9	32.2	39.7
Income tax	<b>(10.8)</b>	(13.9)	(12.7)	(9.3)	(6.8)	(22.0)	(11.1)	(14.2)
Net income/(loss) before listing expense and other transaction costs	<b>41.6</b>	14.4	6.6	(11.1)	(25.1)	67.9	21.1	25.5
Listing expense and other transaction costs	-	-	-	-	-	(43.4)	-	-
Net income/(loss)	<b>41.6</b>	14.4	6.6	(11.1)	(25.1)	24.5	21.1	25.5
Income/(loss) attributable to shareholders before listing expense and other transaction costs	<b>31.5</b>	29.0	(3.0)	(0.3)	(29.3)	54.9	6.3	11.1
Income/(loss) attributable to shareholders	<b>31.5</b>	29.0	(3.0)	(0.3)	(29.3)	11.5	6.3	11.1



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Quarterly Financial Disclosures, continued

<i>(in millions of US \$, unless otherwise noted)</i>	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Basic EPS before listing expense and other transaction costs incurred in 2019	N/A	N/A	N/A	N/A	N/A	58.7 ¢	N/A	N/A
Basic EPS	21.5 ¢	19.8 ¢	(2.0) ¢	(0.2) ¢	(19.7) ¢	12.3 ¢	8.9 ¢	15.7 ¢
Diluted EPS before listing expense and other transaction costs incurred in 2019	N/A	N/A	N/A	N/A	N/A	51.9 ¢	N/A	N/A
Diluted EPS	21.3 ¢	19.6 ¢	(2.0) ¢	(0.2) ¢	(19.7) ¢	10.9 ¢	8.6 ¢	15.3 ¢
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	30.4%	N/A	N/A
Annualised return on shareholders' equity	11.6%	10.8%	(1.1%)	(0.1%)	(10.5%)	6.2%	3.8%	6.9%
Dividends paid per share	-	5.6 ¢	5.6 ¢	5.6 ¢	5.6 ¢	2.5 ¢	-	2.5 ¢
Total assets <sup>(a)</sup>	9,218.7	9,266.3	8,894.3	8,734.2	8,457.1	8,728.9	8,056.4	7,861.7
Total equity attributable to shareholders	1,100.5	1,109.8	1,062.3	1,072.5	1,049.5	1,154.1	660.4	658.6
Income/(loss) before listing expense and other transaction costs (incurred in Q4, 2019) attributable to shareholders by operating segment:								
Sagicor Life	8.3	35.2	8.4	2.2	1.9	29.4	10.2	9.8
Sagicor Jamaica	9.9	11.0	21.3	9.1	9.1	18.2	18.4	14.3
Sagicor Life USA	1.1	8.8	(18.7)	(2.9)	(14.3)	16.5	6.0	6.0
Head office, other & inter-segment eliminations	12.2	(26.0)	(14.0)	(8.7)	(26.0)	(9.2)	(28.3)	(19.0)
Total	31.5	29.0	(3.0)	(0.3)	(29.3)	54.9	6.3	11.1

<sup>(a)</sup> From continuing operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Quarterly Financial Disclosures (continued)

Under the Alignvest transaction, Sagicor Financial Corporation Limited common shares not 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. The earnings per share ratio for 2019 have been adjusted to reflect the Exchange Ratio.

#### 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.

#### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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.

### 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.

### Second Quarter 2019

Net income from continuing operations attributable to shareholders was US \$11.1 million for the three-month period ended June 30, 2019, (three-month period end June 30, 2018 – US \$2.0 million), an increase of US \$9.1 million. The Group benefited from net premium growth in our USA segment. Benefits and expenses also grew over the prior year's

## MANAGEMENT'S DISCUSSION AND ANALYSIS

levels driven by business growth. In the June quarter of 2018 the Group also experienced the net impact of increased provisions for expected credit impairment losses on the Government of Barbados debt (US \$19.8 million).

### First Quarter 2019

Net income from continuing operations attributable to shareholders was \$15.1 million for the three months ended March 31, 2019, (first quarter March 2018 – US \$19.5 million). While the Group benefited from net premium growth through our USA segment, benefits and expenses also grew over the prior year-to-date levels and was consistent with premium growth due to the provisions for future benefits on new business. During the first quarter of 2019, the Group also benefited from increased investment income due to marked to market changes on equities and indexed options in our Jamaica and USA segments. During the first quarter of 2018 the results included a one-time gain of US \$5.3 million on the acquisition of the British American insurance portfolio.

### **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.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

incurred. The lower the lapse or termination rate, the more policies are in force, 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.

### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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

Sagikor operates its business primarily through three reporting operating segments. These segments are: Sagikor Life, Sagikor Jamaica and Sagikor Life USA. A summary analysis of revenue and net income by operating segment are presented on a three-month quarterly basis for March 31, 2021 and 2020, as follows:

	First Quarter (three-month period) – March 2021					
<i>(in US\$ millions)</i>	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office & other	Adjustments	Total
Revenue	130.1	165.5	110.8	33.9	(8.8)	431.5
Benefits and expenses	(120.6)	(137.3)	(109.4)	(32.7)	7.8	(392.2)
Share of operating income from associates and joint ventures	0.9	1.5	-	-	-	2.4
(Loss)/gain arising on business combination, acquisitions and divestitures	-	(1.6)	-	12.3	-	10.7
Income/(loss) before tax	10.4	28.1	1.4	13.5	(1.0)	52.4
Income taxes	(2.1)	(7.9)	(0.3)	(0.5)	-	(10.8)
Net income/(loss)	8.3	20.2	1.1	13.0	(1.0)	41.6
Income/(loss) attributable to shareholders	8.3	9.9	1.1	13.1	(0.9)	31.5

	First Quarter (three-month period) – March 2020					
<i>(in US\$ millions)</i>	Sagikor Life	Sagikor Jamaica	Sagikor Life USA	Head office & other	Adjustments	Total
Revenue	113.2	132.4	90.7	13.4	(6.5)	343.2
Benefits and expenses	(109.9)	(104.4)	(108.8)	(39.2)	6.5	(355.8)
Share of operating income/(losses) from associates and joint ventures	0.7	(3.0)	-	-	-	(2.3)
Loss on impairment of associates and joint ventures	-	(3.4)	-	-	-	(3.4)
Income/(loss) before tax	4.0	21.6	(18.1)	(25.8)	-	(18.3)
Income taxes	(1.9)	(8.5)	3.8	(0.3)	0.1	(6.8)
Net income/(loss)	2.1	13.1	(14.3)	(26.1)	0.1	(25.1)
Income/(loss) attributable to shareholders	1.9	9.1	(14.3)	(26.1)	0.1	(29.3)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Change – March 2021 vs March 2020 (three-month periods)					
	Sagicor Life	Sagicor Jamaica	Sagicor Life USA	Head office & other	Adjust- ments	Total
Revenue	15%	25%	22%	153%	(35%)	26%
Benefits and expenses	(10%)	(32%)	(1%)	17%	20%	(10%)
Share of operating losses from associates and joint ventures	29%	150%	-	-	-	204%
Loss on impairment of associates and joint ventures	-	100%	-	-	-	100%
Income/(loss) before tax	160%	30%	108%	152%	-	386%
Income taxes	(11%)	7%	(108%)	(67%)	(100%)	(59%)
Net income/(loss)	295%	54%	108%	150%	(1,100%)	266%
Income/(loss) attributable to shareholders	337%	9%	108%	150%	(1,000%)	208%

The performance of these reporting segments for the three-month periods ended March 31, 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 periods ended March 31, 2021 and 2020.

<i>(in millions of US \$)</i>	<b>Three months ended</b>		
	<b>March 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Sagicor Life segment</b>			
Net premium revenue	<b>94.9</b>	93.6	1%
Gain on derecognition of amortised cost investments	-	0.3	(100%)
Gain on derecognition of assets carried at FVOCI	<b>1.4</b>	1.6	(13%)
Interest income earned from financial assets measured at amortised costs and FVOCI	<b>20.7</b>	17.9	16%
Other investment income	<b>3.5</b>	(2.3)	252%
Credit impairment gains/(losses)	<b>0.6</b>	(3.8)	116%
Fees and other revenue	<b>2.7</b>	0.6	350%
Inter-segment revenues	<b>6.3</b>	5.3	19%
<b>Total revenue</b>	<b>130.1</b>	113.2	15%
Benefits	<b>(86.6)</b>	(72.6)	(19%)
Expenses and taxes	<b>(27.8)</b>	(34.0)	18%
Depreciation and amortisation	<b>(2.4)</b>	(1.7)	(41%)
Inter-segment expenses	<b>(3.8)</b>	(1.6)	(138%)
Other	<b>0.9</b>	0.7	29%
Segment income before taxes	<b>10.4</b>	4.0	160%
Income taxes	<b>(2.1)</b>	(1.9)	(11%)
Net segment income	<b>8.3</b>	2.1	295%
Income attributable to shareholders	<b>8.3</b>	1.9	337%
Return on Investments (annualised)	<b>6.3%</b>	4.4%	1.9 pts
Return on Equity (annualised)	<b>5.6%</b>	1.6%	4.0 pts
Return on Shareholder's Equity (annualised)	<b>5.7%</b>	1.5%	4.2 pts

### First 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 March 31, 2021, with growth of 7% in its new business sales to individuals, continued growth in net premium revenue and strong growth in investment income compared to the three-month period ended March 31, 2020.

The net income attributable to shareholders was US \$8.3 million for the three-month period ended March 31, 2021, US \$6.4 million above the US \$1.9 million recorded for the same period in 2020.

The Sagicor Life segment generated total revenue of US \$130.1 million for the three-month period, US \$16.9 million (15%) above the US \$113.2 million reported for the first quarter of 2020. Net premium revenue was US \$94.9 million compared to US \$93.6 million for the same period in 2020, an increase of US \$1.3 million.

Net investment income including interest income, gains on derecognition of financial assets and other investment income totalled US \$25.6 million for the three-month period ended March 31, 2021, US \$8.2 million above the US \$17.5 million reported for the March 2020 quarter. Interest income for the three-month period was US \$20.7 million, compared to US \$17.9 million reported for the three-month period ended March 31, 2020, as the segment benefitted from general growth in financial investments of US \$139.0 million over the comparative period. Other investment income was US \$3.5 million, compared to a loss of US \$2.4 million for Q1 2020, improving by US \$5.9 million. During Q1 2020, the segment reported unrealised losses on FVTPL financial assets totalling US \$5.1 million, as the capital markets responded adversely to the announcement of the COVID-19 pandemic. This did not repeat in Q1, 2021.

Credit impairment showed a gain of US \$0.6 million for the three-month period ended March 31, 2021, compared to impairment losses of US \$3.8 million, for the corresponding period in 2020. In March quarter of 2020 the credit assessment assumptions were updated to reflect the impact of the COVID-19 pandemic.

Fees and other revenues increased by US \$2.1 million to close at US \$2.7 million for the three-month period ended March 31, 2021, compared to US \$0.6 million for the corresponding period in 2020. This was partially due to lower foreign exchange losses incurred in Q1 2021.

Benefits incurred for the Sagicor Life segment totalled US \$86.6 million for the three-month period ended March 31, 2021 compared to benefits incurred of US \$72.6 million reported for the same period in the prior year, an increase of US \$14.0 million (19%). Net policy benefits excluding the changes in actuarial reserves increased by US \$11.7 million mainly due to significant growth in the annuity portfolio in 2020 and a higher mortality experience. Additionally, the interest expense increased by US \$3.3 million as a result of higher investment returns in Q1 2021 being passed on to policyholders. Net change in actuarial liabilities increased marginally by US \$2.4 million to close at US \$18.4 million.

Total expenses and taxes for the Sagicor Life segment totalled US \$36.1 million for the three-month period ended March 31, 2021, US \$3.1 million below the US \$39.2 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 March 31, 2021 and December 31, 2020.

Statement of Financial Position <i>(in millions of US \$)</i>	As of		
	March 31, 2021	December 31, 2020	Change
<b>Sagicor Life segment</b>			
Financial investments	1,561.5	1,551.0	1%
Other assets	332.8	337.6	(1%)
Inter-segment assets	435.2	390.6	11%
<b>Total assets</b>	<b>2,329.5</b>	<b>2,279.2</b>	<b>2%</b>
Policy liabilities	1,509.5	1,477.9	2%
Other liabilities	83.8	82.8	1%
Inter-segment liabilities	139.8	126.4	11%
<b>Total liabilities</b>	<b>1,733.1</b>	<b>1,687.1</b>	<b>3%</b>
<b>Net assets</b>	<b>596.4</b>	<b>592.1</b>	<b>1%</b>

Financial investments totalled US \$1,561.5 million (December 31, 2020 - US \$1,551.0 million) and comprised 67% (December 31, 2020 - 68%) of the segment's total assets, and policy liabilities totalled US \$1,509.5 million (December 31, 2020 - US \$1,477.9 million) and comprised 87% (December 31, 2020 - 88%) of the segment's total liabilities at the end of December 2020. Overall, net assets increased by 1% or US \$4.3 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 the digitalizing of the organization which will ensure we are positioned to better serve our clients and stakeholders. New payment solutions were introduced during Q1 2021, allowing a better customer experience for both our new and existing customers. Our teams will be seeking to introduce new product offerings throughout the year to explore new and underserved markets.

### 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

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Sagicor Jamaica segment</b>			
Net premium revenue	85.1	94.2	(10%)
Gain on derecognition of amortised cost	1.9	0.9	111%
Gain on derecognition of assets carried at FVOCI	3.1	7.7	(60%)
Interest income earned from financial assets	38.8	40.7	(5%)
Other investment income /(expenses)	4.2	(44.5)	109%
Credit impairment losses	(0.4)	(5.3)	92%
Fees and other revenue	32.8	38.7	(15%)
Total revenue	165.5	132.4	25%
Benefits	(71.5)	(32.7)	119%
Expenses and taxes	(60.8)	(66.0)	8%
Depreciation, amortisation and impairments	(4.5)	(5.3)	15%
Inter-segment expenses	(0.5)	(0.4)	(25%)
Loss arising on business combination, acquisitions and divestitures	(1.6)	-	-
Loss on impairment of associates and joint ventures	-	(3.4)	100%
Share of operating income/(losses) from associates and joint ventures	1.5	(3.0)	150%
Segment income before taxes	28.1	21.6	30%
Income taxes	(7.9)	(8.5)	7%
Net segment income	20.2	13.1	54%
Income attributable to shareholders	9.9	9.1	9%
Return on Investments	6.4%	(0.6%)	7.0 pts
Return on Total Equity	9.0%	5.8%	3.2 pts
Return on Shareholder's Equity	10.3%	10.6%	(0.3) pts

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

The Sagicor Jamaica segment reported net income of US \$20.2 million for the three-month period ended March 31, 2021 (Q1 2020 - US \$13.1 million) an improvement of US \$7.1 million. The results for the first quarter of 2020 were adversely impacted by significant unrealized capital losses, 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 \$9.9 million for the three-month period ended March 31, 2021 compared to US \$9.1 million for the three-month period ended March 31, 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This segment generated total revenue of US \$165.5 million for the three-month period ended March 31, 2021, compared to US \$132.4 million for the same period in the prior year. This represented an increase of US \$33.1 million or 25%.

Premium income closed at US \$85.1 million for the first quarter of 2021 compared to US \$94.2 million, for the same period in 2020, a decrease of US \$9.1 million. While the Life, health and property and casualty insurance businesses observed declines, improvements were seen in the annuities business.

Interest income was US \$38.8 million, for the three-month period ended March 31, 2021 compared to US \$40.7 million in the corresponding prior period. Other investment income totalled US \$4.2 million, for the period under review, compared to losses of US \$44.5 million for the same period in the prior year. Investment gains totalled US \$3.2 million and were higher than the mark-to-market losses of US \$45.9 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 three-month period ended March 31, 2021, totalled \$0.4 million, compared to impairment losses of US \$5.3 million, for the corresponding period in 2020. During the March 2020 quarter, credit assessment assumptions were updated to reflect the impact of the pandemic.

Fees and other revenue closed at US \$32.8 million for the three-month period under review, compared to US \$38.7 million for the same period in 2020, a decrease of US \$5.9 million or 15%. During the period, the segment was impacted by lower hotel revenues of US \$5.0 million, as the hotel business line continues to grapple with worldwide travel restrictions occasioned by the COVID-19 pandemic.

Benefits totalled US \$71.5 million compared to US \$32.7 million reported for the same period in 2020 an increase of US \$38.8 million. Net policy benefits excluding changes in actuarial liabilities totalled US \$53.7 million, compared to the US \$65.6 million reported for the first quarter of 2020 due mainly to higher withdrawals being reported in the prior year. The segment reported net change in actuarial liabilities increase of US \$11.0 million for the three-month period ended March 31, 2021, compared to a release of US \$39.9 million in 2020, an increase of US \$50.9 million. In Q1, 2020, the segment benefited from certain reserve releases for assumption changes, which did not recur in Q1 2021.

Expenses and taxes incurred (including segment expenses and income taxes) amounted to US \$73.7 million for the three-month period compared to US \$80.2 million for the same period in 2020, a decrease of US \$6.5 million. Depreciation, amortisation and impairment charges totalled US \$4.5 million, a decrease of US \$0.8 million when compared to that reported for the same period in 2020. Administrative expenses declined by US \$4.2 million to close at US \$41.6 million and was partially as a result of lower hotel expenses, as the tourism industry continued to be impacted with restricted travel associated with the COVID-19 pandemic.

Earnings from other sources was a loss of US \$0.1 million for the first quarter of 2021, compared to a loss of US \$6.4 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 \$1.6 million. The impact of this disposal was negated by our share of income earned on the joint venture in Costa Rica totalling US \$1.5 million. Refer to the Additional Financial Information: Interest in Playa Hotel and Resorts N.V section for more details. During the March 2020 quarter, our Jamaica segment incurred a loss of US \$6.9 million (including US \$3.4 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

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

<b>Statement of Financial Position</b> <i>(in millions of US \$)</i>	<b>As of</b>		
	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
<b>Sagicor Jamaica segment</b>			
Financial investments	<b>2,728.8</b>	<b>2,714.5</b>	1%
Other assets	<b>583.8</b>	<b>730.0</b>	(20%)
Inter-segment assets	<b>12.6</b>	<b>10.6</b>	19%
<b>Total assets</b>	<b>3,325.2</b>	<b>3,455.1</b>	(4%)
Policy liabilities	<b>826.1</b>	<b>824.5</b>	-
Other liabilities	<b>1,601.0</b>	<b>1,690.4</b>	(5%)
Inter-segment liabilities	<b>12.6</b>	<b>12.9</b>	(2%)
<b>Total liabilities</b>	<b>2,439.7</b>	<b>2,527.8</b>	(3%)
<b>Net assets</b>	<b>885.5</b>	<b>927.3</b>	(5%)

Financial investments totalled US \$2,728.8 million (December 31, 2020 – US \$2,714.5 million) and comprised 82% (December 31, 2020 - 79%) of the segment's total assets. Total assets closed at US \$3,325.2 million, a decrease of 4% (US \$129.9 million). Policy liabilities totalled US \$826.1 million (December 31, 2020 – US \$824.5 million) and other liabilities totalled US \$1,601.0 million (December 31, 2020 – US \$1,690.4 million), representing 34% (December 31, 2020 - 33%) and 66% (December 31, 2020 - 67%) of the segment's total liabilities at the end of March 31, 2021 and December 31, 2020.

Overall net assets declined by 5% (US \$41.8 million) moving from US \$927.3 million as at December 31, 2020 to US \$885.5 million at the end of March 2021. While operating results improved, the impact of mark-to-market losses on FVOCI financial assets coupled with the decline in the value of the Jamaican dollar relative to the US dollar, gave rise to the overall decline in net assets.

### **New initiatives and developments**

Sagicor Jamaica continues to support health and education institutions that have been badly affected by the pandemic.

## 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 direct-to-consumer platforms (SagicorNOW.com and PeaceAssured.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 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, 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 periods ended March 31, 2021 and 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
<b>Sagicor Life USA segment</b>			
Net premium revenue	86.8	120.5	(28%)
Gain on derecognition of assets carried at FVOCI	0.2	0.2	-
Interest income earned from financial assets measured at amortised cost and FVOCI	20.0	19.2	4%
Other investment income/(expenses)	6.4	(42.0)	115%
Credit impairment gains/(losses)	0.2	(6.2)	103%
Fees and other revenue	(2.8)	(1.0)	(180%)
Total revenue	110.8	90.7	22%
Benefits	(94.3)	(93.5)	(1%)
Expenses and taxes	(15.2)	(14.0)	(9%)
Depreciation and amortisation	(1.2)	(0.9)	(33%)
Inter-segment expenses	1.3	(0.4)	425%
Segment income/(loss) before taxes	1.4	(18.1)	108%
Income taxes	(0.3)	3.8	(108%)
Net segment income/(loss)	1.1	(14.3)	108%
Income/(loss) attributable to shareholders	1.1	(14.3)	108%
Return on Investments (annualised)	4.1%	(4.5%)	8.6 pts
Return on Equity (annualised)	1.6%	(20.0%)	21.6 pts
Return on Shareholder's Equity (annualised)	1.6%	(20.0%)	21.6 Pts

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

The Sagicor Life USA segment reported net income of US \$1.1 million, for the three-month period ended March 31, 2021.

The segment generated revenue of US \$110.8 million for the three-month period ended March 31, 2021, compared to US \$90.7 million reported for the same period in 2020, an increase of 22% or US \$20.1 million. Net premium revenue closed the period at US \$86.8 million, down 28% or US \$33.7 million, compared to the US \$120.5 million reported for the same period in 2020 as the segment had lower sales of annuities, partially offset by a 126% increase in life premiums during the quarter.

Interest income totalled US \$20.0 million for the three-month period ended March 31, 2021 and was moderately above that reported for the same period in 2020.

Other investment income totalled US \$6.4 million for the three-month period ended March 31, 2021 compared to a loss of US \$42.0 million for the same period in 2020. During the first quarter of 2021 the segment reported realised and unrealised mark-to-market gains on fair value through profit and loss financial assets of US \$4.1 million. During the same period in 2020, the segment reported realised and unrealised mark-to-market losses of US \$43.4 million when the capital markets responded negatively to the impact of the COVID-19 pandemic.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Credit impairment gains for the three-month period ended March 31, 2021, totalled \$0.2 million, compared to impairment losses of US \$6.2 million for the corresponding period in 2020. In the first quarter of 2020 credit assessment assumptions were updated to reflect the impact of the pandemic.

Benefits reflect policy payments (surrenders, deaths, lapses, etc.) and changes in actuarial liabilities. Policy payments totaled US \$42.9 million compared to US \$47.4 million, a decrease of US \$4.5 million with no significant surrenders or death claims during the quarter. The changes in actuarial liabilities totaled US \$51.9 million for the first quarter in 2021, compared to US \$43.9 million, for the same quarter in 2020, an increase of US \$8.0 million, driven by lower policy payments in the current quarter (actuarial liabilities remained on our books) and lower changes in the 1<sup>st</sup> quarter of 2020 driven by the early stages of the pandemic.

Total expenses and taxes (including segment expenses and income taxes) totaled US \$16.7 million compared to US \$11.1 million reported for the same period in 2020. The increase in expenses and taxes is driven by higher tax charges incurred in 2021 and is associated with the improved operating performance over the prior year.

Overall, the net income for the three-months ended March 31, 2021 was impacted by a contraction in net premium revenue, the effect of which was reduced by improvements in credit impairment losses coupled with fair value gains on FVTPL financial assets.

### Statement of Financial

<i>(in millions of US \$)</i>	As of		
	March 31, 2021	December 31, 2020	Change
<b>Sagicor Life USA segment</b>			
Financial investments	2,651.9	2,556.3	4%
Other assets	686.8	767.8	(11%)
Inter-segment assets	58.9	59.0	-
Total assets	3,397.6	3,383.1	-
Policy liabilities	2,492.8	2,507.8	(1%)
Other liabilities	471.8	452.6	4%
Inter-segment liabilities	169.6	152.8	11%
Total liabilities	3,134.2	3,113.2	1%
Net assets	263.4	269.9	(2%)

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; 80% of total liabilities as of March 31, 2021 (December 31, 2020 – 81%) and the financial investments that support those liabilities (78% of total assets as of March 31, 2021 and 76% of total assets as of December 31, 2020).

Policy liabilities and the supporting financial investments remained relatively flat for the quarter as the impact of new business was offset by the impact of policy benefits and the drop in market values of the financial investments due to slightly improving market yields.

Overall, the decrease in net assets from December 31, 2020 to March 31, 2021 of US \$6.5 million (2%) was principally the result of mark-to-market losses on FVOCI financial assets (as noted above, yields slightly improved over the period), net of improved profitability for the period under review.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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.

## 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:

<i>(in millions of US \$)</i>	March 31,	December 31,	Change
	2021	2020	
Shareholders' equity	1,100.5	1,109.8	(1%)
Non-controlling interest	520.6	546.8	(5%)
Notes and loans payable	458.4	471.6	(3%)
Total financial statement capital resources	2,079.5	2,128.2	(2%)

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 March 31, 2021, the Company's capital totalled US \$2,079.5 million, a decrease of US \$48.7 million from the December 31, 2020 position (US \$2,128.2 million). Capital resources' decline during the quarter was largely driven by marked-to-market declines of our FVOCI financial asset due to market fluctuations, coupled with losses of US \$ 15.8 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 Financial Information: Interest in Playa Hotel and Resorts N.V section for more details). During the period, dividends declared to shareholders and the reduction of notes and loans payable also impacted capital resources. Non-controlling interests at March 31, 2021 were lower than that reported at December 31, 2020.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Leverage

As of March 31, 2021, Sagicor had a debt to equity ratio of 28.3%, 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 22.0%, at March 31, 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.

Both the debt to equity ratio and the debt to capital ratio experienced improvements when compared to December 2020, due in part to a decline in equity.

### Debt Ratios

	March 31, 2021	December 31, 2020	Change
Debt ratios			
Notes and Loans Payable/capital	22.0%	22.2%	0.2 pts
Notes and Loans Payable/equity	28.3%	28.5%	0.2 pts

### 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 March 31, 2021 has been estimated at 246%, 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 be regarded

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### *Sagikor Life Jamaica Limited*

Sagikor Life Jamaica is governed by the Jamaican MCCR 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 March 31, 2021, the ratio was 187%.

### *Sagikor 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.

Sagikor Life USA looks to maintain at least 300% of the risk-based capital amount and has maintained these ratios as of March 31, 2021 and December 31, 2020, respectively.

### *Sagikor Investments Jamaica Limited and Sagikor 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 March 31, 2021 and the year ending December 31, 2020 all applicable externally imposed capital requirements were complied with.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	March 31, 2021	December 31, 2020
<b>Sagikor Investments</b>		
Actual capital base to risk weighted assets	17%	15%
Required capital base to risk weighted assets	10%	10%
<b>Sagikor Bank</b>		
Actual capital base to risk weighted assets	14%	14%
Required capital base to risk weighted assets	10%	10%

### Notes and Loans Payable

As of March 31, 2021, Sagikor had US \$458.4 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 March 31, 2021 and December 31, 2020, respectively are set out in the following tables.

<i>(in millions of US \$)</i>	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
<b>Notes and loans payable</b>				
8.875% senior notes due 2022 <sup>(a)</sup>	307.8	324.8	315.9	324.7
5.50% unsecured bond due 2022 <sup>(b)</sup>	32.0	32.6	32.0	32.8
6.25% unsecured bond due 2022 <sup>(b) &amp; (c)</sup>	26.4	28.5	27.0	28.5
6.75% notes due 2024 <sup>(d)</sup>	15.1	15.9	15.4	16.3
Mortgage loans	55.7	58.5	59.6	60.8
Bank loans & other funding instruments <sup>(e)</sup>	21.4	21.4	21.7	21.7
<b>Total</b>	<b>458.4</b>	<b>481.7</b>	471.6	484.8

#### (a) Valuation of Call Option Embedded Derivative

As at March 31, 2021, the Group had US \$318 million principal amount of senior unsecured notes (the "Notes"). The Notes are due August 11, 2022 and bear interest at an annual rate of 8.875%. Pursuant to the terms of the Notes, the Group may redeem the Notes under the scenario as summarised below and described in more detail herein:

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Subsequent to period end, the Group made a cash tender offer for the Notes and cash tenders were accepted (Refer to note 22 of the March 31, 2021 interim financial statements).

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

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

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

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

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

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

- (i) On May 24, 2019, Sagicor General Insurance Inc entered into a US \$12 million loan agreement. The interest rate is 3.50% per annum and the loan matures on July 31, 2024.

- (ii) On October 1, 2020, The Estates (Residential Properties) Limited issued cumulative preference shares in the amount of US \$9 million. Dividends accrue at a rate of 6.75% per annum and are payable semi-annually. The preference shares are redeemable on September 30, 2027.

### 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 March 31, 2021 was 146,428,904. During the period, the Company purchased for cancellation 266,600 shares through its Normal Course Issuer Bid on the Toronto Stock Exchange for total consideration of US \$1.3 million.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Common Shares

(In millions)	March 31, 2021	December 31, 2020	Change
Number of common shares outstanding	146.4	146.4	-

### Securities convertible, exercisable or exchangeable into common shares

- The number of issued and outstanding options at March 31, 2021 was 2,022,103
- The number of issued and outstanding warrants at March 31, 2021 was 34,774,993.

### Share Price and Market Capitalization

The Company's share price closed the March 31, 2021 period-end at US \$4.57, with market capitalisation of US \$669.5 million.

	March 31, 2021	December 31, 2020	Change
Share price	US 4.57	US \$5.04	(9%)
Market capitalisation	US \$669.5 million	US \$737.8 million	(9%)

### Book Value per Common Shares

	March 31, 2021	December 31, 2020	Change
Book value per common shares	\$7.52	\$7.58	(1%)



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Dividends

In total, the Group paid no dividends to common shareholders during the first quarter of 2021.

	March 31, 2021	March 31, 2020	Change
Dividends declared during the period, per common share	US \$0.05625	US \$0.05625	-

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.

### Liquidity and Capital Resources

The following discussion is qualified by reference to the consolidated statement of cash flows and note 13 of the March 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 periods ended March 31, 2021 and March 31, 2020, respectively.

<i>(in millions of US \$)</i>	Three months ended		
	March 31,		
	2021	2020	Change
Net cash flows:			
Operating activities	(23.1)	(236.1)	90%
Investing activities	49.2	(4.2)	1,271%
Financing activities	(10.7)	(13.8)	22%
Effect of exchange rate changes	(3.0)	(1.4)	(114%)
	12.4	(255.5)	105%
Cash and cash equivalents:			
Beginning of period	547.2	775.3	(29%)
End of period	559.6	519.8	8%

### First quarter (three-month period) - Cash flows analysis

For the three-month period ended March 31, 2021, Sagicor's net cash outflows associated with operating activities was US \$23.1 million compared to US \$236.1 million for the same period in 2020. During the first quarter of 2020, funds obtained from the Alignvest transaction capital injection, which occurred during the last quarter of 2019, were invested in securities during that quarter.

Sagicor's net cash from investing activities was US \$49.2 million for the first quarter of 2021, compared to outflows of US \$4.2 million for the same period in 2020, an increase in inflows of US \$53.4 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 \$51.7 million. Refer to the Additional Financial Information: Interest in Playa Hotel and Resorts N.V section for more details.

Sagicor's net cash used for financing activities totalled US \$10.7 million during the March 2021 quarter, compared to outflows of US \$13.8 million for the same period in 2020, a decrease in outflows of US \$3.1 million. The March 2021 quarter includes cash outflows of US \$1.3 million associated with the repurchase of 266,600 shares under a share buyback program. During the March 2020, the Group declared and paid dividends to common shareholders totalling US \$8.3 million: dividends declared during the March 2021 quarter were paid subsequent to the period end.

For the three-month period ended March 31, 2021, the effect of exchange rate changes was a loss of US \$3.0 million compared to a loss of US \$1.4 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>
<b>Sagicor Life Inc<sup>(a)</sup></b>	
Financial Strength	A - Stable
Issuer Credit Rating	a- Stable
<b>Sagicor Life Jamaica Limited<sup>(a)</sup></b>	
Financial Strength	B++ Stable
Issuer Credit Rating	bbb+ Stable
<b>Sagicor Life Insurance Company (USA)<sup>(a)</sup></b>	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable
<b>Sagicor Financial Corporation Limited<sup>(a)</sup></b>	
Issuer Credit Rating	bbb- Stable
<b>Sagicor Finance (2015) Limited<sup>(a)</sup></b>	
Senior Unsecured	bbb Stable
<b>Sagicor General Insurance Inc<sup>(b)</sup></b>	
Financial Strength	A- Stable
Issuer Credit Rating	a- Stable

<sup>(a)</sup> Updated September 11, 2020. <sup>(b)</sup> Updated October 14, 2020

	<u>S&amp;P Rating <sup>(c)</sup></u>
<b>Sagicor Financial Corporation Limited</b>	
Issuer Credit Rating	BB+ (Stable)
<b>Sagicor Finance (2015) Limited</b>	
Senior Unsecured	BB+ (Stable)

<sup>(c)</sup> Updated November 25, 2020

	<u>Fitch Rating <sup>(d)</sup></u>
<b>Sagicor Financial Corporation Limited</b>	
Long-term Issuer Default Rating	BB (Stable)
<b>Sagicor Finance (2015) Limited</b>	
Senior Unsecured	BB- (Stable)

<sup>(d)</sup> Updated June 8, 2020.

## 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 March 31, 2021, Sagicor had US \$7.4 billion of diversified financial assets and experienced net investment income of US \$111.1 million, a return on net investment of 6.1% for the three-month period ended March 31, 2021. Since becoming a public company in 2002, Sagicor has had positive and stable investment portfolio performance.

#### *Carrying Values*

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

<i>(in millions of US \$, except percentages)</i>	As of		As of	
	March 31, 2021		December 31, 2020	
<b>Analysis of Financial Investments</b>	Carrying value	% of Total	Carrying value	% of Total
<b>Investments at FVOCI:</b>				
Debt securities and money market funds	3,666.7	50%	3,611.9	50%
Equity securities	1.2	-	1.1	-
	<b>3,667.9</b>	<b>50%</b>	<b>3,613.0</b>	<b>50%</b>
<b>Investments at FVTPL:</b>				
Debt securities	495.3	7%	348.9	5%
Equity securities	676.3	9%	659.5	9%
Derivative financial instruments	38.3	1%	37.2	1%
Mortgage loans	25.5	-	26.1	-
Deposits	1.3	-	-	-
	<b>1,236.7</b>	<b>17%</b>	<b>1,071.7</b>	<b>15%</b>
<b>Investments at amortised</b>				
Debt securities	1,301.1	18%	1,269.5	17%
Mortgage loans	396.7	5%	393.2	5%
Policy loans	150.8	2%	151.0	2%
Finance loans	536.4	7%	555.4	8%
Securities purchased for re-	34.9	-	57.1	1%
Deposits	104.0	1%	127.7	2%
	<b>2,523.9</b>	<b>33%</b>	<b>2,553.9</b>	<b>35%</b>
<b>Total financial investments</b>	<b>7,428.5</b>	<b>100%</b>	<b>7,238.6</b>	<b>100%</b>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

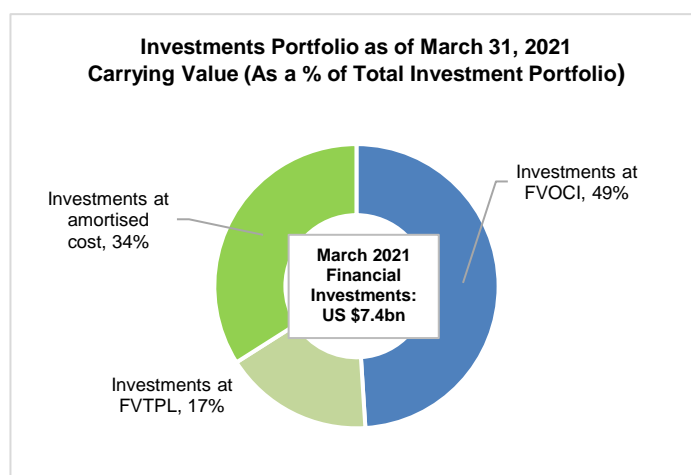
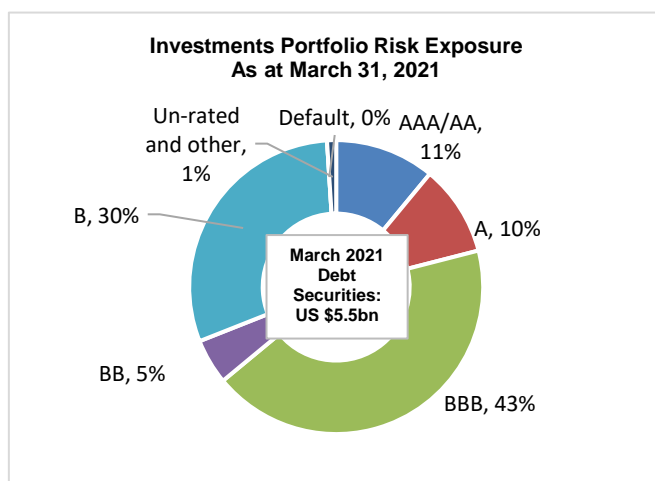
<i>(in millions of US \$)</i>	As of		Change
	March 31, 2021	December 31, 2020	
<b>Debt securities and money market funds</b>			
Measured at fair value through other comprehensive income	3,666.7	3,611.9	2%
Measured at amortised cost	1,301.1	1,269.5	2%
Measured at fair value through income (FVTPL)	495.3	348.9	42%
<b>Total</b>	<b>5,463.1</b>	<b>5,230.3</b>	<b>4%</b>

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 March 31, 2021.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### NET INVESTMENT INCOME

<i>(in millions of US \$)</i>	Three months ended		
	March 31		
	2021	2020	Change
<b>Income from financial investments</b>			
Interest income:			
Debt securities	23.0	20.6	12%
Mortgage loans	5.8	5.1	14%
Policy loans	2.7	2.8	(4%)
Finance loans and finance leases	13.7	15.9	(14%)
Securities purchased for resale	0.4	0.1	300%
Deposits, cash and other items	0.2	0.1	100%
	45.8	44.6	3%
Interest Income (FVOCI):			
Debt securities and money market funds	34.5	35.5	(3%)
Fair value changes and interest income (FVTPL Assets):			
Debt securities	0.3	(12.4)	102%
Equity securities	20.5	(52.4)	139%
Mortgage loans	0.4	(0.2)	300%
Derivative financial instruments	9.2	(29.1)	132%
	30.4	(94.1)	(132%)
Investment income:			
Other income on financial investments	0.1	0.1	-
Investment property income and fair value (losses)/gains	1.0	2.5	(60%)
Other investment income	0.1	(0.3)	133%
	1.2	2.3	(48%)
<b>Investment expenses:</b>			
Direct operating expenses of investment property	0.5	1.6	69%
Other direct investment expenses	0.3	0.6	50%
	0.8	2.2	64%
<b>Net investment income</b>	<b>111.1</b>	<b>(13.9)</b>	<b>899%</b>
<b>Return on Investments (annualised)</b>	<b>6.1%</b>	<b>(0.8%)</b>	<b>6.9 pts</b>



## 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>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
<b>Principal insurance and investment contract liabilities</b>			
Actuarial liabilities	<b>4,151.7</b>	4,152.7	-
Investment contract liabilities	<b>448.2</b>	437.6	2%
Customer deposits	<b>818.7</b>	861.7	(5%)
Securities sold for repurchase	<b>598.0</b>	575.6	4%
Other funding instruments	<b>406.6</b>	388.5	5%
Total	<b>6,423.2</b>	6,416.1	-

## 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 of the risks associated with credit losses are included in note 12 to the March 31, 2021, interim financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 7. ADDITIONAL FINANCIAL 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.

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

In response to the changing, and increasingly uncertain, economic environment, the Sagicor Group has performed reviews and updated its assumptions, including those related to asset impairment, where necessary. Changes in the economic outlook data have been reported in note 12 of the March 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 March 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 quarter, the Company repurchased 266,600 shares, at a total cost of US \$1.3 million, which were subsequently cancelled. Share capital and share premium in equity have been reduced by the cost of the shares repurchased and commission paid on the transactions. The premium paid on the repurchase of shares has been recorded in retained earnings.

The cost of shares totaling US \$0.010 million, which were repurchased at the year-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>	<b>March 31, 2021</b>
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)
	<hr/>
	(15.8)
Net unrealised foreign exchange gains recycled to income	17.8
Net unrealised interest rate swap losses recycled to income	(3.6)
	<hr/>
Loss on disposal of holding in Playa	(1.6)
	<hr/>

## 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>	<b>January 15, 2021</b>
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	<u>12.3</u>

Post-acquisition, a fair value gain of \$14.3 million was recognised for the period to March 31, 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 of the March 2021 interim financial statements). The letter of credit facility is guaranteed by Sagicor Financial Corporation Limited and SRBL. It is due to expire on June 26, 2021 and is deemed to be automatically extended for one-year periods, subject to notice of the intention to terminate the facility being given sixty days prior to an expiration date.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### e) Subsequent Events

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

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

On May 13, 2021, the Company issued 5.30% senior notes due 2028 in the amount of US \$400 million.

The Company also accepted cash tenders, for the outstanding 8.875% senior notes, totalling US \$130.2 million. Certain companies within the Group are subject to financial covenants related to the New Notes.

- ii. On May 14, 2021, the Board of Directors of Sagicor Financial Company Ltd. approved and declared a quarterly dividend of US \$0.05625 per common share payable on June 15, 2021 to the shareholders of record at the close of business on May 25, 2021.